Scottish Parliamentary Corporate Body

Annual Audit Plan 2024/25

Prepared for the Scottish Parliamentary Corporate Body
March 2025

Contents

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Introduction

Purpose of the Annual Audit Plan

1. The Annual Audit Plan provides an overview of the planned scope and timing of the 2024/25 audit of the Scottish Parliamentary Corporate Body's (SPCB's) annual report and accounts.

Appointed auditor and independence

2. The Auditor General for Scotland will provide an Independent Auditor's Report to the SPCB, setting out his opinions on the annual report and accounts. Carole Grant is the engagement lead for the audit.

3. The Auditor General for Scotland and the audit team are independent of the SPCB 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 and Audit Scotland has robust arrangements in place to ensure compliance. 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 SPCB to communicate.

Communication of fraud or suspected fraud

5. In line with ISA 240, in presenting this plan to the Advisory Audit Board, we seek confirmation from those charged with governance of any instances of actual, suspected or alleged fraud that should be brought to our attention. Should members of the board have any such knowledge or concerns relating to the risk of fraud, we invite them to communicate this to the appointed auditor for consideration. Similar assurances will be sought as part of the audit completion process.

Audit scope and responsibilities

Scope of the audit

6. 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 include:

- An audit of the financial statements and the issue of an Independent Auditor's Report setting out our audit opinion on whether they give a true and fair view and are free from material misstatement, and on the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and the Governance Statement, and an opinion on the audited part of the Remuneration Report and Staff Report.
- Conclusions on the SPCB's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, and Vision, Leadership & Governance.
- Provision of an Annual Audit Report setting out significant matters identified from the audit.

Responsibilities

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

Auditor responsibilities

8. The responsibilities of auditors in the public sector are established by 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.

SPCB responsibilities

9. The SPCB 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
- establishing an internal audit function.

10. The audit of the annual report and accounts does not relieve management or the Advisory Audit Board, as those charged with governance, of their responsibilities.

Audit of the annual report and accounts

Introduction

11. The audit of the SPCB 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 section outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

12. 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.

13. 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.

14. The materiality levels determined for the audit of the SPCB are outlined in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for SPCB

Materiality	Amount
Planning materiality: Based on an assessment of the needs of the users of the financial statements and the nature of the SPCB's operations, the benchmark used to determine materiality is gross expenditure. Planning materiality for the 2024/25 audit has been calculated at 1.75 per cent of the gross expenditure in the audited 2023/24 financial statements.	£2.3 million
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 per cent of planning materiality.	£1.7 million

Materiality	Amount
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements greater than the reporting threshold amount.	£0.1 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. The risk assessment process draws on the audit team's cumulative knowledge of the SPCB, including the nature of its operations and its significant transaction streams, the key systems of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

16. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified. Exhibit 2 summarises the risks and the planned audit procedures we plan to perform to gain assurance.

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 As set out in ISA (UK) 240, management is in a unique position to perpetrate fraud because of it's ability to override controls that otherwise appear to be operating effectively. This is presumed to be a significant risk in all audits.	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 relating to the processing of journal entries and other adjustments. • Test journal entries and other adjustments during the year, focusing on those that are assessed as higher risk. • Evaluate significant transactions outside the normal course of business. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • 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 accounting accruals and prepayments.

Risk of material misstatement	Planned audit response
Valuation of land and buildings The SPCB held £392 million of property, plant, and equipment at 31 March 2024, of which £386.6 million related to land and building assets. Land and building assets are valued on a depreciated replacement cost (DRC) basis for specialised buildings. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions. Any changes in the assumptions can have a material impact on the valuation.	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required.

Source: Audit Scotland

17. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the SPCB and those charged with governance, where relevant.

18. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit. The matters determined to be key audit matters will be communicated in the Annual Audit Report.

Wider scope audit

Introduction

19. 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 broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on the SPCB being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this 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 SPCB’s medium- to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery. We will also assess the arrangements in place for business continuity planning.

20. Due to the nature of SPCB, and the specific provisions in the Public Finance and Accountability (Scotland) Act 2000, we will not be completing any specific audit work on the wider scope area of ‘Use of resources to improve outcomes’.

21. A conclusion on the effectiveness and appropriateness of arrangements the SPCB has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Significant wider scope risks

22. Our planned work on our wider scope responsibilities is risk based and proportionate, and no significant risks in the wider scope areas were identified from the 2024/25 risk assessment process.

Reporting arrangements, timetable and audit fee

Audit outputs

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

- this Annual Audit Plan,
- an Independent Auditor’s Report to the SPCB, setting out opinions on the annual report and accounts
- an Annual Audit Report to the Principal Accountable Officer and the Auditor General for Scotland, setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope audit, and recommendations, where required.

24. The matters to be reported in the outputs will be discussed with the SPCB 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 and signed by the appointed auditor.

25. Target dates for the audit outputs are set by the Auditor General for Scotland. The Independent Auditor’s Report and Annual Audit Report are planned to be issued by the target date of 31 October 2025.

Audit timetable

26. Achieving the timetable for the production of the annual report and accounts, supported by complete and accurate working papers, is critical to the delivery of the audit to the agreed target dates. Exhibit 3 includes a timetable for the audit, which has been agreed with management. These dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with the SPCB and reported to those charged with governance, as appropriate.

Exhibit 3
2024/25 audit timetable

Audit activity	Target date
Consideration of unaudited annual report and accounts by those charged with governance	11 June 2025
Submission of unaudited annual report and accounts and all working papers to audit team	7 July 2025
Issue draft Annual Audit Report for clearance discussion	27 August 2025
Latest date for audit clearance meeting	4 September 2025
Agreement of audited and unsigned annual report and accounts	8 September 2025
Issue of proposed Independent Auditor's Report, draft Letter of Representation, and proposed Annual Audit Report to those charged with governance	10 September 2025
Agreed by those charged with governance	17 September 2025
Signing of Independent Auditor's Report and issue of Annual Audit Report	25 September 2025

Source: Audit Scotland

Audit fee

27. The SPCB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The audit fee for 2024/25 has been set at the baseline level of £82,730 (2023/24: £81,200).

28. In setting the audit fee, it is assumed that the SPCB 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

29. The SPCB 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.

30. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team will rely on internal audit's work in relation to the testing of MSP expenses for our financial statements' responsibilities. Due to the claims driven nature of the expenses system there is a risk to the accuracy of the amounts disclosed in the financial statements. This is also an area that draws significant public interest. In addition to the work on internal audit we will undertake our own substantive work in this area to obtain the necessary assurances.

Audit quality

31. 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.

32. 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.

33. 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.

34. 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 monitors on a regular basis by Audit Scotland’s Quality and Ethics Committee.

35. Audit Scotland may periodically seek the views of the SPCB on the quality of audit services provided. The audit team would also welcome feedback at any time, and this should be directed to the appointed auditor.

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