

Standards Commission for Scotland

2023/24 Annual Audit Report



 AUDIT SCOTLAND

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

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Contents

Key messages	3
Introduction	4
Part 1. Audit of 2023/24 annual report and accounts	6
Part 2. Wider Scope	11
Appendix 1. Action plan 2023/24	13

Key messages

2023/24 annual report and accounts

- 1** Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2** Key risks arising from the audit of the Standards Commission for Scotland's annual report and accounts in my Annual Audit Plan were distributed to Audit and Risk Committee members in March 2024. There are no significant matters from that work to draw to the attention of the Audit and Risk Committee.
- 3** No material adjustments have been made to the annual report and accounts as a result of the audit process.

Wider scope

- 4** The Standards Commission for Scotland has effective and appropriate arrangements in place to continue to deliver services.
- 5** The Strategic Plan 2024-28 sets out its medium-term financial plan.
- 6** The Commission's arrangements for Best Value are appropriate.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of the Standards Commission for Scotland (SCfS). The scope of the audit was set out in an Annual Audit Plan distributed to Audit and Risk Committee members in March 2024. This Annual Audit Report comprises:

- significant matters arising from an audit of Standard Commission for Scotland's annual report and accounts
- conclusions on financial sustainability as required by the [Code of Audit Practice 2021](#).

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

Audit appointment

3. I have been appointed by the Auditor General as auditor of the Standard Commission for Scotland for the period from 2022/23 until 2026/27 and the 2023/24 financial year was the second of my five-year appointment.

4. My team and I would like to thank commission members, audit and risk committee members, the executive director, and other staff, for their cooperation and assistance during this year and we look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

5. The Standard Commission for Scotland 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 Standard Commission for Scotland is also responsible for compliance with legislation putting arrangements in place for governance, propriety, and regularity.

6. My responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK (ISAs)

7. The weaknesses or risks identified in this report are only those which have come to the attention of the audit team 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. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

9. I can confirm that the audit team comply with the Financial Reporting Council's Ethical Standard. I can also confirm that we have not undertaken any non-audit related services and therefore the audit fee of £3,950 as set out in my 2023/24 Annual Audit Plan remains unchanged. I am not aware of any relationships that could compromise our objectivity and independence.

10. The annual audit adds value to the Standard Commission for Scotland by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

Part 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

No material adjustments have been made to the annual report and accounts as a result of the audit process.

Audit opinions on the annual report and are unmodified

11. The Standards Commission approved the annual report and accounts for the SCfS for the year ended 31 March 2024 on 30 July 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- 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 was prepared in accordance with the Government Financial Reporting Manual
- the Performance Report and Governance Statement were all consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.

Overall materiality was assessed on receipt of the annual report and accounts as £5.8 thousand

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered

material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and no changes made to materiality on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£5,800
Performance materiality	£4,400
Reporting threshold	£1,000

14. The overall materiality threshold was set with reference to gross expenditure, which I judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting no issues identified from planning and no history of misstatements in prior year audits of Standard Commission for Scotland's annual report and accounts.

16. It is my responsibility to request that all misstatements are corrected, other than those below the reporting threshold. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under ISA (UK) 260, I communicate significant findings from the audit to the Audit and Risk Committee, including my view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance.

19. The significant findings and key audit matters are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Year End Accruals</p> <p>The year end accrual for legal costs amounted to £6k however this included 2024/25 expenditure. The 2024/25 legal costs amounted to £2k. The draft accounts reported a £1k overspend against funding however, following this audit adjustment, the accounts now show a £1k underspend against funding of £338k.</p> <p>In addition, we identified that the calculation of the annual leave/ flexi accrual did not include pension costs. This resulted in an understatement of expenditure of approximately £500. This is below the reporting threshold and the Standard Commission for Scotland accounts have not been adjusted for this error.</p>	<p>Year-end legal costs accrual adjusted to remove 2024/25 expenditure.</p> <p>The annual leave/ flexi accrual calculation will be rectified in 2024/25.</p> <p>Recommendation 1 (refer Appendix 1 action plan)</p>
<p>2. 2023/24 pension information not available at time of signing</p> <p>MyCSP informed Standard Commission for Scotland on 26 June 2024, that “further to EPN710 (published on 14 June) which explained that given the complexities surrounding the calculations of pension benefits for the Annual Resource Accounts caused by the 2015 Remedy (McCloud judgment) this year, there has been an exceptional delay in issuing the Pension Disclosure figures for departments. We have been working with HM Treasury (HMT) and the National Audit Office (NAO) to determine a way forward and we can confirm that your results will be issued on 31 August 2024.”</p> <p>Pension information will be not available by the time of signing i.e. 30 July 2024.</p>	<p>Wording has been provided by MyCSP and this has been appropriately disclosed in Standard Commission for Scotland’s annual report and accounts.</p>

Audit work responded to the risks of material misstatement identified in the annual report and accounts

20. My team and I have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in my 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Identified Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise are operating effectively.</p>	<ul style="list-style-type: none"> • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Detailed testing of journal entries. • Review of accounting estimates and judgements. • Substantive testing of income and expenditure transactions around the year end to confirm they are accounted for in the correct financial year. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. 	<p>We have not identified any indication of management override in the year leading to material misstatement or significant concern.</p> <p>We have reviewed the Standard Commission for Scotland's accounting records and obtained evidence to ensure that transactions outside normal processes were accounted for correctly.</p> <p>We have also reviewed management estimates and the journal entries posted in the period and around the year end. We did not identify any areas of bias in key judgements made by management.</p> <p>We identified an issue with the calculation of year end accruals, and this has been reported as an action in Appendix 1,</p>

The unaudited annual report and accounts were received in line with the agreed timetable

21. The unaudited annual report and accounts were received in line with the agreed audit timetable on 5 June 2024.

Good progress was made on prior year recommendations

22. Good progress has been made in implementing the agreed 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. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term

Conclusion

The Standard Commission for Scotland has effective and appropriate arrangements in place to continue to deliver services.

The Strategic Plan 2024-28 sets out its medium-term financial plan.

The Commission's arrangements for Best Value are appropriate.

The Standard Commission for Scotland operated within its budget for 2023/24

23. The Standard Commission for Scotland receives funding on a cash basis from the overall budget of the Scottish Parliamentary Corporate Body (the SPCB). Funding from the SPCB is the Standard Commission for Scotland'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.

24. The Standard Commission for Scotland has reported an outturn of £337 thousand against its overall budget for 2023/24 of £338 thousand. The main financial objective is to ensure the financial outturn in year is within the budget agreed with the SPCB.

25. The Standards Commission cannot predict whether any statutory appeals will be lodged against decisions made at Hearings during the year. As such, the SPCB has agreed that the Standards Commission for Scotland can apply for contingency funding if necessary. No additional contingency funding was required in 2023/24.

The Standard Commission for Scotland's Strategic Plan 2024-28 sets out its medium-term financial plan

26. The Standard Commission for Scotland's Strategic Plan 2024-28 was approved at the January 2024 Standards Commission meeting. The Plan includes a 'Funding and Costs' section which sets out the indicative costs for the delivery of Standard Commission for Scotland's strategic aims for the next four years. Our review of the assumptions used confirms that these are reasonable

and appropriate to ensure that the Commission can continue to sustainably provide services for the duration of the Plan. The Plan is supported by annual Business Plans.

27. Overall, we are satisfied that the strategic planning arrangements made within the Standards Commission for Scotland take appropriate account of the needs for the organisation to be financially sustainable. Further, the Plans provide a basis on which the organisation can plan for the medium-term and allow the maintenance of services.

Standard Commission for Scotland has appropriate arrangements in place for securing Best Value

28. Arrangements for securing Best Value are embedded in the way the Standard Commission for Scotland works. This is evident from the Finance and Procurement policies which are subject to regular review. In addition, members undertake reviews after every Hearing to identify any process improvements and learning points and are provided with training on best practice in conducting Hearings.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Year End Accruals</p> <p>Issues identified with two-year end accruals:</p> <ul style="list-style-type: none"> Legal costs accrual included 2024/25 expenditure and was overstated by £2k. Error identified with the calculation of the annual leave/ flexi accrual and was understated by £500. <p>Risk – There is a risk that expenditure is misstated at the year end.</p>	<p>To ensure year end accruals are correctly disclosed in the financial statements.</p> <p>Exhibit 2.</p>	<p>Partially accepted</p> <p>The initial accrual for legal costs was our best estimate at the time of preparing the accounts and we knew that it was likely that it would need to be adjusted at a later date.</p> <p>The annual leave accrual was calculated using a standard template issued to us by the SPCB and follows the same approach as previous years. A revised template will be used for future accounting periods.</p> <p>Revised date 31 March 2025</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>1. Service Level Agreements (SLA)</p> <p>The IT service level agreement in place between SPCB and Standard Commission for Scotland should be refreshed to</p>	<p>Recommendation</p> <p>Standard Commission for Scotland and SPCB should review current service level agreements to ensure that they reflect current services provided.</p>	<p>Partly Implemented</p> <p>The Finance SLA has been updated and is in place for the 2024/25 financial year. The IT SLA has not yet been updated.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>ensure this reflects current services, including cyber security. This also represents an opportunity to update the Finance service level agreement as contact details and terminology should be amended.</p> <p>There is a risk that services provided by SPCB on behalf of Standard Commission for Scotland are not suitable for its business needs.</p>	<p>Agreed Action</p> <p>Standard Commission for Scotland will work with the SPCB to revise and agree the IT service level agreement as required. The responsible officer for this action is the Executive Director.</p> <p>Standard Commission for Scotland will aim to complete this action by 31 December 2023.</p>	<p>The IT SLA has not yet been updated due to time pressures and competing priorities in the SPCB.</p> <p>Revised date 31 March 2025</p>

Standards Commission for Scotland

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www.audit-scotland.gov.uk/accessibility



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