Commissioner for Ethical Standards in Public Life in Scotland

Annual Audit Plan 2024/25

AUDIT SCOTLAND

Prepared for the Commissioner for Ethical Standards in Public Life in Scotland
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Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of the Annual Report and Accounts of the Commissioner for Ethical Standards in Public Life in Scotland (Ethical Standards Commissioner). It outlines the audit work planned to meet the audit requirements set out in auditing standards and the Code of Audit Practice, including supplementary guidance.

Appointed auditor and independence

2. We have been appointed as external auditor of the Ethical Standards Commissioner for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of our five-year audit appointment.

3. We are independent of the Commissioner in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the Ethical Standards Commissioner to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, the Performance Report, the Governance Statement, and the audited part of the Remuneration and Staff Reports.
- Concluding on wider scope responsibilities relating to the Commissioner's arrangements for financial sustainability and a review of the Governance Statement.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of the Commissioner and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on the Commissioners' arrangements for the wider scope areas.

Ethical Standards Commissioner's responsibilities

8. The Commissioner has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual report and accounts

Introduction

9. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of the Ethical Standards Commissioner are outlined in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for the Ethical Standards Commissioner

Materiality	Amount
Materiality – based on an assessment of the needs of users of the financial statements and the nature of the Commissioner's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark.	£30,800
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality.	£23,100

Materiality	Amount
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£1,500

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of the Ethical Standards Commissioner, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in Exhibit 2. These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are also outlined in Exhibit 2.

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate 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. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.

Source: Audit Scotland

Wider scope and Best Value

Wider scope

15. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in four wider scope areas.

16. Due to the nature and size of the Ethical Standards Commissioner and its limited financial activity, it is considered a less complex body for the wider scope audit. All four wider scope areas are therefore not considered and instead our review is limited to concluding on an organisation's financial sustainability and review of its governance statement.

17. Financial sustainability means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the Commissioner's medium- to longer-term planning for service delivery. We also intend to consider the operation of the Commissioner's investigations manual and quality review arrangements. Our conclusions will be reported in the Annual Audit Report.

Duty of Best Value

18. The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Best Value in public services: guidance for Accountable Officers is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

19. Consideration of the Commissioner's arrangements to secure Best Value will be carried out alongside the wider scope audit, and a conclusion will be reported in the Annual Audit Report.

Reporting arrangements, timetable and audit fee

Audit outputs

20. The outputs from the 2024/25 audit include:

- This Annual Audit Plan
- An Independent Auditor's Report to the Commissioner, the Auditor General for Scotland, and the Scottish Parliament setting out opinions on the annual report and accounts.
- An Annual Audit Report to the Commissioner and the Auditor General for Scotland setting out significant matters identified from the 2024/25 audit including conclusions and recommendations, where required.

21. The matters to be reported in the outputs will be discussed with the Commissioner and the Head of Corporate Services for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

22. Target dates for the audit outputs are set by the Auditor General for Scotland. In setting the target dates, consideration is given to the statutory date for laying the annual report and accounts, which is 31 October 2025 for central government non-departmental public bodies, and other similar bodies.

Audit timetable

23. Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. Exhibit 3 includes a timetable for the audit, which has been agreed with management. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 3
2024/25 audit timetable

Audit activity	Commissioner target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan	19 February 2025		26 February 2025
Annual report and accounts:			
• Consideration of unaudited annual report and accounts by those charged with governance	16 July 2025	-	tbc
• Submission of unaudited annual report and accounts and all working papers to audit team	w/c 28 July 2025	-	-
• Main period of audit fieldwork	-	4 August to 22 August 2025	-
• Latest date for audit clearance meeting	-	1 September 2025	-
• Issue of draft Annual Audit Report for comment	-	w/c 1 September 2025	
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report to Audit Advisory Board	-	w/c 15 September 2025	24 September 2025
• Agreement of audited and unsigned annual report and accounts	w/c 15 September 2025		-
• Approval by those charged with governance and signing of audited annual report and accounts	24 September 2025	-	24 September 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report	By 30 September 2025		-

Source: Audit Scotland

Audit fee

24. The Commissioner's audit fee is determined in line with Audit Scotland's fee setting arrangements. The agreed audit fee for the 2024/25 audit is £19,260 (2023/24 £18,890).

25. In setting the audit fee, it is assumed that the Commissioner has effective governance arrangements in place and the complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Internal audit

26. The Commissioner is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

27. While we are not planning to use the work of internal audit to provide assurance for our audit procedures on the financial statements, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Audit quality

28. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the Audit Scotland website.

29. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.

- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

30. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

31. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

32. Audit Scotland may periodically seek the Commissioner's views on the quality of audit services provided. The audit team would also welcome feedback at any time.

Commissioner for Ethical Standards in Public Life in Scotland

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