

# Scottish Qualifications Authority

Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for the Scottish Qualifications Authority  
February 2020



## 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

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 audit plan provides an overview of the planned scope and timing of our audit of the Scottish Qualifications Authority for 2019/20. Our audit is carried out in accordance with International Standards on Auditing and the [Code of Audit Practice](#) issued by Audit Scotland.
2. The plan sets out the audit work necessary to allow us to provide an independent auditor's report on the annual report and accounts and meet the wider scope requirements of public sector audit. The wider scope of public audit includes assessing arrangements for financial sustainability, financial management, governance and transparency, and value for money. We make a public report of conclusions on these matters in our annual audit report to the Accountable Officer and the Auditor General for Scotland.
3. We seek to add value to the Scottish Qualifications Authority by identifying areas of improvement and recommending and encouraging good practice. In so doing, we aim to help the Scottish Qualifications Authority promote improved standards, better management and decision making, and more effective use of resources.

## Audit risks

4. Based on our experience of the organisation, discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the Scottish Qualifications Authority. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks are set out at [exhibit 1](#).

## Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>Auditing standards require that audit work is planned to consider the risk of misstatement arising from the management override of controls.</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"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>
<p><b>2 Risk of fraud over income</b></p> <p>Auditing standards assert that fraud over income should be presumed to be a significant risk in any audit.</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"> <li>• Analytical procedures on expenditure streams.</li> <li>• Detailed testing of transactions focusing on the areas of greatest risk.</li> <li>• Detailed testing of journal entries.</li> </ul>

 <b>Audit Risk</b>	<b>Source of assurance</b>	<b>Planned audit work</b>
<p><b>3 Risk of fraud over expenditure</b></p> <p>Auditing standards assert that fraud over expenditure should be presumed to be a significant risk in any audit.</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"> <li>• Review of regularity of expenditure transactions.</li> <li>• Analytical procedures on expenditure streams.</li> <li>• Detailed testing of transactions focusing on the areas of greatest risk.</li> <li>• Detailed testing of journal entries.</li> <li>• Review of regularity of expenditure transactions.</li> </ul>
<p><b>4 Estimation and judgments</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of some material balances disclosed in the financial statements:</p> <ul style="list-style-type: none"> <li>• the value of the pension liability is an estimate based on information provided by management and actuarial assumptions.</li> <li>• the new qualification income recognition is an accrual based on the service provided to 31 March in the academic year.</li> <li>• the value of the employee benefit estimation in relation to holiday pay.</li> </ul> <p><b>Risk</b></p> <p>Valuations of assets /liabilities are materially misstated.</p>	<p>Any significant estimates and judgements are clearly explained in the Notes to the Accounts.</p> <p>Use of professional actuaries appointed by the Pension Fund to value pension adjustments required by IAS19.</p>	<ul style="list-style-type: none"> <li>• Assessment of the appropriateness of the actuarial assumptions.</li> <li>• Establish officers' arrangements for assessing the impact of any movement in fund values between the IAS19 valuation date and the year end.</li> <li>• Focused testing of IAS19 disclosures.</li> <li>• Review appropriateness of accruals.</li> <li>• Review actual experience of significant estimates made in the prior year.</li> </ul>
<b>Wider dimension risks</b>		
<p><b>5 Financial sustainability</b></p> <p>As in previous years, the initial funding allocation from the Scottish Government fell considerably short of the SQA's funding requirement. The SQA continues to rely on in year allocations of funding.</p> <p><b>Risk</b></p> <p>Uncertainty over funding allocations reduces the organisation's capacity to meet its financial obligations and achieve a year-end break-even position.</p>	<p>Ongoing engagement with the Scottish Government.</p>	<ul style="list-style-type: none"> <li>• Review financial performance reports.</li> <li>• Review of arrangements to secure efficiencies.</li> </ul>
<p><b>6 Disaster Recovery Plan</b></p> <p>Internal Audit have reported that the SQA does not have a comprehensive and tested disaster recovery plan.</p>	<p>Progress is being monitored by the Audit Committee.</p>	<ul style="list-style-type: none"> <li>• Attendance at Audit Committee and review of minutes.</li> <li>• Discussion with key officers.</li> </ul>

	Audit Risk	Source of assurance	Planned audit work
	<p><b>Risks</b></p> <p>The SQA experiences significant delays in restoring services in the event of an IT disaster.</p> <p>Significant disruption to delivery of services.</p> <p>Negative media publicity and political intervention.</p>		
<b>7</b>	<p><b>User Activity Logs</b></p> <p>Internal audit have reported that user activity audit logs are not subject to management review.</p> <p><b>Risks</b></p> <p>Failure to detect and investigate malicious, suspicious or unusual activity.</p> <p>Sensitive data is compromised.</p>	<p>Progress is being monitored by the Audit Committee.</p>	<ul style="list-style-type: none"> <li>• Attendance at Audit Committee and review of minutes.</li> <li>• Discussion with key officers.</li> </ul>

Source: Audit Scotland

## Reporting arrangements

**5.** This audit plan, the outputs set out at [exhibit 2](#), and any other outputs on matters of public interest will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://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 reports will be issued to the relevant officer(s) to confirm factual accuracy, prior to the issue and publication of final reports.

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

## Exhibit 2 2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	28 February 2020	16 March 2020
Management Report	30 April 2020	1 June 2020
Annual Audit Report	19 August 2020	19 August 2020
Independent Auditor's Report	19 August 2020	19 August 2020

Source: Audit Scotland

## Audit fee

**8.** The agreed audit fee for the 2019/20 audit of the SQA is £47,850 (2018/19 £47,210). In determining the audit fee, we have taken account of the risk exposure of the organisation, 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 report and accounts, with a complete working papers package on 11 May 2020.

**9.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

## Responsibilities

### Accountable Officer and Audit Committee

**10.** Public bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity. For the SQA the Accountable Officer is the officer, with responsibility for the proper administration of its financial affairs. The SQA has delegated responsibility for the oversight of internal and external audit to its Audit Committee.

**11.** The audit of the annual report and accounts does not relieve the Accountable Officer or the Audit Committee of their responsibilities.

### Appointed auditor

**12.** Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice and the auditing profession's ethical guidance.

**13.** Auditors in the public sector give independent opinions on the financial statements and other information within the annual report and accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources.

# Audit scope and timing

## Annual report and accounts

**14.** The audit of the annual report and accounts 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 Scottish Qualifications Authority and the associated risks which could impact on the financial statements
- assessing how weaknesses in the key systems of internal control could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how these will be disclosed 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 from material misstatement.

**15.** We will give an opinion on:

- whether the financial statements give a true and fair view of the state of affairs of the Scottish Qualifications Authority and of the income and expenditure for the year
- whether the annual report and accounts have been properly prepared in accordance with the 2019/20 Government Financial Reporting Manual (FReM)
- whether the annual report and accounts have been prepared in accordance with relevant legislation
- the regularity of the expenditure and income.

## Other information in the annual report and accounts

**16.** We review other information published within the annual report and accounts including the performance report, governance statement and the remuneration and staff report. We give an opinion on whether they have been prepared in accordance with appropriate regulations and guidance. We also read and consider any other information in the annual report and accounts and report any material inconsistencies.

## Materiality

**17.** We apply the concept of materiality in planning and performing our audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements. Our calculated materiality levels are set out at [exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

## Exhibit 3

### Materiality levels

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of uncorrected misstatements in the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2019 based on the latest audited accounts.	£0.881 million
<b>Performance materiality</b> – 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. We have calculated performance materiality at 60% of planning materiality.	£0.529 million
<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of a 'reporting threshold' amount. This has been calculated at 3% of planning materiality.	£0.026 million

Source: Audit Scotland

## Timetable

18. A timetable, which takes into account submission requirements and SQA meeting dates, is included at [exhibit 4](#).

## Exhibit 4

### Annual report and accounts timetable

 Key stage	 Date
Submission of unaudited annual report and accounts for audit*	11 May 2020
Latest date for clearance meeting with Director of Finance	12 June 2020
Consideration of proposed Annual Audit Report by Audit Committee	27 July 2020
Approval of audited annual report and accounts by SQA Board	19 August 2020
Issue of independent auditor's report	19 August 2020
Issue of Annual Audit Report	19 August 2020
Latest date for signing of Whole of Government Accounts return	28 September 2020

\* By agreement with SQA management complete pension information may not be available at this date but will be included once received from the actuaries.

Source: Audit Scotland

## Internal audit

19. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal audit is provided by Scott-Moncrieff, an external accountancy firm. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. We have concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound reporting procedures in place.

**20.** From our initial review of internal audit plans we plan to place formal reliance on internal audit work in the following areas:

- Payroll
- Appointee Fees and Expenses

We will also review internal audit reports in considering our wider dimension audit responsibilities.

## Audit dimensions

**21.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

**22.** The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. In light of the volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2019/20 audit of the Scottish Qualifications Authority.

## Independence and objectivity

**23.** Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. 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 those 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.

**24.** The appointed auditor for the Scottish Qualifications Authority is Dave Richardson, Senior Audit Manager. Auditing and ethical standards require the appointed auditor 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 Scottish Qualifications Authority.

## Quality control

**25.** International Standard on Quality Control (ISQC1) requires that a system of quality control is 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.

**26.** 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 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 has been commissioned to carry out external quality reviews.

**27.** 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 or to Audit Scotland’s Audit Quality and Appointments group.

# Scottish Qualifications Authority

## Audit Plan 2019/20

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](mailto:info@audit-scotland.gov.uk)

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