



Registers of Scotland

**Report to the Audit & Risk Committee, the Board and the Auditor General for
Scotland on the 2023/24 audit**

Issued on 1 August 2024 for the meeting on the 13 August 2024

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1.1 Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements;
- A strong understanding of your internal control environment; and
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit & Risk Committee (“the Committee”) of Registers of Scotland (“RoS”) for the 2023/24 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in February 2024.

The key messages of this paper are as follow:

Conclusions from our testing

Based on our audit work completed to date, we expect to issue an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of the entity. We provided management with comments and suggested changes based on review of the first draft and an update has been received confirming compliance.

The auditable parts of the Remuneration and Staff report that we have seen have been prepared in accordance with the relevant regulation. Pension figures are due to be received in early September 2024 and shall be audited/concluded upon then.

A summary of our work on the significant risks is provided in the dashboard on page [8](#). No material misstatements have been identified to date and there are no uncorrected misstatements. However, there are two cases of control deficiencies identified on page [12](#) and two corrected adjustments in relation to audit fees and inventory (refer to page [13](#) for further details).

1.2 Partner introduction

The key messages in this report

Status of the Annual Report and Accounts audit

We have completed all of our audit procedures and have no outstanding points to address.

Conclusions from wider scope audit work

Financial management – Effective budget setting and monitoring arrangements in place.

Financial sustainability – Financial balance has been achieved in 2023/24 and is expected to be achieved in 2024/25. Furthermore, financial projections and corporate plans depict RoS to remain financially sustainable in the upcoming medium-term. While there are risks surrounding the housing market and economic landscape, RoS is closely monitoring these and has contingency savings plans in place in case of an adverse movement in the market.

RoS' digital transformation plan ("3 Big Rocks") and Strategic Workforce Plan (SWP) are aligned to the Corporate Strategy 2022-2027 which will lead to less reliance on the stability of the housing market and lower financial impact on RoS of any adverse changes in the economy.

Vision, leadership and governance – RoS has a clear vision in the short term and work is ongoing to define its future vision beyond 2025. We will monitor the progress with this over the period of our appointment. There is a positive culture of collaboration and partnership working. The governance arrangements also continue to be robust, with a strong ARC.

RoS' approach to openness and transparency is in line with best practice, with minutes and papers being published along with plans and performance information.

Use of resources to improve outcomes – A clear performance management framework is in place with regular reporting on performance provided to the Board, and a clear focus on continuous improvement. RoS has continued to perform well during 2023/24, actively managing its performance with a clear picture of areas that require ongoing focus. It recognises the scale of the challenge to deliver a functionally complete land register and the work required to deliver its overarching goal of clearing the backlog of open casework. This is being actively managed.

Next steps

An agreed Action Plan is included on pages [33 to 37](#) of this report, including a follow-up of progress against prior year actions.

Pat Kenny
Associate Partner

Annual Report and Accounts Audit



2.1 Quality indicators

Impact on the execution of our audit

 Lagging
  Developing
  Mature

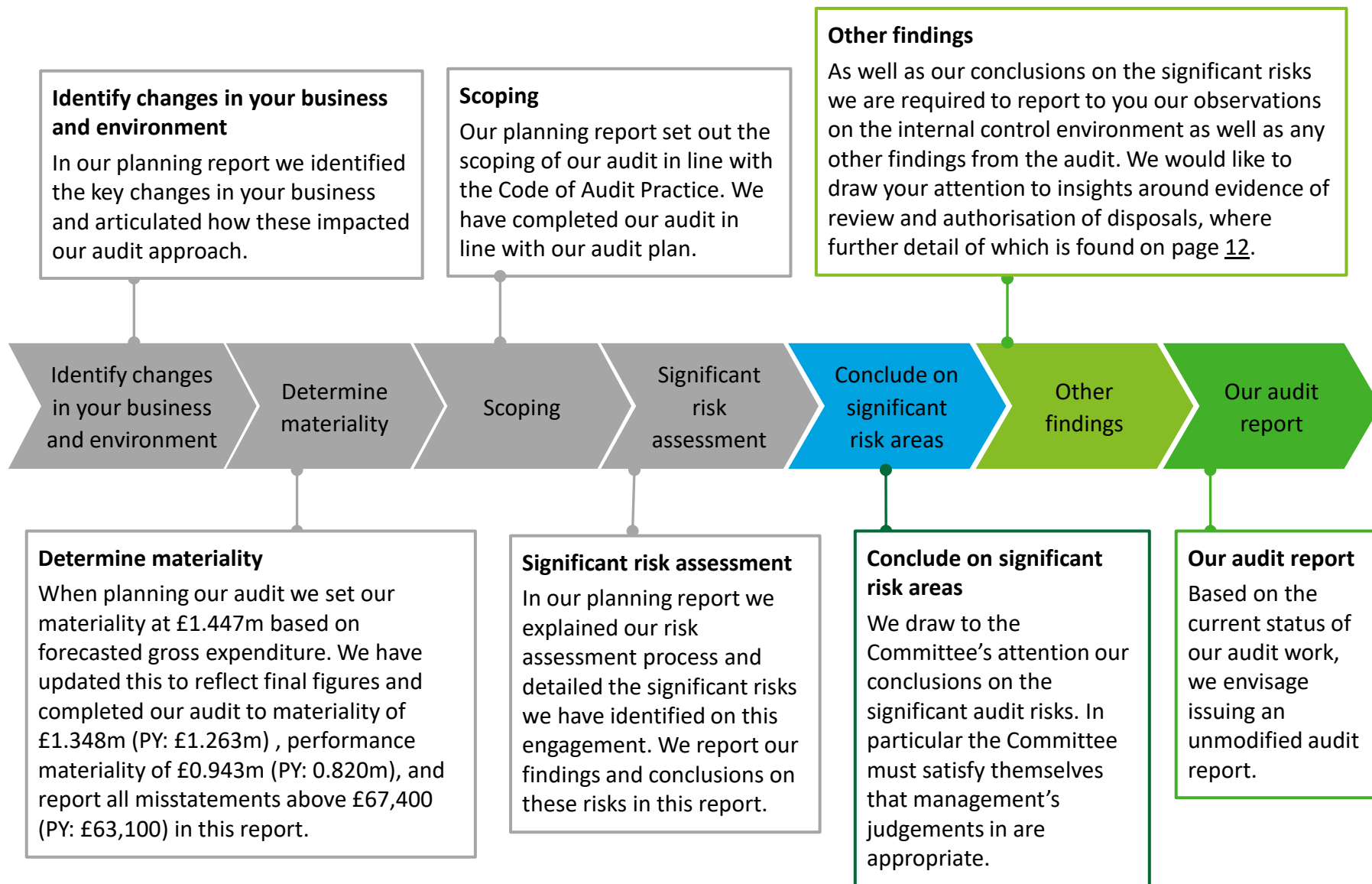
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit.

This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	2022/23 Grading	2023/24 Grading	Reason	Further detail
Timing of key accounting judgements			Information was provided by the requested deadline and covered the points required.	N/A
Adherence to deliverables timetable			Management provided major deliverables within agreed timelines. There were some delays with minor requests, but this has had no impact on the audit.	N/A
Access to finance team and other key personnel			The audit team always had access to the finance team and relevant key personnel from beginning through to the end of the audit process. The audit team was on site twice a week during fieldwork which assisted effective communication.	N/A
Quality and accuracy of management accounting papers			The quality and accuracy of management accounting working papers was appropriate with no issues noted.	N/A
Quality of audit evidence provided			There were several instances of listings not reconciling to draft accounts and audit evidence not being suitable for our procedures. This required resubmission requests for multiple areas. The quality of audit was not impacted, however additional staff have had to be booked to the engagement to ensure timely completion of audit.	N/A
Quality of draft Annual Report and Accounts			Quality of draft was of a high standard with no issues noted in both accounts and disclosures. Note that pensions remains outstanding, although this was out of ROS control.	15
Response to control deficiencies identified			There were two control deficiencies identified which are continued themes from the prior year.	12
Volume and magnitude of identified misstatements			No material misstatements have been identified to date and there are no uncorrected misstatements. However, two corrected adjustments in relation to audit fees and inventory (WIP) were identified.	13

2.2 Our audit explained

We tailor our audit to your business and your strategy



2.3.1 Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory	
Fee Income			Satisfactory	

- Level of management judgement**
-  Limited management judgement
 -  A degree of management judgement
 -  Significant management judgement

- Controls approach adopted**
-  Assess design & implementation

2.3.2 Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls from our testing to date.

2.3.3 Significant risks (continued)

Management override of controls (continued)

Key estimates and judgements The key estimates and judgments in the Annual Report and Accounts includes those which we have selected to be significant audit risks around the Fee Income. This is inherently the area in which management has the potential to use their judgement to influence the Annual Report and Accounts. As part of our work on this risk, we reviewed and challenge management's key estimates and judgements including:

Estimate judgement /	Details of management's position	Deloitte Challenge and conclusions
Work-in-progress (WIP) provision	The balance for WIP provision as at 31 March 2024 is £6,287k. This is a £2,431k decrease from prior year's balance of £8,718k, caused by a reduction in WIP provision for current year. The value of this provision is based on complex internal workings which include inputs such as fee income, work in progress, inventory, operating expenditure, etc.	We have understood client workings, obtained client working papers for WIP, and performed recalculations - whilst testing the inputs to these calculations. We have reviewed the evidence and concluded that the value provided is reasonable and that the provision has been appropriately disclosed in line with reporting requirements.

2.3.4 Significant risks

Fee Income



Risk identified and key judgements

ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give risk to such risks.

We have assessed the income streams for RoS and concluded that the risk of a material misstatement due to fraud is in relation to registration fees. RoS operate a system of prepayment of registration fees, which are initially held as a creditor, with income recognised when services are transferred to the customer.

We have therefore pinpointed the risk to the accuracy of the inventory (work in progress (WIP)) balance, the accuracy of the provision made at year end (where prepaid income is expected to be less than costs for incomplete case work) and the cut off for income being recognised at the year end.



Deloitte response and challenge

We have tested the design and implementation of key controls in place around the WIP provision.

We tested the inputs to the WIP provision and the key information provided to the audit team, as well as reviewing the accounting treatment of the provision.

We have performed detailed testing on cut off for fee income recognised around year end.

Deloitte view

We have concluded that the fee income recognised and the WIP provisions made are line with requirements of the FReM and we have not noted any misstatements arising from our testing.

2.4 Your control environment and findings

Control deficiencies and areas for management focus

Observation	Priority Level	Deloitte recommendation	Management response and remediation plan
Approval of Disposals From our assessment of the disposal of tangible assets, we have noted that there is no disposal form in place to evidence appropriate approval of the disposal.		We would recommend that disposal forms are filled out before the disposal of assets to ensure evidence of actual approvals are documented.	This was recommended and included in action plan in the prior year. Refer to action plan on page 35 .
Assets on Fixed Asset Register that have previously been disposed of During our disposals testing we identified an asset which was disposed of during COVID-19, but only recognised as being disposed of in the current year.		We would recommend performing a detailed review of the FAR to ensure that only assets that are in use have been included.	This is currently ongoing by management. We have included this in our action plan on page 33 .

-  Low priority
-  Medium Priority
-  High Priority

2.5 Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

RoS Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the “FReM”). Following our audit work, we are satisfied that the accounting policies are appropriate.

Liaison with internal audit

The audit team has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

Adjustments:

We note there was two adjustments during audit fieldwork:

1. Adjustment to Inventory – during testing of inventory management identified that the schedule provided, even though it reconciled to the accounts, was out of date. Whereby inventory was misstated by £399k between WIP progress asset (£147k) and WIP provision (£251k). Therefore, both the schedule and accounts needed to be updated (refer to page [38](#) for further details).
2. Adjustment to Deloitte Audit fees – we note that the audit fee originally disclosed was £55k instead of £58k. Even though this is below reporting threshold it was deemed appropriate to amend due to the nature of the balance (Refer to page [38](#) for further details).

We will obtain written representations from the entity on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

2.6 Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Report and Accounts

Our opinion on the financial statements is expected to be unmodified.



Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment that the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion, in all material respects, the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page [15](#).

2.7 Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines the Board's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Board.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes which management have updated in the revised draft.
The Accountability Report	Management have ensured that the Accountability Report meets the requirements of the FReM, comprising the Governance Statement, remuneration and staff report and the parliamentary Accountability Report.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes which management have updated in the revised draft. We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that have been prepared in accordance with the accounts direction. Pension figures are due to be received in early September 2024 and shall be audited/concluded upon then.

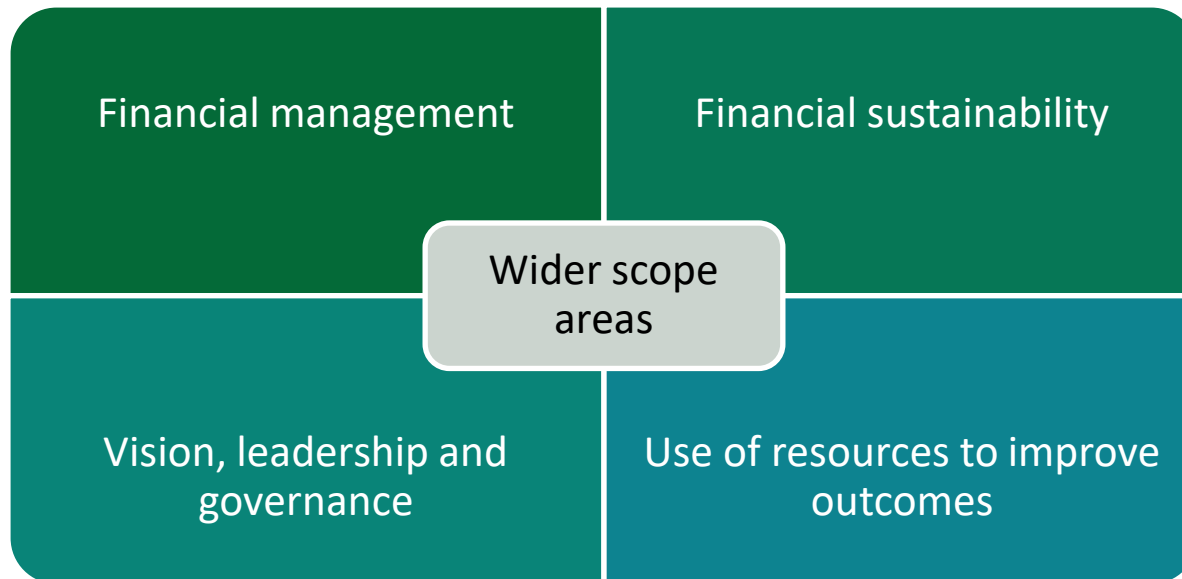
Wider scope audit



3.1 Wider scope requirements

Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how RoS has addressed these and our conclusions are set out within this report.

3.2 Wider scope requirements (continued)

Financial management



Significant risks identified in Audit Plan

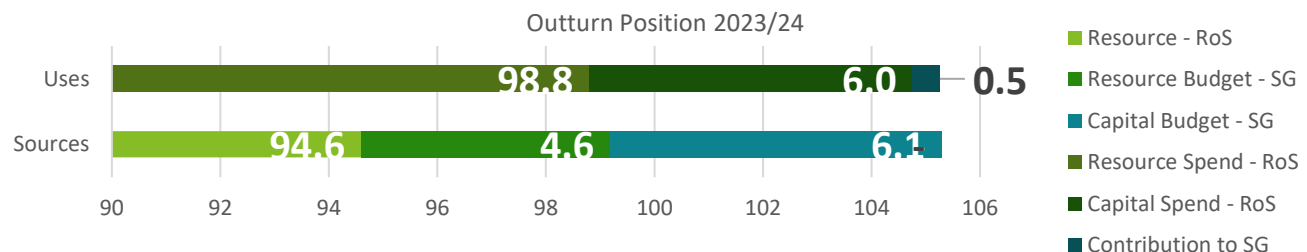
We did not identify any significant risks in relation to financial management during our planning work. We therefore restricted our audit work to reviewing the budget monitoring to the Executive Management Team (EMT) and the Board during the year to assess whether financial management and budget setting has continued to be effective.

Current year financial performance

As an income generating Non-Ministerial Office (NMO) of the Scottish Government, RoS is partially funded by the Scottish Government with its budget allocation appearing as a distinct line item in the Annual Scottish Budget Bill (known as department expenditure limit (DEL)). For 2023/24, this was initially £10.4m, but was subsequently revised to £10.7m to cover delay costs caused by an extension in the deadline on clauses for legislative non-compliance of Register of Persons Holding a Controlled Interest in Land commencing. Additional budget was also received for Annually Managed Expenditure (AME) to cover non-cash costs, such as potential changes to provisions and impairments.

The overall budget was developed through extensive consultation by finance across business areas and Executive Management Team (EMT). As an Advisory Board, the budget is not formally approved by the Board, however Board members provided appropriate scrutiny and challenge throughout the budget development process.

The final outturn expenditure and income are summarised below. As a result of variances in expenditure and Registration income, RoS reported an underspend against the Scottish Government budget, resulting in a net contribution to the Scottish Government of £0.5m.



3.3 Wider scope requirements (continued)

Financial management (continued)

Current year financial performance (continued)

The EMT, Board and ARC regularly review progress against budget through the year, with quarterly formal reporting to the Board, and monthly finance updates provided. Any variances arising during the year are clearly reported and there is a clear link between the financial information reported in the year and the Annual Report and Accounts.

An example of significant variance is the revenue being £4.5m lower than budget. This was because of a slowdown in the property market as a result of higher interest rates and cost of living challenges. The slowdown led to fewer transactions and less registrations and income for RoS. However, management identified several cost saving measures including staff-based measures (implementing a hiring freeze and reviewing contractor days) and pushing some capital expenditure into 2024/25. During this period, management also had weekly finance update calls with EMT and successfully managed to stay within their resource limits with a positive outturn position at year end.

Finance capacity

The finance team has remained relatively consistent throughout the year, with only one major change.

To strengthen resilience in the finance team a second Head of Finance post was created in 23-24 and successfully filled. However that postholder resigned in March 2023. The recruitment to replace that post resulted in recruitment of a replacement in January 2024. The other Head of Finance went on a two year secondment to SG in November 2023 and that post was also successfully recruited in January 2024. Both head of finance posts were filled until July 2024, when one resigned creating another vacancy. RoS will be actively recruiting for the position from August 2024.

Internal controls and internal audit

RoS has comprehensive financial policies and procedures in place.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2023/24. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2023/24 Internal Audit Plan was approved by the ARC in February 2023 and comprised three projects for the year. Detailed reports are provided to the Committee for each project, where in one are was classified under 'Substantial Assurance' and two were classified under 'Reasonable Assurance'. Hence, there were no significant issues identified by Internal Audit.

Standards of conduct for prevention and detection of fraud and error

We have assessed RoS' arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularities 2021/22 – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the arrangements to be to be designed and implemented appropriately.

3.4 Wider scope requirements (continued)

Financial management (continued)

National Fraud Initiative (NFI)

A number of central government bodies, including RoS are participating in the most recent NFI exercise. We have monitored RoS' participation and progress in the NFI exercise.

The NFI exercise checklist for 2022/23 was noted by the ARC at its meeting in August 2022.

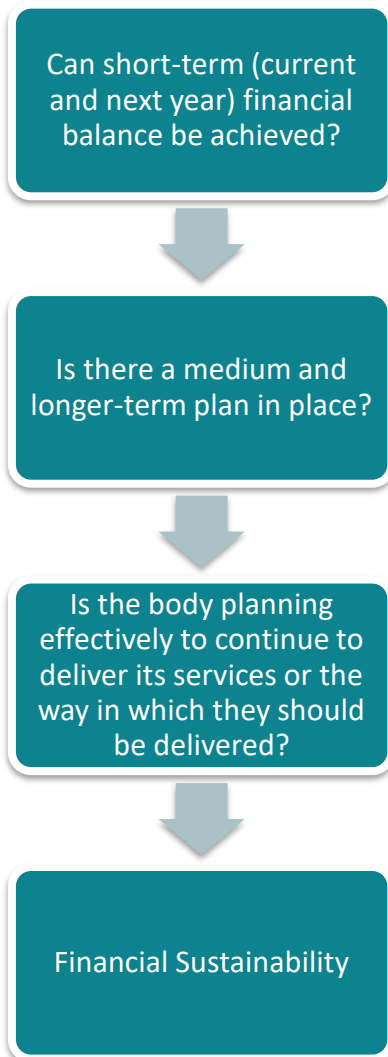
RoS is progressing with its review and in line with previous exercises will provide a report to ARC once concluded. We have therefore concluded that RoS is fully engaged in the exercise.

Deloitte view – financial management

RoS continues to have effective budget setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

3.5 Wider scope requirements (continued)

Financial sustainability



Significant risks identified in Audit Plan

In our audit plan we highlighted that the RoS has medium term financial planning arrangements in place and is continuing a major digital transformation journey. We highlighted that there is a risk that RoS will not be able to implement its digital transformation (due to financial and capability factors), therefore this has been the key area of focus for our audit.

2024/25 budget setting

As explained on page [18](#), as a NMO, the Board does not approve the budget. However, it provided input and challenge throughout the budget setting process, starting in December 2023 as part of the development of year three out of five of the Corporate Plan.

In line with good practice, the budget is set in the context of agreeing the updated strategic objectives and content of the Corporate Plan, based on a series of modelling and financial assessments. There is therefore a clear alignment between what RoS plan to achieve in year three of its Corporate Plan and how that will be funded.

In 2023/24, there was a significant downturn in the housing market (discussed in more detail in page [19](#) – Financial Management) and reduction in £4.5m to budgeted income. Hence, in preparing the 2024/25 budget RoS has taken a conservative and prudent approach and reset all three income scenarios downwards based on 23-24 actual performance using mid income scenario budget in FY2024/25. This covers the key risk of uncertainty in the housing market. RoS will continue to monitor this closely.

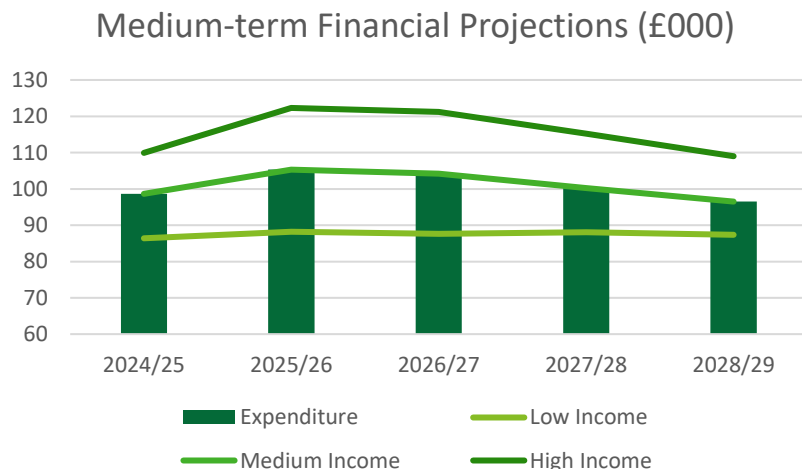
3.6 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning

In approving its Corporate Plan for 2022-2027, RoS agreed a five-year financial plan with the Scottish Government, which fed into the Resource Spending Review Framework and Infrastructure Investment Plan published by the Scottish Government.

In advance of year three of the plan (2024/25), RoS reviewed its financial projections and updated its medium-term plan. In line with best practice, scenario analysis was carried out and reported as summarised below. This shows that in the central scenario, RoS is expecting to fully cover its costs with income generated over the next three years.



The plan does recognise the risk that challenging economic conditions continue to impact RoS and any changes to the property market would affect its income. The scenarios prepared therefore provide a range of options to allow RoS to re-prioritise and reduce its costs to ensure it breaks even, if changes to the property market occur.

As part of the Spending Review, the Scottish Government expects bodies to set an annual efficiency target of 3% (which RoS is meeting) and also expects them to explore the scope to maximise the use of shared services across the public sector landscape.

There is no expectation on RoS to contribute to SG but as a net contributor to the Scottish Government, RoS' approach to efficiency is embedded within its Corporate Plan, with its key target to break even financially each year based on the income it generates. Strategic Objective 5 is to "be an effective and efficient, future-focused delivery organisation". This is being achieved through Strategic Objective 3 "develop and deliver digital improvements that support a sustainable business where the needs of our customers are fully satisfied".

RoS' approach to service redesign and transformation is managed through its Service Alignment Team, which is discussed further on the following page. This is closely aligned with financial planning and workforce planning to help drive forward the changes required.

3.7 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning (continued)

The **Service Alignment Team (SAT)** was established by the EMT to support the RoS vision to design and develop a modern service-aligned organisation and provide governance of the strategic roadmap and the development of a service blueprint. The SAT reports at an operational level to the EMT and has a governance board that meets monthly.

Originally, SAT's purpose did not have any specific improvement or transformational projects and was focussed majorly on Product Sustainability, Service Acceleration and Data Certainty. However, recently SAT has been responsible for implementing the "3 Big Rocks" digital transformation strategy which focusses on:

1. Automation
2. Upskilling of employees
3. Implementing embedded title sheets

The Goal of the "3 Big Rocks" is to bring in new technologies and ways of working in order to reduce their cost-dependence on market volatility. This is in line with RoS Corporate Strategy 2022-2027. Furthermore, it has the potential to affect several areas of RoS including headcount, capital expenditure, and outturn positions in the future.

Quarterly reports are provided to EMT, through the EMT Investment Board and Business Portfolio Board. These reports:

- Provide an update on costs and benefits from all project change initiatives; and
- Provide a consolidated benefits report setting out the delivery of the six SAT domains, addressing three main aspects "what we said we would do, what we have done, and what is still to be done".

Having this structure in place to monitor and report on the benefits is in line with good practice. Within the reports there is quantification of some of the benefits, e.g. cost savings, carbon footprint impact. A full benefits review is still outstanding, as there are certain areas that are yet to be reviewed. It is important that as RoS continues on its improvement journey, investing in digital and transforming services, and that the impact of these activities in terms of financial savings, efficiencies, staffing changes is closely monitored to be able to demonstrate that work is on track to achieve the intended objectives.

3.8 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning (continued)

Another key element of the medium-to-long term planning is the Strategic Workforce Plan (SWF), given that a high proportion of RoS' costs relate to staff.

When the Corporate Plan 2022-2027 was approved, there was recognition that the workforce would change throughout the period of the plan as RoS deliver on the service improvements planned. It expects the number of staff working in operational areas will reduce and anticipates digital and data teams to grow. Overall staffing projections for 2024/25 are largely in line with the previous year, but over the 4-year period, this is expected to decline from 1,300 to 1,200. This would be due to effects of the digital transformation plan and automation, as set out in the delivery plan year three (2024/25').

A SWF plan is being developed to cover the next 2-3 years. Modelling has been carried out, which has fed into the financial projections discussed on page [22](#). A key part of the plan is to reskill staff to work on the longstanding open casework to meet the priority set out in the Corporate Plan. A SWF dashboard has also been created to provide a monthly snapshot of people data, providing insights and analysis about high level risks and opportunities.

Deloitte view – Financial sustainability

RoS has achieved financial balance in 2023/24 and has set a balanced budget for 2024/25, therefore is financially sustainable in the short-term. While there remains a risk that income is impacted by the uncertainty around the housing market, this is being closely monitored and managed.

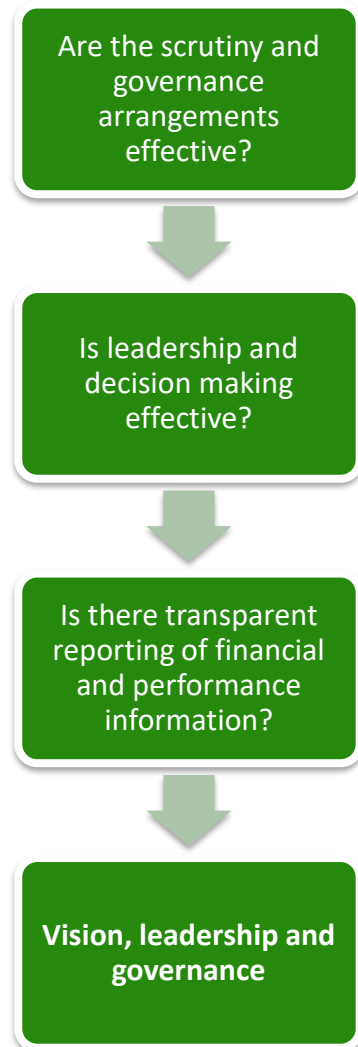
Medium term financial projections also demonstrate that RoS is expecting to be financially sustainable over the next three years, being the period of the Corporate Plan. There is a clear alignment between the financial projections, workforce projections and objectives within the Corporate Plan, and in line with good practice, scenario analysis has been performed to allow management to manage the risk of change.

RoS is undergoing significant change and recognises that its workforce will change throughout the period of the Corporate Plan as digital projects are progressed. Clear governance arrangements are in place to manage and monitor the changes through the Service Alignment Team and regular reporting to the EMT and the Board. This includes reporting on the benefits achieved. It is important that as RoS continues on its improvement journey, investing in digital and transforming services, that the impact of these activities in terms of financial savings, efficiencies, staffing changes is closely monitored to be able to demonstrate that work is on track to achieve the intended objectives.

We have concluded that given the significant change there is still a risk that RoS will not be able to implement its digital transformation (due to financial and capability factors). We will continue to monitor the progress during our audit appointment.

3.9 Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

We did not identify any significant risks in relation to vision, leadership and governance during our planning work. We therefore restricted our audit work to reviewing the work of the Board and its Committees to assess whether the arrangements continue to operate effectively, including assessing whether there is effective scrutiny, challenge and informed decision making.

Vision and strategy

RoS' current Corporate Plan covers the period 2022-2027. This is supported by a Delivery Plan for year 3 (2024/25) which reflects on the performance of year 2 of the Plan. This sets out the organisations vision "to be a digital registration and information business trusted for our integrity" with five strategic priorities (reducing from six set out in the 2022-2027 Corporate Plan by combining two objectives into one).

1. Deliver the benefits of a completed land register: reducing stock, and delivering casework within improved timeframes;
2. Deliver more benefits to Scotland by providing innovative and accessible land and property data;
3. Develop and deliver digital improvements that support a sustainable business where the needs of our customers are fully satisfied;
4. Inspire our people to adapt, grow and innovate to empower a thriving, and inclusive organisation; and
5. Be an effective and efficient, future-focused delivery organisation.

Against each of these strategic objectives, KPIs are in place to allow RoS to monitor its performance. The Corporate Plan also sets out how RoS' work helps to deliver the National Outcomes within the Scottish Government's National Performance Framework.

3.10 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Leadership

Leadership at RoS is adaptive to changing environments. This can be seen in three instances in 2023/24:

1. An EMT (Business Development Director) had retired in 2023/24 and Billy Harkness (Director of People) is due to retire. A succession plan has been executed which has involved new hirings and reshuffling of roles and responsibilities. This change has been executed smoothly (2 senior people hired – Customer Experience and Business Development Director and Director of Digital, Data and Technology) with no issues to operations or outcomes during this period;
2. In 2023 there was a downturn in the property market. This created risk for a significant negative impact on RoS' revenue and its ability to deliver outcomes. However, RoS created a savings plan by removing less-impactful IT projects, utilising human resources more effectively and increasing EMT-finance meetings from monthly, to weekly. This helped RoS maintain a breakeven position. Furthermore, the budget for 2023/24 was created at a conservative level, ensuring a similar market downturn would have minimal impact; and
3. RoS is undergoing a digital transformation with a focus on the "Three Big Rocks": Automation, Upskilling and Embedded Title Sheets.

The Board at RoS is strictly advisory in nature. There is a good relationship and culture between the Board, Accountable Officer (AO), the CEO/Keeper and the Executive Management Team (EMT) – where the Board has monthly catch-ups with the EMT.

In line with best practice, the Board carried out an effectiveness review in prior year, in August 2023 and the next one is planned in August 2024. The review includes a series of surveys and helps the Board improve its role and effectiveness at RoS.

Board Effectiveness Pulse results were presented by The Keeper in December 2023. From the results, the Board discussed increasing Non-Executive Director (NXDs) exposure to wider stakeholders such as Senior Management and the Finance Team. The CFO now has regular meetings with three NXDs (one monthly and two every two months).

Governance and scrutiny arrangements

The Scottish Government Framework Agreement was revised and updated in May 2023. This sets out the strategic relationship and a number of shared principles between RoS and the Scottish Government. It forms a key part of the governance and accountability framework within which RoS operates.

The ARC continues to be a key element of the governance arrangements in place. In line with good practice, the Committee carries out an annual self-assessment of its effectiveness, the outcome of which was reviewed by the ARC in March 2024. Key actions arising from the assessment were set out in a clear action plan, with target dates for completion. The next ARC effectiveness review is planned for February 2025.

3.11 Wider scope requirements (continued)

Vision, leadership and governance (continued)

Governance and scrutiny arrangements (continued)

The ARC also provide oversight and scrutiny of the Key Risk Register, with regular updates then provided to the Board. The ARC carried out its annual review of the Risk Management Policy in December 2023 along with the Key Risk Register updates.

We have reviewed meetings attendance from the past year and confirm that there has been well attended. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

Transparency of reporting

All Board minutes are publicly available through the RoS website. In addition, accompanying Board papers are also published and a “Transparency Summary Sheet” accompanies each set of minutes to set out what is available and reasons for specific papers not being available, e.g. non publication of sensitive information. This is in line with best practice.

As part of the Board effectiveness review, consideration was given to live streaming Board meetings for discussions having papers that are published externally.

The RoS website includes a comprehensive suite of information including corporate plans, Annual Report and Accounts and monthly expenditure reports, thereby demonstrating openness and transparency of decision making and performance information (which is considered further on page [29](#)). The Keeper also publishes a monthly newsletter which is published on the website.

Deloitte view – Vision, leadership and governance

RoS has a clear vision, as set out within its Corporate Plan, and work is ongoing to define its future vision beyond 2025. We will monitor the progress with this over the period of our appointment. There is a positive culture of collaboration and partnership working between the executive and non-executive Board members. The governance arrangements also continue to be robust, with a strong ARC.

RoS’ approach to openness and transparency is in line with best practice, with both minutes and papers being published, along with plans and performance information.

3.12 Wider scope requirements (continued)

Use of resources to improve outcomes



Significant risks identified in Audit Plan

In our audit plan we highlighted that RoS had a target to functionally complete the Land Register by 2024. It aims to do this by clearing the pre-2021 registration cases, which are currently backlogged. RoS plan to do this by despatching 60% of new applications within 35 days. There are significant interdependences, which mean that there is a risk that RoS will not meet this target. We have therefore assessed the performance management framework in place to assess how RoS is managing this risk.

Performance management framework

RoS monitors its performance against its Strategic priorities set out within the Corporate Plan (as discussed previously on page [25](#)). Quarterly reporting is provided to the Board to enable it to monitor and challenge the performance of RoS, with information structured as follows:

- Information (in a series of Annexes) to summarise performance year-to-date against the Corporate Plan;
- A commentary on the areas of exception in the year-to-date performance; and
- A commentary, drawn from the discussions at the most recent Executive Management Team corporate governance meeting regarding key areas of focus going forward.

Within the Annual Report and Accounts, RoS has included a section setting out how its work contributes to the Scottish Government's National Performance and National Outcomes.

3.13 Wider scope requirements (continued)

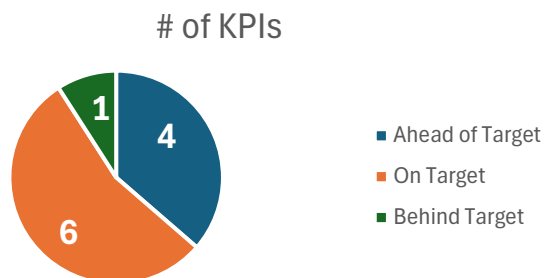
Use of resources to improve outcomes

Performance data

An update to the Corporate Plan 2022-2027 and plans for 2024/25 are provided through a Delivery Plan. A Delivery Plan is published each year covering last year's progress and this year's targets. The Corporate Plan covers 5 strategic objectives (each including numerous KPIs) as below:

1. Deliver the benefits of a completed land register: reducing stock, and delivering casework within improved timeframes
2. Delivery more benefits to Scotland by providing innovative land and property data
3. Develop and deliver digital improvements that support a sustainable business where the needs of our customers are fully satisfied
4. Inspire our people to adapt, grow and innovate to empower a thriving and inclusive organisation
5. Be an effective, efficient and future focussed delivery organisation

Below is a graph showing RoS performance regarding its KPIs:



We have inspected RoS' delivery plan and identified the following key KPI improvement areas:

- **Strategic Objective 4:** Inspire our people to adapt, grow and innovate to empower a thriving and inclusive organisation; and
- **Strategic Objective 5:** Be an effective, efficient, and future focussed delivery organisation.

Strategic Objective 4: Inspire our people to adapt, grow and innovate to empower a thriving, and inclusive organisation.

KPI target: Engagement score of 68%.

KPI update: Engagement score of 65%

RoS has reported that in the most recent Civil Service People Survey, the engagement score recorded as slight decline but within the details of the survey, there was evidence to show that the actions RoS are taking based on feedback from the survey are making a positive difference to colleagues. It also recognised that the survey has highlighted that there is more to do to help colleagues understand its future direction and to build their confidence in the decisions RoS are making to change the organisation for the future. Work is underway to address this.

Strategic Objective 5: Be an effective, efficient and future-focussed delivery organisation.

KPI Target: Prepare for the launch of the Registers of Moveable Transactions.

KPI update: This has been pushed back due to a delay in legislation and refers to the 1 KPI behind target. RoS shall prepare for the launch of the Registers of Moveable Transactions, once a date has been agreed by Parliament.

RoS is tracking this delay. Furthermore, as it is outside the control of RoS, no issues have been noted.

3.14 Wider scope requirements (continued)

Use of resources to improve outcomes

Performance data (continued)

RoS recognises that simply meeting the corporate plan deliverables will not be sufficient to deliver on its overarching goal of clearing the backlog/open casework and setting the organisation up to deliver on the future vision. The work required centres around changes to how operational staff deliver their role and how they are developed/trained which is closely aligned to the work that the SAT are monitoring, discussed further on page [23](#).

Service reviews

RoS performs regular benchmarking exercises to enable it to continue performing as an effective public sector organisation. Different levels of benchmarking performed is as below:

1. Benchmarking with peers who perform the same functions such as Land Registries in England and Wales;
2. Benchmarking back-office functions with other public sector bodies. This has been pushed by Cabinet Officer (UK) and Scottish Government (SG); and
3. Board provides insight into what other organisations are doing which RoS can learn from.

From benchmarking activities, a challenge unique to RoS has been identified. Although, most comparable land registry bodies have backlogs, RoS has some very old cases which are challenging to resolve. Hence, RoS has set an interim target over the next 2 years to radically reduce the overall casework RoS has, from ~130k in 2023/24 to ~40k in 2026/27 – from which majority is part of the backlog.

Deloitte view – Use of resources to improve outcomes

RoS has a clear performance management framework and regular reporting on performance is provided to the Board, with a clear focus on continuous improvement.

RoS has continued to perform well during 2023/24, actively managing its performance with a clear picture of areas that require ongoing focus. It recognises the scale of the challenge to deliver a functionally complete land register and the work required to deliver its overarching goal of clearing the backlog of open casework. This is being actively managed.

4.1 Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report;
- Our internal control observations; and
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the RoS, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the entity.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP

Glasgow | 1 August 2024

Appendices



5.1 Action Plan

The following recommendation has arisen from our 2023/24 audit work:

Recommendation	Management Responses	Priority	Responsible Person	Target Date
1. Detailed Review of Fixed Asset Register During our disposals testing we identified an asset which was disposed of during COVID-19, but only recognised as being disposed of in the current year. We recommend that a full review of the Fixed Asset Register is performed.	RoS commenced a full review of the Fixed Asset Register in 2023-24 and this disposal was identified through that process. Due to a staff turnover in the financial accounting team, this work was paused and will now be completed in 2024-25. The recruitment is well underway, and this task will be one of their first priorities.	Low	Head of Finance - Financial accounting and systems	31 March 2025

5.2.1 Action Plan (Continued)

We have followed up the recommendations made in by Deloitte in prior year's audit. We are pleased to note that three recommendation is fully implemented and one remains ongoing.

Recommendation	Management Responses	FY 23/24 update
1. Proof of review of Management Experts From our assessment of the controls relating to the valuations, while management confirmed there was review of the work, we were not able to see documentation retained as evidence of this. This was identified related to Impairment documentation received from in-house management expert – Head of Estates. We would recommend that there is evidence of managements review of the work.	Management review will be formally documented & retained. Responsible officer: Head of Finance Target date: Completed	Completed - April 2024 - Completed - evidence has been retained of the management review work. For the Year End 2023/24, the RoS Head of Estates was consulted by Finance as the in-house 'management expert' for the Mar24 review of the SVP Glasgow lease dilapidations and market valuation of MBH Edinburgh. Additionally, reference was also made to a commentary provided on 11.04.2024 on Meadowbank House and the Edinburgh Property Market from the Valuation Office Agency (VOA) Glasgow - DVS Directorate. Deloitte reviewed an email chain between the financial accountant and head of finance discussing the dilapidation provision. In addition, the CFO provided a management note in July 2024 detailing control process over review of management experts. We note that the evidence of the review could be made clearer going forward.
Recommendation closed		

5.2.2 Action Plan (Continued)

Recommendation	Management Responses	FY 23/24 update
2. Disposal forms for assets From our assessment of the disposal of tangible assets, we have noted that there is no disposal forms in place. We would recommend that there be disposal forms so that there is evidence of the appropriate approvals for disposals.	A process is in place for IT assets, this will be improved to all asset categories supported by the Policy & Practice group. Responsible officer: Corporate Services Director Target date: December 2023	In November 2023 the disposals of assets policy was updated which notes '<i>All items within the RoS estate that have been bought and are, or could be, on our asset register should be noted on the appropriate form before disposal.</i>' As part of our audit, we reviewed the updated process flow map dated April 2024 and examples of disposal forms. However during our audit testing it was noted that some of the disposals either had no forms or had been disposed of before the completion of the disposal form (pre-November 2023). Given this control was put in place in November 2023 and ROS is currently going through a detailed review of the FAR we have concluded that this recommendation has been partially implemented. We expect this to improve and will be fully implemented next year once the FAR has gone through its review. Recommendation partially implemented

5.2.3 Action Plan (continued)

Recommendation	Management Responses	Status
3. IT - Logical Security on passwords From our inquiries on passwords for the eFinancials application, we noted the following parameters deviate from the Registry of Scotland password policy and/or best practice values: - Minimum password length: 6 (Best Practice Value: 8) - Complexity: Not enabled (Best Practice: Complexity - Enabled) Weaknesses in password security increases the risk of unauthorised access to key systems, which can undermine the reliability, integrity and confidentiality of business critical data. Management should ensure that where technically possible, the password parameters are aligned with either corporate policy and/or industry best practice. Where not technically possible management should document this and any compensating/mitigating controls.	The RoS digital team will work with the finance team and the 3rd party supplier to align the e-fin passwords more closely to the RoS password policy Responsible officer: Head of IT Development Target date: 31 December 2023	Completed: November 2023 Recommendation closed

5.2.4 Action Plan (Continued)

Recommendation	Management Responses	FY 23/24 update
4. Disclosures on accounting estimates From our review of the accounting policies in the Annual Report, we noted that the assumptions used in the key accounting estimates were not quantified and there were no sensitivity analysis and range of outcomes disclosed.	Audit recommendations and best practice was adopted and will be reviewed. Responsible officer: Head of Finance Target date: 31 March 2024	Completed March 2024 Recommendation closed

5.3 Adjustments

Corrected Adjustments

The following adjustments have been identified by management and Deloitte up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/(credit) CIES £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £	Debit/(credit) Equity £	If applicable, control deficiency identified
Deloitte audit fee	[1]	3	(3)			N/A
Inventories (WIP asset)	[2]	(148)	148			
(WIP Provision)		(251)	251			
Total		(396)	396			

[1] Deloitte audit fee had been rolled over from the prior year

[2] During testing of inventory management identified that the schedule provided even though it reconciled to the accounts was out of date. Whereby inventory (WIP) was understated by £148k, provision (WIP) overstated by £259k, admin expenses overstated by £399k.

5.4 Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the entity to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the Keeper to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in fee income recognition and management override of controls as a key audit risk.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report (for all entities subject to audit) how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No issues or concerns have been identified in relation to fraud.

5.5 Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the entity and our objectivity is not compromised.	
Fees	The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:	
		£
	Auditor remuneration	67,710
	Audit Scotland fixed charges:	
	• Pooled costs	6,840
	• Sectoral cap adjustment	(16,080)
	Total expected fee	58,470
	There are no non-audit fees.	
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the entity's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.	
Relationships	We have no other relationships with the entity, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.	



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