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SAAS Student Awards Agency Scotland
Funding your future

Student Awards Agency Scotland

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

Issued on 30 July for the meeting on the 13th August 2024

Contents

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.
- 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 and Risk Committee ("the ARAC") of Student Awards Agency for Scotland (SAAS) for the 2023/24 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in February 2024.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

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

The Performance Report and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the SAAS. 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 report have been prepared in accordance with the relevant regulation. We note at the date of presenting this report pension information is still outstanding.

A summary of our work on the significant risks is provided in the dashboard on page 8.

We note there was one prior year adjustment of £1,485k in relation to intangible assets, refer to pages 11 and 31 for further details. No other errors have been identified to date.

As part of our audit procedures no control deficiencies were identified.

1.2 Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Accounts audit

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

Conclusions from wider scope audit work

Financial sustainability

Financial balance was achieved in 2023/24. Whilst an overspend is projected for 2024/25, whilst SAAS have taken steps to reduce this overspend through savings, further work needs to be performed on creating a robust medium-to-long term plan. There have been significant investments in transformation, which are expected to produce efficiencies within SAAS over the next three years. Due to the projected overspend for FY 2024/25, and that there is currently no medium-to-long term financial plan, as it is still under development, there is a significant risk over financial sustainability. Therefore, SAAS are not currently financially sustainable, and improvements need to be made

Next steps

An agreed Action Plan is included on pages 23-30 of this report, including a follow-up of progress against prior year actions.

Added value

Our aim is to add value to the SAAS by providing insight into, and offering foresight on, financial sustainability by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the SAAS promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

Pat Kenny
Lead Audit Partner

Annual Accounts Audit

2.1 Quality indicators

Impact on the execution of our audit

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	Grading	Reason	Further detail
Timing of key accounting judgements	Mature	Information was provided by the requested deadline and covered the points required.	N/A
Adherence to deliverables timetable	Mature	Management provided deliverables within agreed timelines.	N/A
Access to finance team and other key personnel	Mature	The audit team always had access to the finance team and key personnel from beginning through to the end of the audit process. On site presence helped with discussions.	N/A
Quality and accuracy of management accounting papers	Mature	The majority of working papers provided were of a good quality. Some areas required resubmission following clarification of exact requirements, but this did not impact on audit quality or timelines of the audit.	N/A
Quality of draft Annual Report and Accounts	Mature	Quality of draft was generally of a high standard. Note pensions remains outstanding however this was out of SAAS control.	13
Response to control deficiencies identified	Mature	We did not identify any control deficiencies, but management were responsive to queries and testing approaches.	N/A
Volume and magnitude of identified errors	Mature	To date, there are no identified misstatements.	N/A

! Lagging   ! Developing   Mature

2.2 Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Determine materiality

When planning our audit, we set our materiality at £391,000 based on forecast gross expenditure. We have updated this to reflect final figures and completed our audit to materiality of £304,000 (PY: £293,000), performance materiality of £228,000 (PY: £205,000) and report to you in this report all misstatements above £15,000 (PY: £14,000).

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the ARAC's attention our conclusions on the significant audit risks. In particular, the ARAC must satisfy themselves that management's judgements are appropriate.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to our other findings, further detail of which is found on page 11.

Our audit report

Based on the current status of our audit work, we envisage issuing an unmodified audit report.

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	✓	DI	Satisfactory	Consistent
Operating within the expenditure resource limit	✓	DI	Satisfactory	Consistent

Controls approach adopted

DI Assess design & implementation

Consistency of judgements with Deloitte's expectations

Consistent

Improvement required

Inconsistent

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 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 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 judgements and decisions made by management in making the accounting estimates included in the Annual 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 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)

Operating within the Expenditure Resource Budget

Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We have concluded that this is not a significant risk for SAAS as there is little incentive to manipulate revenue recognition with all of revenue being from the Scottish Government which can be agreed to the Budget (Scotland) Act.

We therefore consider the fraud risk to be focused on how management operate within the revenue budget set by the Scottish Government. The risk is that SAAS could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end;
- Obtain independent confirmation of the resource limits allocated to SAAS via the Budget (Scotland) Act;
- Perform focused testing of a sample of accruals and prepayments made at the year end; and
- Performed focused cut-off testing of a sample of invoices received and paid around the year end.

Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing to date, we confirm that the SAAS final outturn reported an underspend of £340k. This is considered satisfactory as it is within their tolerance level from the Scottish Government.

2.4 Other significant findings

Financial reporting findings

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

Qualitative aspects of your accounting practices:

SAAS's Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the "Code"). Following our audit work, we are satisfied that the accounting policies are appropriate.

Significant matters discussed with management:

SAAS had a Prior Year Adjustment (PYA), in regard to Intangible assets. This was identified through further review from SAAS management of the fixed asset register. The adjustment was related to fully depreciated assets which were not in use.

The restatement resulted in a reduction in intangible asset costs and amortisation of £1,485k in each account. This has no impact on the total net book value of Intangibles.

As a result of this PYA, it was discussed at planning that further testing would be required. Deloitte have therefore performed existence testing over both Intangible assets and PPE.

Alongside the audit, we reviewed and consulted with our internal specialists and agreed with management's conclusion. We have ensured the disclosure within the financial statements is sufficient for the PYA.

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.

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

2.5 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 any other matter paragraph.

Other reporting responsibilities

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

Our opinion on matters prescribed by the Audit General for Scotland are discussed further on page 14.

2.6 Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration 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 SAAS's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the SAAS.	We have assessed whether the Performance Report has been prepared in accordance with the statutory guidance. 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 in relation to: • Critical judgements and key sources of estimation uncertainty splitting out critical judgments and key estimates. Stating that there was no critical judgements and disclosing additional detail on estimations over notional costs to be compliant with IAS 1; and • Key Performance Indicators whereby it was recommended to add additional detail on outcome reporting and having KPI's to show improvement in outcome delivery. We note management have updated critical judgements and key sources of estimation uncertainty note and plan to improve disclosures over KPI's next year. Refer to page 23 for KPI recommendation.
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 it has been prepared in accordance with the accounts direction. Note the pension note is still outstanding at the date of this report.

2.7 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 Audit and Risk Committee and the SAAS 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 and Accounts.
- Our internal control observations.
- 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 SAAS, 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 SAAS.

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.

P. Kenny

Deloitte LLP

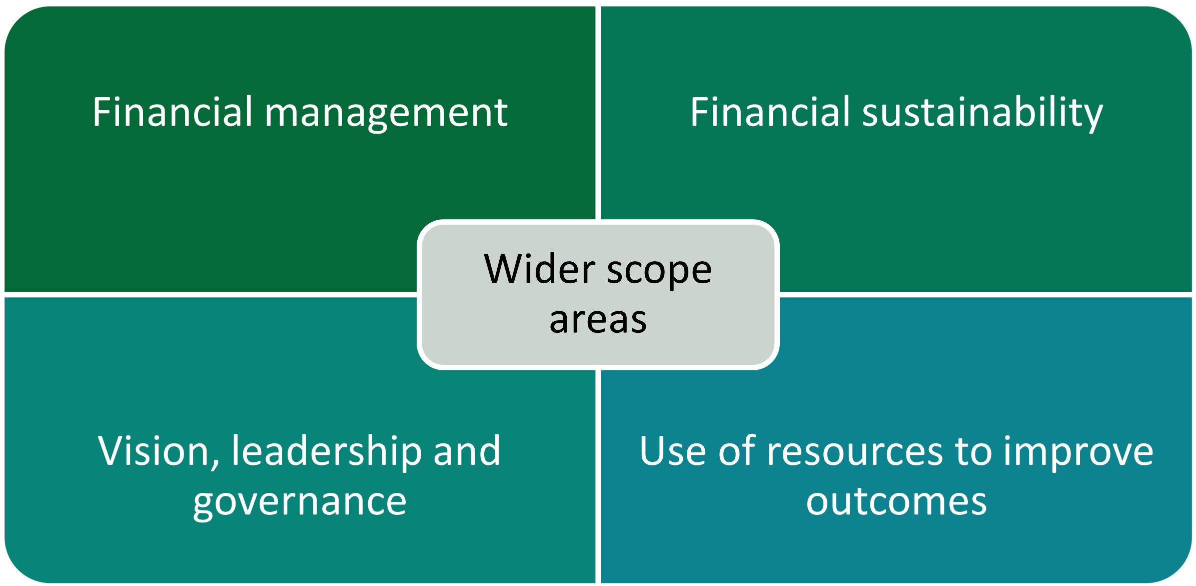
Glasgow | 30 July 2024

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.



In the current year, we have identified SAAS to be a less complex audit, therefore have limited our risk to the financial sustainability of SAAS. Our audit work has considered how SAAS are addressing financial sustainability, and our conclusions are set out within this report. We enquired about the other sections and identified no risks that would result in further audit work.

3.2 Wider scope requirements (continued)

Financial sustainability

Can short-term (current and next year) financial balance be achieved?

Is there a medium and longer-term plan in place?

Is the body planning effectively to continue to deliver its services or the way in which they should be delivered?

Financial Sustainability

Significant risks identified in Audit Plan

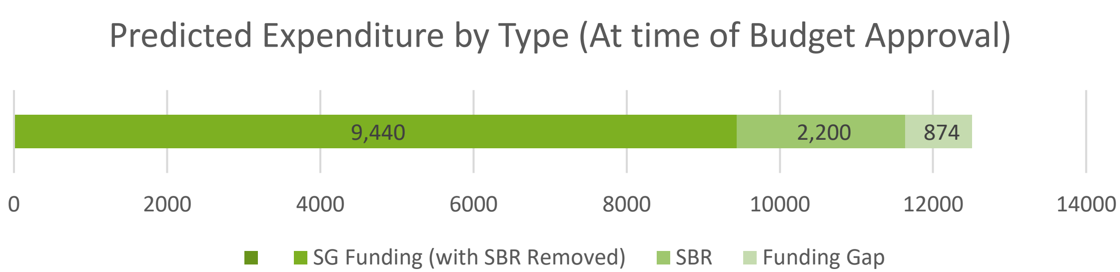
In our audit plan we highlighted that in recent years SAAS has operated within the funding provided by Scottish Government and management recognise the need to continue to develop and reform processes, including digitalisation of service delivery to continue to meet the demands of their users in a sustainable manner. We note in recent years there has been a change in leadership which has led to the reprioritisation of projects in the transformation programme, as well as a medium-to-long term financial plan being developed. These are positive steps for SAAS. However, currently there is no robust medium-to-long term planning which includes a clear projection of the transformation programme savings. This could impact how SAAS manage its finances sustainably and deliver services effectively.

We have considered these aspects further on the following pages.

2024/25 budget setting

SAAS is an executive agency, therefore the board does not approve the budget. However, they do receive the approved budget for information, following the approval from the Executive Team.

The Executive Team approved overspend of £878k for 2024/25 in April 2024. The budget was made up of £11,640k, with SAAS predicting their expenses to be £12,514k. The budgeted number included £2,021k which is recovered from Lifelong Learning and Skills Directorate (LLS) which is the flagged pressure. If LLS do not cover this balance, then the overspend would increase to £3,078k. Following the approval of the budget, SAAS have minimised recruitment in the organisation, only filling gaps that are essential. This has resulted in a reduction of salary costs by £334k. SAAS are currently in an overspend position as shown below.



3.3 Wider scope requirements (continued)

Financial sustainability

2024/25 budget setting (continued)

SAAS plan to do a skills audit to maximise efficiency within the current staff, in order to bridge any skills gaps or identify positions where more staff are required.

SAAS are also re-focusing the transformation for digital services, to allow the automation of the student process. By doing so, this should result in cost savings through efficiencies.

As part of the Spending Review, the Scottish Government expects bodies to set an annual efficiency target of 3% and to explore the scope to maximise the use of shared services across the public sector landscape. We have considered each of these element as applicable to SAAS as follows:

Use of shared services

SAAS currently have several shared service agreements in place including the Procurement, HR and finance functions with Scottish Government. SAAS fully utilise these where possible, and the potential costs are reflected within notional costs. Whilst this contributes to SAAS's sustainable position, there are indications that some of these services could consider charging SAAS in the future, for example internal audit or system fees. If these future costs become likely, SAAS would have to reassess their budget or try to make savings elsewhere to cover these costs.

Savings Targets

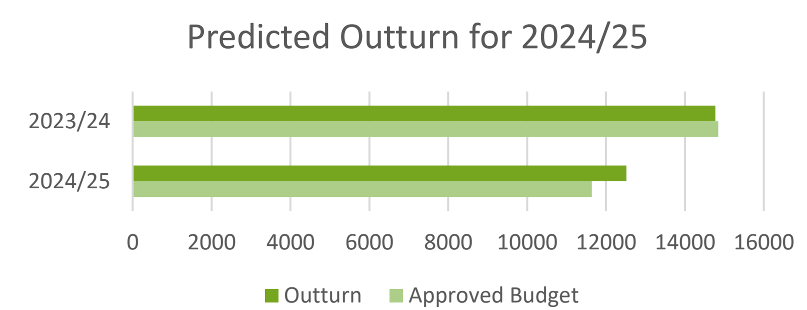
SAAS do not have formal savings plans in place. it is important that these are developed to ensure sufficient consideration of any potential impact on delivery and if savings are required to be made. There is currently no expectation that a letter of comfort will be received to cover the current pressure of £874k.

As mentioned previously, SAAS have made cuts within staffing costs and plan to address the remaining efficiency target through the transformation project. The current focus for digitalisation of the student process has been delayed due to compulsory deadlines imposed by the Scottish Government.

These deadlines are for the migration to the cloud and the removal from servers. Servers are expensive to maintain, so this move will save costs. There were also efficiency issues with servers due to crashes when dealing with high demand, resulting in delays. The move to cloud should reduce delays and increase efficiency.

SAAS are also moving onto updated Scottish Government systems, which has been delayed. This was out with SAAS's Control. The move to these systems is an adopt not adapt approach, meaning the initial move may cause some inefficiencies, as there may be new processes in place. The systems impacted include Payroll and HR which are both operated by the shared service centres. This is due to be implemented in October 2024.

The adoption of all of these, with strict expense limits will allow for SAAS to meet their savings targets, within a tolerable threshold.



3.4 Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning

Due to the change of leadership within SAAS, they are in the process of developing a medium-to-long term financial plan. This did not exist previously and is due to be approved for 2025, with the plan spanning 5 years until 2030. As part of this, SAAS want to create a cost model to identify costs they can reduce. This action should be prioritised to aid in decreasing the forecasted overspend position.

Alongside, SAAS have created a transformation board to discuss projects in detail and identify which projects are successful and which are not performing as they should.

This board has combined digital and transformation, as they are often overlapping. This has allowed SAAS to reprioritise the projects to maximise efficiency, for example pushing for an automated student service to eliminate delays.

There has been significant increases in investments in 2023/24, with SAAS receiving £15 million over 3 years for the transformation programme. In 2021/22 investment budget was £1.9m, increasing to £3m in 2022/23. With the guaranteed £5m for the next three years, SAAS can make significant progress in the digitalisation project. This should translate into efficiencies which may have lacked funding before, resulting in cost savings in the long-term.

SAAS should review how they are spending this money in order to gain maximum efficiency. This includes reviewing the current cost allocations to be in line with budget as part of the transformation board meetings.

SAAS should continue to utilise the perspective of those with experience of the systems to gain insights and suggestions for improving efficiency. This should be a focus of the transformation board in incorporating their opinions.

Transformation Projects

Customer Connections
- Deliver a Contact Centre solution and align SAAS customer comms

DSA Online Service
- Deliver an online Disabled Student Allowance (DSA) application service

Attendance Data
- Define and review proposed solutions
- Implement recommended solutions

Future Service Discovery
- Identify which areas of operational processing systems are in greatest need of improvement

3.5 Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning

Area	Important features of a financial strategy
Period	A financial strategy should cover 5-10 years
Cost	A clear understanding of the business model and the cost of individual activities within it
Savings options	Evidence based options for achieving savings
Savings details	Details of one-off and recurring savings
Scenario planning	Scenario planning to outline best, worst and most likely scenarios of the financial position and the assumptions used
Assets/Liabilities and Reserves	Details of assets, liabilities and reserves and how these will change over time
Capital Investment Activity	Details of investment needs and plans and how these will be paid for
Demand	An analysis of levels of service demand and project income
Funding shortfalls	Any income or funding shortfalls and how to deal with these
Strategy links	Clear links to the corporate strategy and other relevant strategies such as workforce and asset management
Risks and timescales	The risks and timescales involved in achieving financial sustainability

The initial draft of the medium to long term plan that we reviewed had a clear understanding of the business model, evidence of savings options and a key steps per year to achieve the transformational changes over the 5 year period.

This was a good base but needs to be developed further to allow SAAS to see the full picture of their financial sustainability. There are plans to develop scenario planning, which would allow for them to forecast for unexpected costs such as cost of the service centre which was previously discussed on page 18.

The current 5 year plan has limited detail as to how the asset base will change over time alongside the transformation programme and should detail how they plan to use the investments throughout the various projects.

Funding shortfalls should be discussed in detail to ensure they have plans in place for future costs and how they aim to overcome these to remain sustainable.

As of now, the medium to long term plan is not robust enough to confirm financial sustainability in the long term. However, we acknowledge the positive step and will continue to monitor the development of the plan for 2025-2030, in future audits.

3.6 Wider scope requirements (continued)

Financial sustainability

Deloitte view – Financial sustainability

Financial balance was achieved in 2023/24. Whilst an overspend is projected for 2024/25, SAAS have no formal savings plan in place but have a clear internal strategy of how they aim to achieve savings targets. Whilst in development, further work is required to create a robust medium-to-long term plan. There are significant investments with transformation, which are expected to produce efficiencies within SAAS over the next three years.

The development of a medium to long term financial plan is a positive step and will allow SAAS to align their strategy and financial sustainability, if performed correctly. The draft financial plan is for 2025-2030, meaning there is not currently a robust future plan. This needs to be developed further with a clear financial strategy. Actions to be prioritised for the financial plan are development of the cost model, to identify areas which costs can be reduced, expand of the use of the investment money into the 5 year plan to detail how they plan to invest the money, and review of current budget allocations to transformation projects to make sure they are cost effective.

Transformation has been a key theme that has been reprioritised to have efficiency at the centre. There is a programme of work being determined by the Digital and Transformation Board, however significant work is required to ensure they are using the investments in the most cost effective way. Greater detail is required for each project, with clear timelines, assessment of the resources and support needed and a comprehensive benefits realisation tracker. SAAS should undergo a review of the costs assigned to the projects to ensure the budgets are updated and realistic for what they want to achieve.

Due to the projected overspend for FY 2024/25 and there is currently no medium to long term financial plan as it is still under development there is a significant risk over financial sustainability.

Appendices

4.1.1 Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
1. Performance management framework SAAS should expand on outcome reporting and include KPI’s within the performance report. This will allow SAAS to monitor improvements in their outcome delivery and identify areas of improvement. It will also allow for users of the financial statements to see improvement year on year.	Management have revised their KPI reporting for the 2024-2025 period, incorporating enhanced metrics and establishing a stronger golden thread across all levels of governance. This initiative ensures a more comprehensive assessment of our performance outcomes, enabling us to track progress and facilitate year-on-year comparisons in our financial statements. Management are committed to further refining their reporting practices to continuously improve transparency and accountability.	Medium	Head of Governance, Risk and Corporate Office	31 March 2025

4.1.2 Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
2. Users who post few journal entries - Within our JET testing we identified numerous individuals who only posted 1-3 journals in a year. As per our understanding some of these were inter-entity postings, but we would encourage SAAS to have selected individuals who post these journals. From the list management were not aware of who all of the individuals were or why they were posting, which is an increased fraud risk. It would be proposed that journal posting privileges are restricted or standardise who is the key individual who should be posting journals. SAAS should also review that those posts are expected.	Management noted that there were two journals posted on the same day which would have usually been automated by the Seas finance system, this failed due to an issue on one of the other lines in the journal (not on our entity). It was initiated to run by the system admin with a privileged account and has been reviewed with the individual who confirmed the reason for posting. There has been a switch from a generic systems admin account to the user who initiated it this year. Going forward on an annual basis SAAS will review posting names within their journals to ensure they are content with all posters of journals.	Low	Head of Finance and Procurement	31 March 2025

4.2.1 Action Plan (continued)

We have followed up the recommendations made in 2022/23. We are pleased to note that the 4 recommendations have been fully implemented as documented below, with 3 remaining open.

Recommendation	Management Response	Priority	Management update 2023/24
1. Approval of annual leave balances in excess of 10 days As per the Scottish Government leave policy, holidays carried over in excess of 10 days require approval. We noted that there were staff with holiday balances above 10 days which were not approved and were neither on long term sick or maternity leave. We recommend that an update of the process be made to include approval of and evidence of approval for holiday balances above 10 days.	Agree. There is currently no formal approval process in the system required as this is not required by the SG leave guidance. There seems to be some discrepancy between the SG leave guidance and leave policy. However, discussions have taken place with the new CEO and formal processes are to be developed to ensure a formal process for all carry over above the 10 days.	Low	A formal review process is now in place run by the People and Performance team, leave balances are monitored throughout the year with emails sent to managers of staff with high balances, this is reported to the Executive Team and reviewed by the CEO, SAAS have reduced the number of staff with over 10 days carried over in 2024 when compared to 2023. Two members of staff had their leave trimmed to 10 days and one was approved by the CEO due to exceptional circumstances. **Recommendation closed**

4.2.2 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
2. Proper archival of disposal approvals. Although we noted discussions around the disposal of PPE during the year, we however could not obtain the final approval for the disposals made. This was due to the email correspondence containing the approval being deleted and responsible staff for this being on maternity leave. Although we have been able to test the disposals using alternative procedures, we recommend that processes in place for disposal of PPE be well documented and archived. This is linked to the PYA discussed on Page 11.	Agree- This was the one off review of our assets following no disposals in prior years (so a number of assets), our opinion is that this is due to not having the email which had the disposal form attached (just the disposal form was saved). We have provided other forms on emails but on this occasion no email could be found due to staff member who it was sent from no longer having the email and the staff member it was sent to being off on maternity leave. We have evidenced the process around these disposals with email trails of reviews and evidence of meetings.	Low	Management note this is one off missing evidence, all approvals and emails are now saved down and form part of the monthly and annual capital reconciliations. Deloitte saw evidence of this as part of disposal testing. **Recommendation closed**

4.2.3 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
3. Clear Basis for Notional Cost We noted that there was a historical basis for the notional cost calculation and this was based on an uplift from the prior year amount. However, Management does not understand the historical basis calculations other than that it has been set up in prior years. We recommend that a clear basis and understanding of the notional cost calculations be established including an agreement with the Scottish government showing exactly how the amount can be derived with an appropriate understanding of the components as this is material.	Agree - The notional cost is an accounting adjustment (non-cash) to cover the costs provided by Scottish Government but not recharged. We have compared our costs with another organisation to give a level of confidence and are content we can justify each element as being required. We agree to revisit the calculation methodology in 2023/24.	Medium	The basis for notional cost has moved from a historic value with an annual uplift to being based on charging agreements in place with other organisations, estimation of costs from departments providing services and a review of systems costs against market rates this will be reviewed annually. SAAS are unable to get agreement on these values with the Scottish Government as elements vary year to year and no charging model is in place to calculate the costs. **Recommendation remains open**

4.2.4 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
4. Financial sustainability Management should progress the development of a benefits realisation tracker to allow SAAS to demonstrate whether the intended outcomes of each project within the transformation programme have been achieved – both from a financial savings perspective but also to the wider improvement in outcomes and impact on the wider Scottish Government systems.	Agree - SAAS is currently developing a robust project benefits realisation tracker.	Medium	There is now a programme benefits realisation log, this includes the benefits for the programme and a tab for each programme. There is also a benefits realisation tab on SAAS's programme register to track benefits of the programme as they progress through this. Benefits realisation is also included in the closure report of projects such as attendance data and intelligent automation that have now completed. SAAS are continuing their journey to improve benefits realisation tracking, being mindful of the challenges they face as the data they hold is not supported by a MI system. This is something they are looking to implement once they complete core system replacement in the future. **Recommendation remains open**

4.2.5 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
5. Financial sustainability In developing its medium-term financial strategy, SAAS should consider the important features of a financial strategy, as set out in Audit Scotland's report in June 2014 Scotland's public finances – A follow-up audit: Progress in meeting the challenges (audit-scotland.gov.uk).	Agreed	Medium	SAAS now have a medium term financial strategy in place. At the time of the Audit this was subject to approval. **Recommendation Remains open**
6. Vision, leadership and governance In addition to the Board self-assessment, SAAS should performing a separate annual self-assessment of the ARAC in line with best practice.	Agreed	Low	A new self- assessment questionnaire for ARAC has been developed and was subsequently approved by both ARAC and the Board. This new questionnaire is comprehensive and designed to ensure a thorough evaluation of ARAC's performance and effectiveness. SAAS will circulate the new ARAC self-assessment questionnaire during July 24. **Recommendation closed**

4.2.6 Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2023/24
7. Use of resources to improve outcomes SAAS should consider enhancing its performance reporting to incorporate the following: • clear performance targets to allow performance to be measured against; • where performance is not in line with expectation or could be further improved as part of SAAS' commitment to continuous improvement, an action tracker to evidence what further action management plan to do; and • as well as outputs, the reporting could be enhanced to also explain what these then mean in terms of outcomes. The Annual Report and Accounts set out the National Performance Outcomes that SAAS make a major contribution to. Within the Corporate Plan, specific outcomes have been set against each strategic them. Reporting could be enhanced to demonstrate how the work being done is impacting on these outcomes.	Agreed	Medium	SAAS has developed a comprehensive revised reporting process that includes updated KPIs and reporting. This process enhances outcome reporting by linking individual and team deliverables to strategic objectives, demonstrating the impact of our work on National Performance Outcomes. The 'golden thread' approach ensures alignment and accountability at all levels, with regular reviews and progress reports. These enhancements aim to improve performance management and transparency, aligning with our commitment to continuous improvement. **Recommendation closed**

5.1 Audit adjustments

Corrected misstatements

The following misstatements have been identified 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 £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m	If applicable, control deficiency identified
Intangible Asset Cost	[1]		(1,485k)			N/A
Intangible Asset Amortisation			1,485k			
Total						

[1] Management identified a prior year adjustment in relation to intangible assets which have been fully amortised but were not in use, therefore should have been disposed of. The net book value impact is nil.

6.1 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 SAAS 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 have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the SAAS.

We have also asked the Accountable Officer 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 capital expenditure 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 audit and Risk committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report 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.

7.1 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 SAAS, and our objectivity is not compromised.
Fees	The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the SAAS'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 SAAS, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

	£
Auditor remuneration	34,000
Audit Scotland fixed charges:	
• Pooled Costs	3,430
• Sectoral cap adjustment	(11,600)
Total expected fee	**25,830**