

Scottish Public Services Ombudsman

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Public Services Ombudsman and the Auditor General for Scotland
October 2024

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Key messages

2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified
- 2 Expenditure and income are regular and in accordance with applicable enactments and guidance.
- 3 One non-material adjustment was made to the annual report and accounts as a result of the audit process.

Wider-scope

- 4 Effective and appropriate arrangements are in place to continue to deliver services.
- 5 An underspend of £31,000 has been reported against budget in 2023/24.
- 6 Appropriate arrangements are in place to secure Best Value and work to develop a medium-term financial plan is ongoing.
- 7 SPSO is working effectively with partners to meet stated outcomes and improvement objectives

Introduction

1. This report summarises the findings from the 2023/24 annual audit of the Scottish Public Services Ombudsman (SPSO). The scope of the audit was set out in an Annual Audit Plan presented to the 22 March 2024 meeting of the Advisory Audit Board. This Annual Audit Report comprises:

- our audit of SPSO'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 SPSO and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities and reporting

3. SPSO 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. SPSO is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity and compliance with legislation.

4. The responsibilities of 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)

5. Weaknesses or risks identified are only those that 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 of SPSO from its responsibility to address the issues we raise and to maintain adequate systems of control.

6. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

7. 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 audit fee of £26,180 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

8. We would like to thank the Ombudsman, Advisory Audit Board members, and staff at SPSO for their cooperation and assistance in delivering the audit.

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 the principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Expenditure and income are regular and in accordance with applicable enactments and guidance.

One non-material adjustment was made to the annual report and accounts as a result of the audit process.

Audit opinions on the annual report and accounts are unmodified

9. The Ombudsman approved the annual report and accounts for SPSO for the year ended 31 March 2024 on 8 October 2024. As reported in the independent auditor's report, the audit opinions were that:

- the financial statements give a true and fair view and were properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM
- expenditure and income are regular and in accordance with applicable enactments and guidance issued by the Scottish Ministers
- the audited part of the Remuneration and Staff Report was prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made by the Scottish Ministers
- the Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made by the Scottish Ministers.

Overall materiality was assessed on receipt of the annual report and accounts as £141,000

10. Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts as summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£141,000
Performance materiality	£104,000
Reporting threshold	£7,000

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

12. 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 74% of overall materiality, reflecting that we are in year two of our audit appointment and found no significant issues in our 2022/23 audit.

13. It is our 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

14. Under ISA (UK) 260, we communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

15. The Code of Audit Practice also requires auditors to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

16. While there have been some non-material misstatements that have been adjusted, there are no significant issues to report from the audit of the financial statements.

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

17. We have obtained audit assurances over the identified significant risk of material misstatement to the annual report and accounts. [Exhibit 2](#) sets out the significant risk of material misstatement to the financial statements identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurance over this risk and the conclusions from the work completed.

Exhibit 2
Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
1. Risk of material misstatement due to fraud caused by management override of controls 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 appear to be operating effectively.	• Assess the design and implementation of controls over journal entry processing. • 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 • Evaluate significant transactions outside the normal course of business. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year • Focussed testing of accounting accruals and Prepayments.	We undertook the assurance procedures and found: • no issues were identified with our review of the design and implementation of journal entry processing • management are not aware of any inappropriate or unusual activity • the detailed testing of journal entries and unusual transactions did not identify any issues or errors • no significant transactions outside the course of business were identified • the detailed testing of income and expenditure around the year-end did not identify any issues or errors • detailed testing of accruals and prepayments identified no issues. Conclusion: We did not identify any issues as a result

Audit risk	Assurance procedure	Results and conclusions
		of our audit work that would indicate management override of controls.

There was one misstatement identified within the financial statements

18. The audit team identified one misstatement that was corrected in the audited accounts.

19. The FReM (paragraph 7.6.20) describes third-party assets as being assets for which an entity acts as custodian or trustee but in which the entity does not have a direct beneficial interest. SPSO owns and operates a bank account for the Scottish Biometrics Commissioner. This account meets the definition of a third-party asset.

20. This was previously not disclosed in the SPSO notes to the financial statements. SPSO have now corrected this and have disclosed the third-party asset correctly.

There is scope for improvement in the upkeep of the Fixed Asset Register

21. The Fixed Asset Register is a detailed list of all fixed assets which are owned by SPSO. We carried out substantive testing of the register and found no issues. We did, however, identify scope for improvement.

22. The Fixed Asset Register does not contain asset tag or serial number information. This is maintained on a separate tracker document. To provide better assurance that the Fixed Asset Register is complete and accurate in line with asset tagging, it would benefit SPSO if they included this information in the Fixed Asset Register.

Recommendation 1

SPSO should include all relevant asset tag information in their Fixed Asset Register.

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

23. The unaudited annual report and accounts were received in line with the agreed audit timetable on 24 June 2024.

Reasonable progress was made on prior year recommendations

24. SPSO has made reasonable progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management. These 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

Effective and appropriate arrangements are in place to continue to deliver services.

An underspend of £31,000 has been reported against budget in 2023/24.

Appropriate arrangements are in place to secure Best Value and work to develop a medium-term financial plan is ongoing.

SPSO is working effectively with partners to meet stated outcomes and improvement objectives

An underspend of £31,000 has been reported against budget in 2023/24

25. SPSO receives funding on a cash basis from the overall budget of the Scottish Parliamentary Corporate Body (SPCB). The main financial objective for SPSO is to ensure that the financial outturn for the year is within the budget allocated by SPCB. SPSO should also ensure that their resources will be used economically, efficiently, and effectively.

26. SPSO's budget for 2023/24 was £7.117 million. SPSO's reported outturn for 2023/24 was £7.086 million, resulting in an underspend of £31,000.

Work to develop a medium-term financial plan is ongoing

27. SPSO's 2023/24 to 2024/25 two-year financial plan was approved by the SPCB on 3 March 2023. The SPCB also approved SPSO's annual funding budget for 2024/25 of £7.395 million. This represents an increase of £278,000. The majority of this additional funding is expected to cover pay progression and cost of living increases.

28. During 2023-24, SPSO has considered medium-term financial planning as part of their 2024-28 Strategic Plan. This plan includes illustrations that detail the potential impact of increases or decreases in the SPSO workload. A financial impact is included as part of these illustrations, ranging from a 10% to 25% increase or decrease in the workload.

29. This does demonstrate an element of medium-term financial planning in relation to staff cost implications of any changes to workload. However, it does not fully demonstrate the impact on the financial sustainability and financial position of SPSO as a result of these scenarios.

30. The prior year audit recommendations in relation to formalising a medium-term financial plan and workforce planning are therefore considered to be 'work in progress'. We will continue to engage with SPSO to support improvement in these areas. The prior year recommendations can be seen in [Appendix 1](#) at prior year recommendations 3 and 4.

SPSO has appropriate arrangements in place for securing Best Value

31. SPSO has confirmed that arrangements have been made to secure best value. These arrangements are referred to in SPSO's performance report which is included in their Annual Report and Financial Statements. The arrangements include:

- the publication of a four-year Strategic Plan (currently 2024-2028),
- the publication of an Annual Business Plan,
- a Scheme of Control set out in the SPSO Finance Handbook,
- a risk management policy that sets out the approach to risk management for the delivery of strategic aims, and
- a governance and management framework.

SPSO is working effectively with partners to meet stated outcomes and improvement objectives

32. Our outcomes for public audit note that tackling complex social and environmental challenges requires better collaboration across public bodies, with an increase in the pace and scale of reform needed across the Scottish public sector. While public bodies need to deal with immediate financial pressures, they also need to change how services are delivered to people in a way that more effectively meets their needs.

33. SPSO provides shared services for other Parliamentary officer holders, namely the Scottish Biometrics Commissioner (SBC) and the Scottish Human Rights Commissioner (SHRC). These services include the provision of corporate service administration for finance, a full Human Resources (HR) service and other support functions. These shared services will be extended to the new Patient Safety Commissioner when the organisation is in place for 2024-25.

34. In addition to the provision of shared services, SPSO have a co-location arrangement with the SBC, the SHRC and the Children and Young People Commissioner Scotland (CYPCS). This enables all bodies to share common services such as facilities, health, safety and security management, postal services, and shared areas such as larger meeting rooms and a common kitchen.

Appendix 1. Action plan 2022/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Tagged asset detail in the Fixed Asset Register The SPSO Fixed Asset Register does not currently contain asset tagging information. Improvement – Including all asset tag information in the Fixed Asset Register will ensure the document is complete and accurate.	SPSO should include all relevant asset tag information in their Fixed Asset Register. Paragraph 21	Accepted Laptop tracker will now include a reference to the invoice showing date of purchase. At year-end, the complete list of in-service and disposed laptops and mobiles will be included in the FAR. Corporate Services Manager 31 March 2025

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
1. Untaken Holiday Liability The untaken holiday liability did not include employer's national insurance or employer's pension contributions. Risk – the cost of the untaken holiday liability is not in line with IAS 19.	Recommendation – The untaken holiday liability did not include employer's national insurance or employer's pension contributions. Risk – the cost of the untaken holiday liability is not in line with IAS 19. SPSO should ensure that the untaken holiday liability includes all costs in line with IAS 19.	Implemented

Issue/risk	Recommendation and Agreed Action	Progress
	Agreed Action – Noted and agreed. Director In line with annual accounting timetable as agreed.	
2. Accrual of Backdated Pay The backdated pay accrual was incorrectly calculated. The accrual double counted the effect of the pay award. Risk – The backdated pay award is not correctly accounted for in year expenditure.	Recommendation – SPSO should ensure that any future back dated pay accruals are calculated correctly. Agreed Action – Noted and agreed. Director In line with annual accounting timetable as agreed.	Implemented
3. Financial Planning	Recommendation – SPSO should develop a Medium-Term Financial Plan, to ensure that the Ombudsman can manage its resources sustainably and deliver services effectively. Agreed Action – In Progress Director December 2023	Work in progress Further context supporting the narrative in the SPSO Strategic Plan will be developed alongside the 2025-26 budget bid to the SPCB. Head of Corporate and Shared Services December 2024
4. Workforce Planning	Recommendation – SPSO should develop a formalised Workforce Plan. Workforce planning should outline the current workforce, the future workforce and how the organisation can achieve its required future workforce. Agreed Action – In Progress Director December 2023	Work in progress The work compiling this information will flow from the financial plan. Head of Corporate and Shared Services 31 March 2025

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