

Registers of Scotland

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Registers of Scotland and the Auditor General for Scotland

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Key messages

2020/21 annual report and accounts

- 1 Our audit opinions on the annual report and accounts are unmodified.
- 2 The unaudited financial statements recognised a dilapidations provision in 2020/21 which should have been established in the prior year. This has now been adjusted, including the resulting impact on the work in progress calculation, in the current and prior year figures.

Financial management and sustainability

- 3 Registers of Scotland (RoS) has appropriate and effective financial management arrangements in place.
- 4 The systems of internal control have been adapted to reflect new ways of working and work is underway to address the weaknesses identified in the payroll system.
- 5 There are robust medium-term financial planning arrangements in place which have been revised to capture the impact of the Covid-19 pandemic.

Governance, transparency and value for money

- 6 Arrangements have been adapted due to the Covid-19 pandemic. We have considered these measures and concluded that RoS has appropriate and effective governance that supports good scrutiny.
- 7 RoS operates in an open and transparent manner and the website provides easy access to key information including Board minutes and papers.
- 8 RoS has a well-developed performance management framework which supports the Corporate Plan, however the Covid-19 pandemic is impacting on the strategic objective to complete the Land Register by 2024.

Introduction

1. This report summarises the findings from our 2020/21 audit of Registers of Scotland (RoS). The scope of our audit was set out in our Annual Audit Plan presented to the Audit and Risk Committee in February 2021. This report comprises the findings from our audit of the annual report and accounts and consideration of the wider dimensions that frame the scope of public audit set out in the [Code of Audit Practice 2016](#).

2. The main elements of our audit work in 2020/21 have been:

- an audit of the body's 2020/21 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of the body's key financial systems
- consideration of the four audit dimensions.

Adding value through the audit

3. We add value to RoS 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 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

4. RoS 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 the Scottish Ministers.

5. RoS is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity.

6. 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. 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.

7. This report raises matters from our audit. 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.

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

Auditor Independence

9. 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £53,890 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. This report is addressed to both the body and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

12. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

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

The unaudited financial statements recognised a dilapidations provision in 2020/21 which should have been established in the prior year. This has now been adjusted, including the resulting impact on the work in progress calculation, in the current and prior year figures.

Our audit opinions on the annual report and accounts are unmodified

13. The annual report and accounts for the year ended 31 March 2021 were approved by the Board on 14 September 2021. 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 were 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 unaudited annual report and accounts were provided within the agreed timescale and were of a good standard

14. Last year we reported that routine accounting for key areas such as year-end accruals and work in progress were still being processed by RoS during the financial statements audit. We are pleased to report that similar issues were not experienced this year.

15. The unaudited annual report and accounts were received in line with our agreed audit timetable on 14 June 2021. They were of a high standard and finance staff provided good support to the audit team. The high-level working papers provided to support the audit process were of a good standard and additional documents were supplied on request.

Overall materiality was revised on receipt of the unaudited annual report and accounts to £0.990 million

16. Our initial assessment of materiality (£0.877 million) was carried out during the planning phase of the audit. This was reviewed and revised to £0.990 million on receipt of the unaudited annual report and accounts as summarised in [Exhibit 1](#). The revised materiality did not result in a significant change in our audit approach as it did not change the overall assessment of material account areas.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£0.990 million
Performance materiality	£0.644 million
Reporting threshold	£50,000

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

17. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of resources to the audit and indicate how the efforts of the audit team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and contains our overall conclusions from this work.

We have significant findings to report on the annual report and accounts

18. 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. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Dilapidation provision</p> <p>A provision of £0.750 million to cover the dilapidation costs for the leased offices at St Vincent Plaza was recognised in the unaudited financial statements. This is a 10-year operating lease which is due to end in January 2026.</p> <p>Audit work confirmed that the provision should have been recognised in the prior year resulting in current year expenditure being overstated. As this audit adjustment relates to costs it also impacted on the work in progress calculation.</p> <p>This meant that the current year expenditure in the unaudited accounts was overstated by £2.536 million, with £0.750 million relating to the provision and £1.786 million relating to the impact on the work in progress calculation. Prior year expenditure was understated by £1.194 million.</p> <p>As a result of recognising the expenditure in the prior year the financial statements show that RoS transferred £1.194 million more than required to the Scottish Consolidated Fund on reclassification.</p>	<p>A prior year adjustment has been processed through the financial statements – see paragraph 19.</p> <p>A disclosure note has been included detailing the impact on each line of the financial statements.</p> <p>The Scottish Government have been advised of the adjustment.</p>
<p>2. Estimation within work in progress calculation</p> <p>The work in progress calculation reflects the estimated costs to complete an existing application on the record for which a fee has already been received. A provision is created in case the actual cost exceeds the income received.</p> <p>This is a complex calculation using information and estimates from different sources. It impacts on a number of account areas including the administration costs, inventories, provisions and losses.</p> <p>In prior years the activity level used within the calculation covered the entire financial year, however due to the impact of the covid-19 pandemic the 2020/21 activity levels have been based on the activity in the last 3 months of the financial year.</p>	<p>This is consistent with the accounting policy applied each year which required the calculation to be based on ‘normal activity levels’.</p> <p>No adjustment required to the financial statements.</p>

Issue	Resolution
<p>3. Capital commitments</p> <p>An error in the calculation of the capital commitments disclosed within Note 15 resulted in an understatement of £0.68 million in the disclosure note.</p> <p>Due to the nature of this disclosure note the adjustment does not impact on the core financial statements.</p>	<p>The disclosure note within the financial statements has been amended.</p>

Source: Audit Scotland

We identified one monetary error above our performance materiality threshold which has been adjusted in the accounts, due to the nature of this error we did not need to revise our audit approach

19. As detailed in [Exhibit 2](#) we identified a misstatement of £0.750 million which exceeded our performance materiality threshold. This adjustment impacted on both the current year and the prior year across a number of lines within the core financial statements. This is due to the work in progress calculation having to be re-cast. The overall impact of this adjustment decreased Net Outturn by £2.536 million in the current year and increased it by £1.194 million in the prior year. This also impacted on the Statement of Financial Position, whereby the net liability in the current year decreased by £1.342 million and the net assets in the prior year decreased by £1.194 million resulting in an over surrender of funds to the Scottish Consolidated Fund on reclassification.

20. We have reviewed the nature and cause of this misstatement and have concluded that it arose from the provision not being recognised in the prior year. This is therefore an isolated incident and we have captured the entire impact on the financial statements. There is no indication of systemic error and we did not need to revise our audit approach.

21. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. Management have adjusted all identified misstatements above our reporting threshold and we have no unadjusted errors to report.

Good progress was made on prior year recommendations

22. RoS has made good progress in implementing our prior year audit recommendations as set out in [Appendix 1](#). RoS has continued to improve the standard of the unaudited annual report and accounts and we will continue to work with the RoS finance team in this regard.

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Main judgements

RoS has appropriate and effective financial management in place and reported an underspend against both Departmental Expenditure Limits (£12.710 million) and Annually Managed Expenditure (£0.712 million).

RoS adapted their systems of internal control to reflect new ways of working and are taking steps to address the weaknesses identified in the payroll system.

There are appropriate arrangements in place for the prevention and detection of fraud and error.

RoS operated within its revised budget in 2020/21

23. The main financial objective for RoS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. RoS has reported an overall outturn of £39.489 million against its total 2020/21 budget, including annually managed expenditure (AME), of £52.911 million. Returning an underspend of £13.422 million. The financial performance against Departmental Expenditure Limits (DEL) is shown in [Exhibit 3](#).

Exhibit 3

Performance against DEL in 2020/21

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource DEL	8.400	34.410	20.950	(13.460)
Capital DEL	4.000	4.450	5.020	0.570
Total DEL	12.400	38.860	25.970	(12.890)

Source: RoS Annual Report and Accounts 2020/21

Budget processes were appropriate and reflected the significant financial impact of the Covid-19 pandemic

24. RoS's budget was increased as part of the Spring Budget revision. Additional funding from the Scottish Government totalled £26.460 million. The major areas covered by this additional funding were:

- a significant increase in staffing costs due to pay award, holiday pay accrual and the number of staff being promoted
- a reduction in income due to the number of house sales falling in the early part of the year due to the Covid-19 pandemic. The housing market picked up later in the year resulting in RoS's income not being as adversely affected as initially anticipated which explains the underspend shown in [Exhibit 3](#).

Financial systems of internal control are operating effectively with actions already taken to address the payroll weaknesses identified

25. Our management letter, presented to the Audit and Risk Committee on 25 May 2021, detailed our findings from the review of systems of internal control. We concluded that the controls tested were operating effectively with the exception of the new payroll system that was introduced in November 2020. This was consistent with the internal audit findings reported on the new payroll system where a 'limited assurance' opinion was provided. Given the slightly later timing of our work we were able to see evidence of the early steps taken to address the weaknesses identified.

26. We also identified opportunities to improve the overall control arrangements for both trade receivables and work in progress. We were satisfied with the management responses received in response to our findings.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

27. Public sector bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, the Board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

28. We have reviewed the arrangements in place to maintain standards of conduct including the Staff Handbook and Civil Service Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

29. RoS had to adapt some of its fraud processes due to the challenges presented by the Covid-19 pandemic. It has also impacted on the delivery of formal fraud training which has been temporarily replaced with regular e-mail updates from the Fraud Prevention Team. Staff guidance has also been updated with advice provided virtually.

30. Overall RoS has well established arrangements in place including an annual review of key policies such as the whistleblowing policy and the fraud response policy. The most recent reviews were considered by the Audit and Risk Committee in February 2021.

31. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. RoS has completed its investigation of matches with no significant issues identified.

3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

Main judgements

RoS has robust medium-term financial planning arrangements in place which have been revised to capture the impact of the Covid-19 pandemic. The medium-term financial plan supports the aim of RoS being a net contributor to the Scottish Consolidated Fund by 2023-24.

Robust medium-term financial planning is in place which reflects the impact of the Covid-19 pandemic

32. Now that RoS is a central government body its budget is determined in the Scottish Government's annual budget cycle. RoS continues to develop medium-term planning to support the delivery of strategic objectives and National Outcomes. RoS no longer has reserves to call upon for future investment and to help manage the impact that any volatility within the property market may have on fee income and to its longer-term financial sustainability.

33. During 2020/21, the income RoS generated from fees was significantly less than projected in its corporate plan due to the impact that the Covid-19 pandemic had on the housing market and RoS's operations. Although the market was recovering in the second half of the year, sales have not yet recovered to pre Covid-19 levels.

34. Statutory fee increases were introduced in October 2020 and April 2021, the first since 2011. These are designed to support the full recovery of RoS's operating costs alongside its efforts to identify cost savings and deliver best value.

35. The corporate plan sets out high-level financial forecasts for the next five years as shown in ([Exhibit 4](#)). The approach to full cost recovery is important to enable RoS to achieve its aim of being a net contributor to the Scottish Consolidated Fund by 2023-2024.

Exhibit 4

Financial forecasts

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Income	84.1	91.8	91.6	90.3	91.0
Salary costs	72.2	71.9	71.5	67.2	59.0
Non-salary costs	18.2	18.3	18.1	18.0	18.0
Total expenditure	90.4	90.2	89.6	85.2	77.0
Net resource expenditure	(6.3)	1.6	2.0	5.1	13.9

Source: RoS Corporate Plan 2021-2026

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

Main judgements

Arrangements have been adapted to reflect the impact of the Covid-19 pandemic and we have concluded that RoS has appropriate and effective governance that supports good scrutiny.

RoS is open and transparent and the website provides easy access to key information including Board minutes and papers.

The governance arrangements are appropriate and have been adapted in response to the Covid-19 pandemic

36. The governance statement in the annual report and accounts adequately documents the impact of the Covid-19 pandemic on the arrangements in place. The revised governance arrangements introduced by RoS include:

- The Board, Audit and Risk Committee and executive groups meetings were changed to online / video meetings with the frequency of meetings reviewed and adjusted to support decision making.
- RoS staff worked with key stakeholders, such the Law Society of Scotland, to put legislation and interim solutions in place to enable property transactions and registration to continue remotely. This included solutions allowing submissions of applications for registration and advance notices to done digitally.
- Laptops were configured and issued to staff to enable them to work from home.
- Work is ongoing to assess the risks and plan for the transition out of lockdown.

37. Our audit work has confirmed that the governance arrangements are appropriate and support robust scrutiny and challenge of decision-making processes.

RoS is open and transparent in the way it conducts its business

38. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the Board is taking decisions and how it is using resources such as money, people and assets.

39. The RoS website is clear and well structured. Board minutes and papers are available to the public along with key publications including the corporate plan, KPI updates and equalities mainstreaming report. RoS published its openness and transparency policy in December 2020 which sets out its ongoing commitment to improving this.

The performance report was of a good standard, but more work is required on performance trends

40. In addition to the opinion on the performance report, we also consider the qualitative aspects of RoS's performance report. The performance report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

41. The performance report captures the challenges faced as a result of the Covid-19 pandemic and how this has changed arrangements and affected performance. It is understandable that, given the circumstances and fluctuating markets, performance trends haven't been a priority. We will continue to work with RoS to support further development in this area.

Recommendation 1

RoS should build medium term trends into the performance report to provide a clear picture of the overall direction of travel and capture the impact of and recovery from the Covid-19 pandemic.

5. Value for money

Using resources effectively and continually improving services

Main judgements

RoS has a well-developed performance management framework in place to support the corporate plan.

Performance monitoring has continued throughout 2020/21, however the pandemic is impacting on the progress in completing the Land Register by 2024.

RoS has developed an appropriate best value and performance management framework

42. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

43. We consider whether Accountable Officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. We may also, in conjunction with RoS, agree to undertake local work in this area. We did not undertake any specific work in 2020/21 but are satisfied that appropriate arrangements are in place.

44. More generally, the Board and Audit and Risk Committee receive regular updates on performance throughout the year, and RoS publish both annual and quarterly performance summaries on its website.

RoS were able to exceed some performance targets despite the Covid-19 pandemic, but the key strategic objective to complete the land register by 2024 remains at risk

45. RoS moved to a five-year corporate planning cycle in 2019. It publishes its corporate plan annually, reviewing it on a six-monthly basis. Its current plan, covering the years 2021 to 2026 was published on 31 March 2021 and reflects on the impact of the Covid-19 pandemic.

46. The performance of RoS is assessed by nine performance targets which support the delivery of the four strategic objectives set out in its corporate plan:

- Strategic Objective 1 - Complete Scotland's Land Register by 2024 and provide transparent, accurate and impartial information for all

- Strategic Objective 2 - Lead on the innovative provision of land and property data so that it is accessible and used to create value for Scotland's people and economy
- Strategic Objective 3 - Develop and deliver digital improvements that support a sustainable business where the needs of our customers are exceeded
- Strategic Objective 4 - Invest in our people so they can support a professional flexible business that works at pace to deliver value and fulfils our Statutory Duty.

47. RoS has made progress towards its objectives, however staff productivity reduced during the response to the Covid-19 pandemic as staff moved to a home working environment and new procedures for digital submissions were implemented. The overall performance against the key performance indicators is summarised in [Exhibit 5](#).

Exhibit 5 Key performance indicators for 2020/21

Strategic Objective	No.	Target achieved	Approaching target	Behind target
1 – Complete Land Register by 2024	6	3 x ●		3 x ●
2 – Lead on the innovative provision of land and property data	1		●	
3 – Develop and deliver digital improvements	1	●		
4 – Invest in our people	1	●		
Overall	9	5	1	3

Source: RoS Annual Report and Accounts 2020/21

48. There are three key elements of Strategic Objective one that have not been met are:

- The 12-month target to complete 50 per cent of land mass coverage on the register was missed by 5.5 per cent. There has been a 2.8 per /cent increase in coverage since last year, but progress remains slow.
- The target for March 2021 arrears was achieved for First Registrations but missed for Transfers of Part with an outcome of 3,160 cases outstanding against a target of 2,500

- The target of 60 per cent applications despatched within 35 days was met and exceeded for First Registration and Dealing with Whole, it was not delivered for Transfer of Parts which achieved 24.1 per cent.

Recommendation 2

RoS will need to continue to improve their procedures to ensure completion of the ministerial target of completing the Land Register by 2024.

National performance audit reports

49. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2020/21 a number of reports were published which may be of direct interest to the body. These are outlined in [Appendix 3](#).

Appendix 1. Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Development of performance trends</p> <p>Although the performance report provides good coverage of the impact of the Covid-19 pandemic on performance, it does not yet capture performance trends.</p> <p>There is a risk that RoS does not adequately capture the direction of travel and overall performance story to support decision making and scrutiny.</p>	<p>RoS should build medium term trends into the performance report to provide a clear picture of the overall direction of travel including the impact of and recovery from the Covid-19 pandemic.</p> <p>Paragraph 41.</p>	<p>The Performance Report includes quite a lot of information on trends over time, but we are open to suggestions from Audit Scotland where they would like to see additional information, as long as this does not make the report unwieldy.</p> <p>Janet Egdell</p> <p>March 2022</p>
<p>2. Completion of Land Register by 2024</p> <p>The Covid-19 pandemic has adversely impacted on progress in achieving this strategic objective. RoS are aware of the challenge ahead due to complex nature of the work and the number of cases involved.</p> <p>There is a risk that RoS will not achieve the completion of the Land Register by 2024</p>	<p>RoS will need to continue to improve their procedures to ensure completion of the ministerial target of completing the Land Register by 2024.</p> <p>Paragraph 48.</p>	<p>As set out in our Corporate Plan 2021-26, by end September 2021 we will set out a roadmap on how we will achieve the benefits of Land Register Completion. This will set out how we aim to facilitate the property market by including land and property likely to transact in the Land Register, and for land and property unlikely to transact we unlock the information we hold in the Sasines Register to answer the question around who owns Scotland.</p> <p>Janet Egdell</p> <p>30 September 2021</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Financial planning and accounting policies	To help improve financial planning and reporting, RoS should consider reviewing its accounting policy for non-current assets to ensure that it is appropriate under its new budgeting framework.	Complete The accounting policy was reviewed and updated to ensure its appropriateness.
2. Training for staff on new budget monitoring procedures.	RoS should ensure its staff are provided with appropriate training and agree arrangements for budget monitoring and reporting with the Scottish Government.	Complete Relevant staff received training in the new procedures throughout the year.
3. Finance team capacity	RoS should ensure it has the capacity within its finance team to cope with any new financial management arrangements, perform quality checks and ensure knowledge of complex areas such as work in progress calculations is transferred prior to the departure of the Head of Finance.	Complete A CFO and Head of Finance was appointed in year to support the financial management structure. A review of the finance structure was undertaken in 2020/21 and will be kept under review.
4. Short and medium-term financial planning	RoS will need to keep its short and medium-term financial plans under review due to the impact of the Covid-19 pandemic on its income and ability to process applications.	Complete Financial plans have been updated to reflect the impact of the Covid-19 pandemic and the increase in statutory fees.
5. Learn lessons from how RoS responded to Covid-19	RoS should consider what changes to its governance and decision-making arrangements and business practices enabled it to respond and effect change quickly and ensure that this cultural shift and new ways of working are embedded for the future.	Complete RoS has sound arrangements in place and will continue to adapt arrangements as the operating environment changes.
6. Completion of the land register by 2024	RoS will need to put measures in place to ensure	Ongoing

Issue/risk	Recommendation	Agreed management action/timing
	<p>it has the capacity to complete the land register by 2024. This may involve reprioritising existing resources and projects or seeking additional resources from the Scottish Government.</p>	<p>See Recommendation 2 above</p>
<p>7. Workforce planning</p>	<p>RoS should review its workforce planning arrangements and plans to ensure working practices and staff roles reflect the organisation's evolving requirements.</p>	<p>Complete</p> <p>RoS continues to review its strategic workforce plan and recognises the need to invest in skills and expertise. This includes the 'grow our own' programme which aims to upskill existing staff so they have the skills to work in this more digitally and data enabled world now and in the future.</p>

Appendix 2. Significant audit risks

The table below sets out the audit risks we identified on the 2020/21 audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the financial statements and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by 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>	<ul style="list-style-type: none"> • Reviewed the appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements. • Reviewed accounting estimates for biases. • Evaluated significant transactions that are outside the normal course of business. • Cut-off testing to confirm income and expenditure was accounted for in the correct financial year. 	<p>Results: No issues were identified from our controls and year-end testing that would indicate management override of controls.</p> <p>We concluded that significant 2020/21 journal entries, transactions, and accounting estimates and judgements were appropriate and adequately disclosed.</p> <p>Conclusion: Satisfactory</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2. Risk of error in estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas: non current assets, including the capital and revenue split of IT projects; and provisions accounting for indemnity payments and work in progress calculations.</p> <p>The uncertainty over income from fees and the wider impact of Covid-19 on the organisation may significantly affect work in progress.</p> <p>The value of these estimation areas and their subjectivity represents an increased risk of misstatement.</p>	<ul style="list-style-type: none"> • Reviewed the accuracy, completeness and valuation of disclosures in the financial statements. • Had regular discussions with management. • Reviewed controls around the work-in-progress calculation and the evaluation of the assumptions. • Reviewed IA's review of indemnity payments 	<p>Results: Audit testing identified an issue with the recognition of the dilapidations provision. No other issues were identified from audit testing in areas with significant estimation and judgement</p> <p>The dilapidations provision has been corrected amended in the current and prior year financial statements.</p> <p>Conclusion: Satisfactory</p>
<p>3. Risk of error in accounting for reclassification of RoS</p> <p>RoS's income and expenditure now falls within the Scottish Government's accounting boundary. As a result budgeting, accounting and financial reporting requirements have changed.</p> <p>There is a risk that central government accounting and financial reporting requirements are not correctly implemented.</p>	<ul style="list-style-type: none"> • Reviewed the disclosures made in the annual report and accounts to for compliance with the change in status. • Reviewed IA's review on reclassification including budgeting. 	<p>Results: Our audit work confirmed that the disclosures within the annual report and accounts were appropriate.</p> <p>Conclusion: Satisfactory</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>4. Risk to financial sustainability and management</p> <p>RoS's change in status to a central government body means it no longer has reserves to call upon for future investment and to deal with any volatility in the housing market.</p> <p>This is a fundamental change to RoS's funding and investment model at a time when income from fees has been significantly impacted by the Covid-19 pandemic.</p> <p>There remains risk that long-term plans and targets are no longer affordable or achievable.</p>	<ul style="list-style-type: none"> • Reviewed corporate plan, financial plans and strategies • Reviewed budget monitoring, minutes and papers submitted to the Executive Management Team, the Audit and Risk Committee and the Board. • Consider/reviewed IA's report on financial governance and corporate planning. 	<p>Results: RoS has a five-year corporate plan supported by a financial analysis. Increases in statutory fees were introduced in October 2020 and April 2021 to support cost recovery.</p> <p>Conclusion: Satisfactory</p>
<p>5. Changes to governance arrangements</p> <p>There is an increased risk to governance and transparency and counter-fraud arrangements associated with the Covid-19 pandemic.</p> <p>RoS adapted quickly during 2020 and arrangements it put in place allowed it to continue operating. There is a risk that these changes impacted on the effectiveness of the governance and counter-fraud arrangements during 2020/21.</p>	<ul style="list-style-type: none"> • Reviewed governance committee papers and decision making. • Considered internal audit's reviews of working from home arrangements, furlough payments, procurement and financial governance. • Monitored progress in following up NFI matches 	<p>Results: Our audit work confirmed that there are appropriate governance arrangements in place to support effective scrutiny and decision making.</p> <p>Conclusion: Satisfactory</p>

Appendix 3. Summary of 2020/21 national performance reports

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

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