

# Scottish Fiscal Commission

2019/20 Annual Audit Report



 AUDIT SCOTLAND

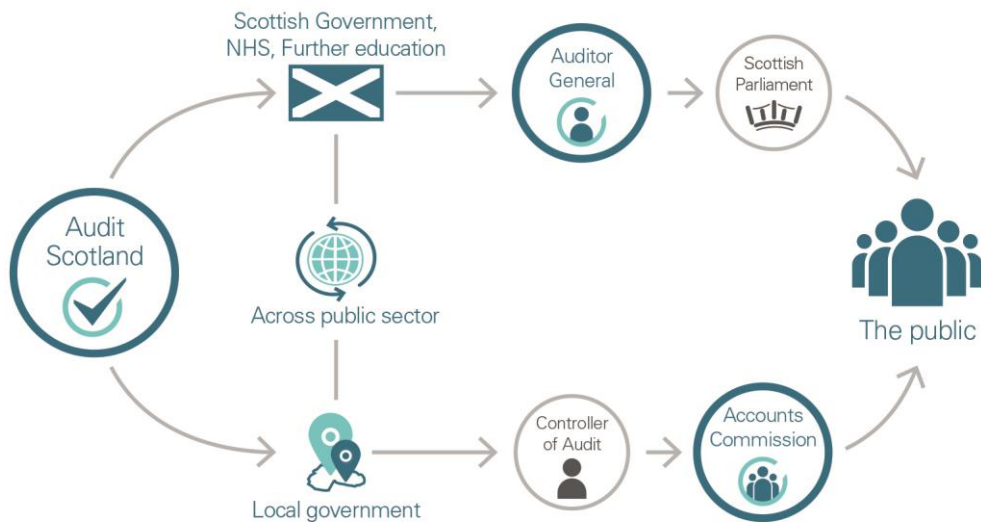
Prepared for the Scottish Fiscal Commission and the Auditor General for Scotland

October 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

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

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## 2019/20 annual report and accounts

- 1** The Scottish Fiscal Commission's financial statements give a true and fair view of the financial position and its net expenditure for the year.
- 2** The expenditure recorded in the financial statements was incurred in accordance with applicable enactments and guidance.
- 3** The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

## Financial sustainability and governance

- 4** The Scottish Fiscal Commission remained within its budget, reporting an underspend of £75,000 in 2019/20.
- 5** We have no significant concerns about the overall financial position of the Scottish Fiscal Commission.
- 6** The information disclosed in the governance statement complies with guidance issued by the Scottish Ministers.
- 7** The presentation of the performance report is of a good quality, but there is scope to further improve the content by designing key performance indicators against which performance can be monitored and introducing infographics and diagrams.

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# Introduction

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**1.** This report summarises the findings from our 2019/20 audit of the Scottish Fiscal Commission.

**2.** The scope of our audit was set out in our Annual Audit Plan presented to the February 2020 meeting of the Audit and Risk Committee. This report comprises the findings from:

- an audit of the body's annual report accounts
- our consideration of aspects of financial sustainability and governance.

**3.** Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, Scottish Fiscal Commission has had to respond to the COVID-19 pandemic. This impacted on the final month of the year and will continue to impact the financial year 2020/21. This has resulted in changes to the work environment with all functions being delivered by home working and virtual meetings. There have been no substantive changes to the governance arrangements of the Scottish Fiscal Commission.

**4.** Our audit planning work took place prior to the pandemic. We reviewed our assessment of the key risks in advance of the year-end financial statements audit and concluded that our risk assessment remained relevant, and there were no new or emerging audit risks as a result of the pandemic.

## Adding value through the audit

**5.** We add value to the Scottish Fiscal Commission through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of financial sustainability and governance.

**6.** In so doing, we aim to help the Scottish Fiscal Commission promote improved standards of governance, better management and decision-making and more effective use of resources.

## Responsibilities and reporting

**7.** The Scottish Fiscal Commission 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 Scottish Ministers.

**8.** The Scottish Fiscal Commission is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**9.** Our responsibilities as independent auditor are established by 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.

**10.** As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the arrangements for securing financial sustainability and the appropriateness of the governance statement disclosures. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and [supplementary guidance](#).

**11.** The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of less complex 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. As highlighted in our 2019/20 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the less complex audit provisions of the Code to the 2019/20 audit.

**12.** This report raises matters from our audit. The 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.

**13.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

## **Auditor Independence**

**14.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £27,270, as set out in our Annual Audit Plan, remains unchanged.

**15.** We are not aware of any relationships that could compromise our objectivity and independence.

**16.** This report is addressed to the Scottish Fiscal Commission and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**17.** We would like to thank the management and staff for their cooperation and assistance during the audit, particularly given the challenges presented as a result of the Covid-19 pandemic.

# Part 1

## Audit of 2019/20 annual report and accounts



### Main judgements

**The Scottish Fiscal Commission's financial statements give a true and fair view of the financial position and its net expenditure for the year.**

**The expenditure recorded in the financial statements was incurred in accordance with applicable enactments and guidance.**

**The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.**

### Our audit opinions on the annual report and accounts are unmodified

**18.** The annual report and accounts are the principal means of accounting for the stewardship of the Scottish Fiscal Commission's resources and its performance in the use of those resources.

**19.** The Audit and Risk Committee recommended to the Governance Board that the Chief Executive should approve the annual report and accounts for the year ended 31 March 2020 on 8 October 2020. The Chief Executive signed the annual report and accounts later that same day.

**20.** As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income are regular and in accordance with applicable enactments and guidance issued by Scottish Ministers
- 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 relevant legislation and directions made by Scottish Ministers.

**21.** We have nothing to report in respect of misstatements in information other than that reported below.

### The annual report and accounts were signed off in line with revised Scottish Government timetables, but this was later than originally planned

**22.** Scottish Fiscal Commission and Audit Scotland staff worked from home for the duration of the final accounts audit due to the Covid-19 pandemic. We kept in regular communication with management throughout and revised the planned audit timetable. Due to the challenges of remote working the sign-off date was extended. The annual report and accounts were certified on 8 October 2020, four weeks later than originally planned.

**23.** We received the unaudited annual report and accounts on 29 June 2020 in line with our agreed audit timetable.

**24.** The working papers provided with the unaudited financial statements were complete and of a generally good standard. Scottish Fiscal Commission staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Overall materiality is £37,000

**25.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the financial statements.

**26.** On receipt of the unaudited annual report and accounts we reviewed our planning materiality calculations and concluded that they remained appropriate. We updated these to reflect the reported outturn at 31 March 2020 as summarised in [Exhibit 1](#). The revised materiality levels did not impact on our planned audit approach.

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## Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£37,000
Performance materiality	£19,000
Reporting threshold	£1,000

Source: Scottish Fiscal Commission Annual Audit Plan 2019/20

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### Appendix 2 identifies the main risk of material misstatement and our audit work to address this

**27.** [Appendix 2](#) provides our assessment of the main risk of material misstatement in the annual report and accounts. It also summarises the work we have done to gain assurance over the outcome of this risk and our conclusion.

**28.** We undertook our planning work and issued our 2019/20 annual audit plan in January 2020, prior to the Covid-19 pandemic. In line with auditing standards and professional advice, including the [Financial Reporting Council's Covid-19 bulletin](#) published in March 2020, we reviewed our assessment of audit risks and the planned audit work and concluded that they remained relevant.

**29.** We have no issues to report from our work on this risk of material misstatement.

### Significant findings from the audit of the annual report and accounts

**30.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.



**31.** Our audit identified some presentational and disclosure issues in the unaudited financial statements and the narrative within the annual report section. These were discussed with finance staff and subsequently amended in the audited financial statements

**32.** We have no significant findings to report to the Audit and Risk Committee. A number of other findings are raised below.

### Identified misstatements

**33.** There was one misstatement above our reporting threshold identified from our audit. The misstatement arose due to a salary payment which had originally been funded by a third party and which was not recharged to the Scottish Fiscal Commission (£13,000).

**34.** We have concluded that the misstatement arose from an isolated issue and does not indicate a systemic error. Management have adjusted for the repayment of salary following agreement with the Scottish Government.

### Good progress was made on prior year recommendations

**35.** Scottish Fiscal Commission has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

# Part 2

## Financial sustainability and governance



### Main judgements

The Scottish Fiscal Commission remained within its budget, reporting an underspend of £75,000 in 2019/20.

We have no significant concerns about the overall financial position of the Scottish Fiscal Commission.

The information disclosed in the governance statement complies with guidance issued by the Scottish Ministers.

The presentation of the performance report is of a good quality, but there is scope to further improve the content by designing key performance indicators against which performance can be monitored and introducing infographics and diagrams.

### Scottish Fiscal Commission operated within its 2019/20 budget and has an underspend of £75,000

36. The main financial objective for the Scottish Fiscal Commission is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government. The Scottish Fiscal Commission has reported net operating costs of £1.845m remaining within its overall budget for 2019/20 with an underspend of £75,000.

### There are net liabilities recorded in the statement of financial position

37. The Statement of Financial Position summarises what is owned and owed by the Scottish Fiscal Commission. 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

38. The 2019/20 financial statements show that the Scottish Fiscal Commission has net liabilities of £119,000 (2018/19: £84,000). This is due to the Scottish Fiscal Commission having a very low asset base with limited non-current assets and no bank account. This is not considered an issue in relation to the going concern of the organisation as the Scottish Fiscal Commission receives all its funding from the Scottish Government who have confirmed funding for 2020/21 in the Budget (Scotland) Act. The accounts have been prepared on a going concern basis and we are content with that judgement.

### Budget monitoring has improved although it could be further enhanced

39. We have reported in previous years that budget reporting could be enhanced, and that the tracker spreadsheet be regularly reconciled to the financial ledger with evidence of this reconciliation retained on file.

40. We are pleased to note the improvements introduced during the year which included the employment of a suitably experienced finance manager and the introduction of more complete reconciliations of the ledger to the tracker spreadsheet. The spreadsheet is now reconciled to the ledger on a monthly basis with any discrepancies investigated and explained. We did, however, identify some further areas for improvement including:

- the evidencing and reviewing of the tracker and ledger reconciliations by recording who performed the reconciliation together with evidence of a secondary review and respective dates these processes occurred
- management should enhance their knowledge of Scottish Government shared service processes in order to assess their impact on expenditure and budget
- there were a number of journal entries which were duplicated and had to be reversed during the year.

41. Internal Audit, as part of their Annual Corporate Review, also recommended that quality assurance checks of the information recorded in the tracker spreadsheet be implemented by the Scottish Fiscal Commission.



### Recommendation 1

**The processes and procedures relating to the tracking spreadsheet and budgetary control should continue to be reviewed. Reconciliations should be evidenced and duplicate journals should be minimised.**

[Appendix 1, issue 1](#)

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## The Scottish Fiscal Commission has a medium-term financial plan

42. As a non-ministerial office of the Scottish Administration, the Scottish Fiscal Commission has its own budget and is funded directly by block funding from the Scottish Government. Scottish Ministers consider this budget alongside the resourcing needs of other public bodies and portfolios. The Scottish Fiscal Commission is separate from and independent of the Scottish Government.

43. The 2019/20 budget approved by the Scottish Parliament in February 2020 was £1,900,000. The 2020/21 budget was originally set at £1,947,000 but has been subsequently confirmed as £2,048,000, following additional provision for pension contributions increases and £75,000 for the refurbishment of facilities within Governor's House.

44. The Scottish Fiscal Commission has a three-year financial plan. This is a multi-year budget plan submitted to the Scottish Government which identifies its projected resource needs in the medium-term and is part of the Framework Agreement between the Scottish Fiscal Commission and the Scottish Ministers. Scottish Ministers will subsequently provide a clear indication of funding for the forthcoming financial year (year 1) and indicative funding for years 2 and 3, which can be reviewed should there be significant changes in circumstances.

45. The Scottish Fiscal Commission prepared its spending projections for the four years from 2020/21 to 2023/24 and submitted them to the Scottish Government in September 2019. Formal confirmation of the 2020/21 funding awarded and indicative funding for 2021/22 and 2022/23 was received from the Cabinet Secretary for Finance in March 2020.

**46.** The Scottish Fiscal Commission has good medium-term financial planning arrangements in place and should use this future indicative budget as a basis for developing longer term plans (5-10 years) in due course.

## **Covid-19 will have significant consequences for public spending in Scotland**

**47.** Audit Scotland published a briefing paper in August 2020, [Covid-19: Implications for public finances in Scotland](#). This paper highlights the unprecedented impact of the pandemic on public finances. The Scottish and UK governments have responded quickly, providing additional funding for public services and support for individuals, businesses and the economy.

**48.** Between March and July 2020, the Scottish Government announced over 90 spending and tax measures to help support business, public services and individuals during the pandemic. These measures totalled over £5.3bn, and an additional £4.8bn additional spend on Covid-19 related measures is estimated for 2020/21.

**49.** The Scottish Fiscal Commission budget for 2020/21 includes £82,000 in respect of the refurbishment of the facilities at Governor's House and £52,000 contingency to cover unknown pressures and uncertainties in 2020/21. As at the end of May, management are already forecasting a year end underspend of £28,000. The current uncertainties of the Covid-19 pandemic and their potential impact on expenditure are likely to reduce a range of staff and non-staff costs and could potentially increase the projected 2020/21 underspend if realised.

**50.** The Scottish Fiscal Commission should continue to consider the impact of the Covid-19 pandemic on its future operations and financial plans.

## **Governance arrangements**

**51.** The Scottish Fiscal Commission was established as a statutory body on 1 April 2016 by the Scottish Fiscal Commission Act 2016. The Commission is a non-ministerial office of the Scottish Administration and is separate and independent of the Scottish Government.

**52.** As noted in the accountability report within the financial statements, at 31 March 2020 there were four commissioners, one of whom was chair. There were no changes to these governance arrangements during 2019/20.

## **Governance statement**

**53.** HM Treasury's Financial Reporting Manual (the FReM) states that the Scottish Fiscal Commission 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.

**54.** The governance statement reflects a range of assurances received by the accountable officer in relation to the adequacy and effectiveness of the Board's system of internal control which operated during the financial year. As the organisation develops and matures, the current processes may need to be refined to ensure the accountable officer receives the required assurances from the members of the senior management team covering their areas of responsibility, including the internal delegation of smaller budget areas.

**55.** We discussed some amendments to the draft governance statement to better reflect the position throughout the year which management agreed to implement. This included the impact of the Covid-19 pandemic on the business of the Scottish Fiscal Commission up until the date of signing the 2019/20 annual report and accounts.

**56.** We concluded that the information disclosed in the 2019/20 governance statement complies with the guidance issued by the Scottish Ministers. Based on our knowledge and work performed, it presents an appropriate picture of the governance arrangements in place.

### **The presentation of the performance report is of a good quality, but there is scope to further improve the content**

**57.** In addition to the opinion on the performance report covered in Part 1 of this report, we also consider the qualitative aspects of the performance report included in the annual report and accounts. The purpose of the report is to provide information on the organisation, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and understandable analysis of performance, and is essential in helping stakeholders understand the financial statements. The performance report is therefore an opportunity for the organisation to ‘tell its story’ and enhance openness and transparency.

**58.** We are pleased to note that the performance report is of a good quality and meets the requirements of the 2019/20 Government Financial Reporting Manual (FRoM). We discussed with management, some opportunities for improvement. These included:

- increased use of diagrams and infographics
- the introduction and development of key performance indicators (KPIs) and comparison against actual performance during the year (qualitative and quantitative).

**59.** Annex 5 of the 2019/20 FRoM provides additional good practice guidance on narrative reporting. The annex refers to the use of trend data, balanced reporting, use of infographics and going beyond the minimum reporting requirements. There is scope to improve further by including, for example, more infographics and trend reporting.



### **Recommendation 2**

**The performance report could be further improved by the introduction of specific, measurable targets going forward and more use of diagrams and infographics.**

[Appendix 1, issue 2](#)

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### **National performance audit reports**

**60.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 3](#) highlights a number of the reports published in 2019/20.

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Budget monitoring</b></p> <p>Financial management and budget monitoring have improved during 2019/20. Some areas for improvement were identified to enhance the process including:</p> <ul style="list-style-type: none"> <li>the evidencing and reviewing of the tracker and ledger reconciliations</li> <li>management should enhance their knowledge of Scottish Government shared service processes in order to assess their impact on expenditure</li> <li>a number of journal entries were duplicated and had to be reversed.</li> </ul> <p><b>Risk:</b> There is a risk that budget monitoring is not a full reflection of activity.</p>	<p>The processes and procedures relating to the tracking spreadsheet and budgetary control should continue to be reviewed. Reconciliations should be evidenced and duplicate journals minimised.</p> <p><a href="#">Paragraphs 40,41</a></p>	<p>We will continue to refine our budget monitoring and have already put some changes in places.</p> <p>Head of Strategy, Governance and Corporate Services</p> <p>October 2020</p>
2	<p><b>Performance report</b></p> <p>We noted scope to further improve the performance report through the use of key performance indicators, diagrams and infographics.</p> <p><b>Risk:</b> The opportunity to tell the full story of the Scottish Fiscal Commission during the year is missed.</p>	<p>The performance report could be further improved by the introduction of specific, measurable targets going forward and more use of diagrams and infographics.</p> <p><a href="#">Paragraph 59</a></p>	<p>Our performance in economic and fiscal forecasting – our primary statutory function - is reported and analysed in depth in our annual Forecast Evaluation Report, which is laid in Parliament and scrutinised by the Finance and Constitution Committee.</p> <p>We will, however, consider whether there are other measures of our progress as an organisation which would be appropriate and meaningful to report in our annual report, including whether we can further increase the number of graphics in the report, and will include this when we consult on our next corporate plan.</p>



No. Issue/risk



Recommendation



Agreed management action/timing

Head of Strategy,  
Governance and Corporate  
Services  
March 2021

### Follow up prior year recommendations

<p><b>1 Audit evidence</b></p> <p>Some of the working papers to back up the figures reported in the annual accounts were not available at the commencement of the audit.</p> <p><b>Risk:</b> The audit is delayed if working papers are not available.</p>	<p>Management should review the procedures to ensure that all working papers are available at the outset of the audit.</p>	<p><b>Complete</b></p> <p>The working papers supporting the figures reported in the annual accounts were made available at the outset of the 2019/20 audit.</p>
<p><b>2 Financial management / budgetary processes</b></p> <p>Several amendments to the accounts presented to audit were as a result of mis-postings to the ledger.</p> <p>Budget reporting could be enhanced. The tracker spreadsheet should be reviewed.</p> <p><b>Risk:</b> There is a risk that expenditure incurred is not recognised and overspends against the agreed budget are incurred.</p>	<p>The action plan agreed with internal audit findings in relation to budget management should be progressed.</p> <p>Budgetary control processes should be reviewed so that senior management and members receive accurate, regular, timely and up to date financial information on the financial position.</p> <p>The tracker spreadsheet should be regularly reconciled to the ledger and evidence of this reconciliation retained on file. Budget reports will then reflect the current actual position.</p>	<p><b>In progress</b></p> <p>There were no amendments required to the 2019/20 draft accounts presented to audit as a result of ledger mis-postings.</p> <p>Budgetary control processes have improved this year. Finance update reports presented to senior management and members are more accurate, comparable and consistent than before.</p> <p>Internal delegation of smaller budget areas to senior management was introduced in 2019/20.</p> <p>The tracker spreadsheet is reconciled to the ledger and reviewed monthly, with evidence of this retained by staff. However, documentation of this reconciliation and the secondary review could be better evidenced to show who performed these processes and when.</p> <p>Refer to Action plan point 1 above</p>
<p><b>3 Review of journals</b></p> <p>There is no automatic control which requires journals to be authorised</p>	<p>A periodic managerial review of journals should be undertaken. Management advised that there is a facility</p>	<p><b>Complete</b></p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>before they are posted. There is no management oversight of journals posted.</p> <p><b>Risk:</b> There is a risk that incorrect ledger entries are processed.</p>	<p>on the system for a report to be run which would identify all manual journals.</p>	<p>There are mitigating controls in place of journal authorisation.</p> <p>A monthly review of the financial tracker spreadsheet highlights any journals made in the year.</p> <p>Regular budget monitoring and reporting identifies any in-year discrepancies between spend and budget.</p>
4	<p><b>Payroll controls</b></p> <p>No checks are undertaken of staff leavers' final salary payments.</p> <p><b>Risk:</b> There is a risk that inappropriate expenditure is incurred and that errors are not identified timeously.</p>	<p>The Scottish Fiscal Commission should consider introducing more formal controls over payroll for example final salary checks for leavers.</p>	<p><b>In progress</b></p> <p>There are mitigating controls in place where monthly payroll information is reviewed by staff and recorded in the tracker spreadsheet, which is reconciled to the ledger. Any discrepancies are raised with the Pay Administration team and corrected by journal where necessary.</p> <p>Documentation of reconciliation checks could be better evidenced by staff show who performed the checks and when.</p> <p>Refer to Action plan point 1 above</p>
5	<p><b>Access rights</b></p> <p>Two members of staff who had left the Scottish Fiscal Commission did not have their access rights to the EASEbuy purchasing system revoked.</p> <p><b>Risk:</b> There is a risk that leavers still have access to key systems resulting in inappropriate entries being made on the ledger.</p>	<p>Controls should be introduced to ensure that all access rights of staff are withdrawn on leaving the organisation.</p> <p>Access rights should be periodically reviewed by management for appropriateness.</p>	<p><b>Complete</b></p> <p>Access rights to the EASEbuy purchasing system were reviewed and updated by the Scottish Fiscal Commission in 2019/20.</p> <p>Our review of the system user access rights found it to be appropriate and up to date for 2019/20.</p>



# Appendix 2

## 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.

### Risks of material misstatement in the financial statements

<p><b>1 Risk of material misstatement caused by management override of controls</b></p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Review of accounting estimates</p> <p>Detailed testing of journal entries</p> <p>Focused testing of accruals and prepayments</p> <p>Evaluation of significant transactions that are outside the normal course of business</p> <p>Substantive testing of transactions after the year-end to confirm transactions have been accounted for in the correct financial year</p> <p>Focused testing of accounting adjustments at the year-end.</p>	<p>We did not identify any issues as a result of our audit work that would indicate management override of controls affecting the year-end position.</p>
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# Appendix 3

## Summary of national performance reports 2019/20



**2019/20  
Reports**

		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	 Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: Financial overview 2018/19		<b>Dec</b>	
Scotland's City Region and Growth Deals		<b>Jan</b>	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		<b>Mar</b>	 Early learning and childcare: follow-up

# Scottish Fiscal Commission

## 2019/20 Annual Audit Report

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