

# Standards Commission for Scotland

2019/20 Annual Audit Report



 AUDIT SCOTLAND

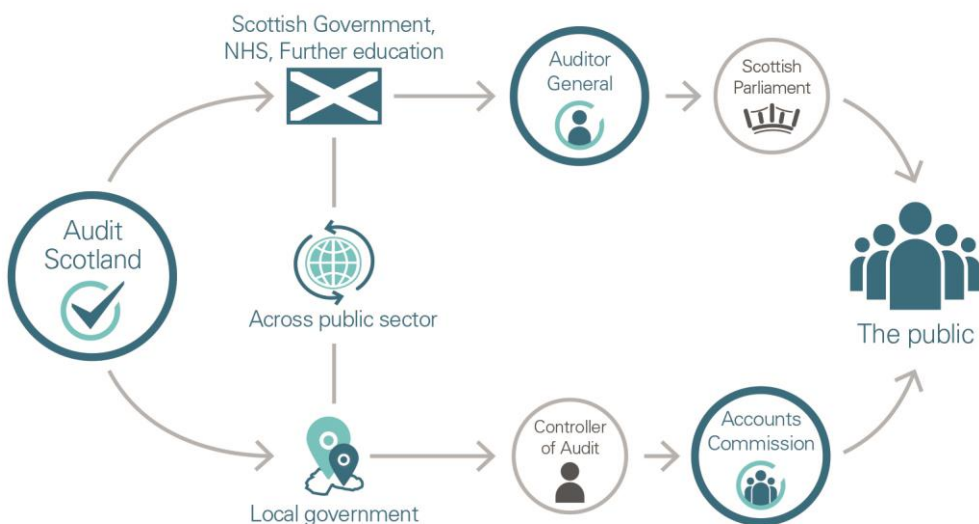
Prepared for the Standards Commission for Scotland and the Auditor General for Scotland

21 July 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 financial statements of the Standards Commission for Scotland give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2** Expenditure and income were incurred in accordance with applicable enactments and guidance issued by Scottish Ministers.
- 3** 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.
- 4** COVID-19 did not have a significant impact on the accounting and auditing timetable for the 2019/20 financial statements.

## Financial sustainability

- 5** We concluded that Standards Commission for Scotland has appropriate and effective financial planning arrangements in place to ensure the costs are met as they are incurred.
- 6** At the time of this report, the impact of COVID-19 on the Standards Commission for Scotland's financial plans has been minimal.

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# Introduction

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1. This report summarises the findings from our 2019/20 audit of the Standards Commission for Scotland (SCfS).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 20 January 2020 meeting of the Audit and Risk Committee. This report comprises the findings from:
  - an audit of the SCfS's annual report and accounts
  - our consideration of financial sustainability.
3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the SCfS has had to respond to the COVID-19 pandemic. This impacted on the final month of the year and will continue to have an impact into financial year 2020/21. We have not had to adapt our planned audit work in 2019/20 as a result of the COVID-19 pandemic as we did not identify any new or emerging risks.

## Adding value through the audit

4. We add value to the SCfS through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
  - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
5. In so doing, we aim to help the SCfS promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

6. The SCfS 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. The SCfS is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
7. 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.
8. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of

the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in [the Code of Audit Practice 2016](#) and supplementary guidance.

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

**10.** 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.

### **Auditor Independence**

**11.** 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 £2,730 as set out in our Annual Audit Plan, remains unchanged.

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

**13.** This report is addressed to the SCfS 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.

**14.** We would like to thank the management and staff for their cooperation and assistance during the audit.

# Part 1

## Audit of 2019/20 annual report and accounts



### Main judgements

The SCfS financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Expenditure and income were incurred in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

COVID-19 did not have a significant impact on the accounting and auditing timetable for the 2019/20 financial statements.

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

**15.** The annual report and accounts are the principal means of accounting for the stewardship of the SCfS's resources and its performance in the use of those resources.

**16.** The annual report and accounts for the year ended 31 March 2020 were approved by the Standards Commission on 27 July 2020.

**17.** 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
- 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.

### The accounting framework was changed due to the COVID-19 pandemic

**18.** In May 2020 an addendum to the Government Financial Reporting Manual (the FReM) was published in response to the impact of COVID-19. The addendum permits, but does not require, bodies to omit the performance analysis section from the Performance Report.

19. The SCfS has elected to include a performance analysis section in line with previous years and this has been subject to audit coverage.

### The annual report and accounts were signed off as per the agreed timetable.

20. The unaudited annual report and accounts were received in line with our agreed audit timetable on 1 June 2020.

21. The unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Overall materiality is £5,000

22. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

23. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and concluded that no changes were required to our planned levels.

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## Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£5,000
Performance materiality	£3,750
Reporting threshold	£250

Source: Annual Audit Plan 2019/20

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### Risks of material misstatement identified at the planning stage and our audit work to address these

24. [Appendix 1](#) provides our assessment of risks of material misstatement in the annual report and accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

25. We have no issues to report from our work on the risks of material misstatement.

### We have no significant findings to report on the accounts

26. 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. We have no significant findings to report around the qualitative aspects.

27. In 2018/19 we noted that there was scope to develop the SCfS's performance reporting within the annual report and accounts. We note that the SCfS made efforts to improve the performance report further in 2019/20. We reviewed the



performance reporting and made further suggestions to improve the clarity and conciseness of the report. Officers have considered our recommendations and made some changes; however, some information was retained in the original format in order to meet the performance reporting requirements of schedule 1 of the Ethical Standards in Public Life etc. (Scotland) Act 2000.

**28.** We consider the performance report to be appropriate and in line with guidance contained in the FReM.

**29.** There were no misstatements above our reporting thresholds identified from our audit.

# Part 2

## Financial sustainability



### Main judgements

**We concluded that Standards Commission for Scotland has appropriate and effective financial planning arrangements in place to ensure the costs are met as they are incurred.**

**At the time of this report, the impact of COVID-19 on the Standards Commission for Scotland's financial plans has been minimal.**

Financial sustainability looks forward to the medium-term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Medium to long term financial planning

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

**31.** The SCfS receives funding on a cash basis from the overall budget of the Scottish Parliamentary Corporate Body (the SPCB). Funding from the SPCB is the SCfS's only source of income and is primarily driven by the legal functions of the body and the demand for hearings in each financial year.

**32.** The main focus for the SCfS is to liaise with the SPCB to ensure they operate within their annual allocation.

**33.** The SCfS has a Strategic Plan covering 2020-2024 which includes a high-level financial plan covering the period based on the assumed level of funding and estimated costs against each of its strategic objectives until 2023/24. It also produces an annual business plan which outlines the work being undertaken in the year to meet its strategic aims.

**34.** The SCfS four-year budgeted costs increase from £283,000 in 2020/21 to £303,000 in 2023/24. The costs are based on a number of assumptions including that the level of hearings will remain constant and the jurisdictional or legal responsibilities will not change. Any significant change in these areas will potentially impact the level of funding required.

**35.** The SCfS have not updated financial plans for the impact of COVID-19, as they do not anticipate that the pandemic will have a significant impact on the budgeted financial position.

**36.** Given the nature of the business, we conclude that the SCfS has adequate financial planning and monitoring arrangements in place.

## National performance audit reports

**37.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 2](#) highlights a number of the reports published in 2019/20.

# Appendix 1

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion.

<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of material misstatement caused by Management override of controls</b></p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>We have not identified any instances of management override from our testing.</p>
<p>As stated in International Standard on Auditing 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Reviewed the appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements.</p> <p>Reviewed accounting estimates for biases.</p> <p>Evaluated significant transactions that are outside the normal course of business.</p> <p>Focused testing of accruals and prepayments.</p>	
<p><b>2 Risk of material misstatement caused by fraud over expenditure</b></p>	<p>Substantive audit work.</p> <p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions.</p>	<p>We gained appropriate assurance over the completeness and occurrence of expenditure and we are satisfied that it is not fraudulently misstated in the annual accounts.</p>
<p>Practice note 10 extends the risk of fraud over income as set out in ISA 240, to fraud over expenditure in public entities. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>		

# Appendix 2

## 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

# Standards Commission for Scotland

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