

Crown Office and Procurator Fiscal Service

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for Crown Office and Procurator Fiscal Service

February 2019

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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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value

3. We aim to add value to the Crown Office and Procurator Fiscal Service (COPFS) 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 COPFS promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks


4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the COPFS. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<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 to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, management assurances are not applicable in this instance.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of fraud over expenditure</p> <p>The Financial Reporting Council's Practice Note 10 (revised) requires public sector auditors to give consideration to the risk of fraud over expenditure. The extent of</p>	<p>Key controls are working effectively for expenditure, including in P2P and for witness claims.</p>	<ul style="list-style-type: none"> • Walkthrough of accounts payable/P2P focusing on key controls. • Focused substantive testing on higher risk and more complex areas such as trade

 Audit Risk	Source of assurance	Planned audit work
<p>expenditure means that that there is an inherent risk of fraud.</p>	<p>Segregation of duties in place.</p> <p>Internal audit work on controls, including payroll and P2P carried out in 2016/17.</p>	<p>payables and non-current assets.</p>
<p>3 Provisions and contingent liabilities</p> <p>COPFS is subject to litigation regarding civil and damages claims. COPFS is opposing these claims but requires to assess each case on an individual basis to determine if there are any new or emerging liabilities as the year progresses.</p> <p>There is a significant degree of subjectivity in the measurement and valuation of provisions and contingent liabilities.</p> <p>This subjectivity represents an increased risk of misstatement in the financial statements given that the information available to COPFS can mean that accurate quantification or assessment is not always possible until the process has been completed (or is near completion). This creates challenges to correctly recognise, value and disclose liabilities or provisions.</p>		<ul style="list-style-type: none"> • Monitor outstanding litigation and carry out substantive testing of provisions and contingent liabilities, ensuring valuations and disclosures are in line with the FReM and other relevant guidance. • Through our knowledge of the business, review of key documents, and cut-off testing, we will assure ourselves as to the completeness of these categories.
<p>4 Non-current assets</p> <p>In the 2017/18 audit we identified a number of issues relating to non-current assets, particularly IT assets, including: asset management, disposal and development expenditure. In some cases, finance colleagues were not advised timeously of these events.</p> <p>There is a risk that assets are not managed effectively, disposed of correctly, and that newly developed assets are not accounted for correctly.</p>		<ul style="list-style-type: none"> • Review the new processes put in place, for finance and ISD, to ensure that information regarding non-current assets is communicated timeously. • Substantive testing of all disposals with a focus on ISD disposals. • Substantive testing of assets moving from under-development to developed. • Review work on the impairment review of IT assets.
<p>5 Budgetary pressures</p> <p>For 2018/19 COPFS' budget has increased in real terms, with the majority of the increased funding ringfenced for recruitment to achieve specific business objectives.</p> <p>Projections would suggest that there may be an underspend on the</p>		<ul style="list-style-type: none"> • Monitor monthly budget reports and review actions taken by COPFS to address projected overspends. • Focused substantive testing of expenditure and trade payables.

 Audit Risk	Source of assurance	Planned audit work
<p>ringfenced budget and an overspend on the core budget.</p> <p>There is a risk that COPFS is unable to achieve financial balance at year end, and that the ringfenced funding cannot be fully utilised.</p>		
<hr/> Wider dimension issues and risks <hr/>		
<p>6 Financial sustainability</p> <p>COPFS services are demand led and there has been a trend of increasing numbers of serious complex cases.</p> <p>The 2019/20 Scottish Government draft budget identified a real increase in cash terms for COPFS for that year. COPFS still face a long term budget challenges and needs to make £19 million in savings by 2022/23. The financial strategy is currently in draft and evidence of savings plans / amounts secured will be required to be provided during the audit.</p> <p>There is a risk that short term or reactionary decisions may be made and these may not fit with longer term plans or strategies.</p>		<ul style="list-style-type: none"> • Review detailed, operational savings plans as they emerge. • Monitor delivery of the sustainability project including savings planned and achieved and report in our annual audit report.
<p>7 Procurement</p> <p>COPFS aims to make savings through increasing contracted spend and reducing non-contract spend. In addition, 50% of COPFS savings are planned in non-pay expenditure which is one third of costs.</p> <p>COPFS hold a large number of complex contracts that are due for renewal in a short space of time.</p> <p>COPFS have also recently decided to bring procurement over £50,000 in-house and no longer use the shared service facility with the Scottish Government, from 2019/20.</p> <p>There is a risk that the complex contracts plus changing the method of delivering procurement may not bring about the expected savings and may actually increase costs.</p>		<ul style="list-style-type: none"> • Monitor progress against the recommendations which internal audit identified in 2017/18 and the 2018/19 internal audit follow up. • Review the findings of the PCIP 2 (procurement capability assessment) due to take place in 2019 and monitor progress against recommendations.
<p>8 ICT</p> <p>COPFS issued its Digital Strategy in January 2017. However, the action plan to support this was not yet</p>		<ul style="list-style-type: none"> • In order to form an opinion about the effectiveness of the information technology function, we will carry out an IT Services Review which will cover seven broad

	Audit Risk	Source of assurance	Planned audit work
	<p>available at the time of drafting this plan.</p> <p>With the increasing dependency on information technology across all business areas, it is important to establish that best practice is followed in managing those systems.</p> <p>Whilst investment in technology can be significant with ongoing revenue support required in the long term, there is a risk that ineffective use of these resources can be costly and lead to inefficiencies in the ability of the organisation to carry out its primary functions.</p>		<p>topics: strategy, organisation structure, asset protection, service delivery, installation management, data networking and disaster recovery/business continuity.</p> <ul style="list-style-type: none"> • We will review the Digital Strategy action plan when it is available. • We will review the updated Digital Cybersecurity and Resiliency Plan when published. • We will monitor the results of business continuity and resiliency 'simulation' exercises.

Source: Audit Scotland

Reporting arrangements

5. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#) and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to the COPFS, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

8. Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year – end, i.e. 31 December. COPFS are required to submit their audited financial statements by mid-July to meet the Scottish Government's consolidation timetable.

Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	7 February 2019	7 February 2019
Management Report	30 May 2019	30 May 2019
Annual Audit Report	3 July 2019	3 July 2019
Independent Auditor's Report	3 July 2019	3 July 2019

Source: Audit Scotland

Audit fee

9. The proposed audit fee for the 2018/19 audit of the COPFS is £102,020 (2017/18 £99,130). In determining the audit fee we have taken account of the risk exposure of the COPFS, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 21 May 2019.

10. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit and Risk Committee and Accountable Officer

11. Audited bodies have 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 them to successfully deliver their objectives.

12. The audit of the annual accounts does not relieve management or the Audit and Risk Committee, as those charged with governance, of their responsibilities.

Appointed auditor

13. 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.

14. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

15. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the COPFS and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the COPFS will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

16. We will give an opinion on whether the financial statements:

- give a true and fair view of the of the state of affairs of the COPFS as at 31 March 2019 and of its total comprehensive expenditure for the year then ended;
- have been properly prepared in accordance with the financial reporting framework and other reporting requirements;
- the regularity of income and expenditure.

Other information in the annual accounts

17. We also review and report on other information published within the annual accounts including the performance report, annual governance statement and the remuneration and staff report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

18. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

19. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

20. We calculate materiality at different levels as described below. The calculated materiality values for the COPFS are set out in [Exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

Exhibit 3

Materiality values

Materiality	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the latest audited accounts for 2017/18.	£1.1 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of planning materiality.	£660,000
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£10,000



Source: Audit Scotland

Timetable

21. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Working paper checklist provided to clarify working paper expectations	January 2019
Latest submission date of unaudited annual report and accounts with complete working papers package	21 May 2019
Latest date for final clearance meeting with the Director of Finance and Procurement	13 June 2019
Issue of Letter of Representation and proposed independent auditor's report	3 July 2019
Issue of Annual Audit Report including ISA 260 report to those charged with governance	3 July 2019
Independent auditor's report signed	5 July 2019
Latest date for signing of SG consolidation return	15 July 2019

Internal audit

22. Internal audit is provided by the Scottish Government's Internal Audit Directorate. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). This review is conducted by the Scottish Government external audit team. We will report any significant findings to management on a timely basis.

Using the work of internal audit

23. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

24. We will not place formal reliance on the work of internal audit to reduce our financial statements audit testing, but we will review their reports to inform our wider dimension audit responsibilities in the following areas:

- Risk management arrangements
- Productions review
- Phase 1 – strategic benefits realisation
- Information Management Assurances Phase 1 and 2.

Audit dimensions

25. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

Financial sustainability

26. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps including savings plans.

Financial management

27. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the COPFS has arrangements in place to ensure systems of internal control are operating effectively
- whether the COPFS can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the COPFS has assured itself that its financial capacity and skills are appropriate, and, it has arrangements in place where key person dependencies have been identified
- whether the COPFS has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

28. 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. We will review, conclude and report on:

- whether the COPFS can demonstrate that the governance arrangements in place are appropriate and operating
- whether there is effective scrutiny, challenge and transparency of decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

29. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- the COPFS can provide evidence that it is demonstrating value for money in the use of its resources.
- the COPFS can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- there is sufficient focus on improvement and the pace of it.

Other planned audit work

30. The following areas may present significant risks to the COPFS:

- EU withdrawal, specifically looking at implications for regulations, workforce and finance
- the changing landscape for public financial management
- openness and transparency, reviewing the approach to openness and transparency to ensure it is keeping pace with public expectations and good practice.

31. As part of our 2018/19 audit we will be looking at how these areas are being managed by the COPFS.

Independence and objectivity

32. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

33. The engagement lead (i.e. appointed auditor) for the COPFS is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor Gillian Woolman to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the COPFS.

Quality control

34. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control to be established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

35. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

36. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Crown Office and Procurator Fiscal Service

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If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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