

Scottish Biometrics Commissioner

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Biometrics Commissioner and the Auditor General for
Scotland

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Contents

Key messages	3
Introduction	4
Part 1. Audit of 2022/23 annual report and accounts	6
Part 2. Wider Scope	10
Appendix 1. Action plan 2022/23	12

Key messages

2022/23 annual report and accounts

- 1** Audit opinions on the annual report and accounts are unmodified. This means that we are content that the accounts show a true and fair view and have been properly prepared to follow relevant standards and guidance and that income and expenditure for the year is lawful.
- 2** Non-Material adjustments have been made to the annual report and accounts as a result of the audit process. No additional audit procedures were required.

Wider-scope

- 3** The Scottish Biometrics Commissioner reported an underspend of £6 thousand against budget in 2022/23.
- 4** The Scottish Biometrics Commissioner has effective and appropriate arrangements in place to continue to deliver services.
- 5** The Scottish Biometrics Commissioner has appropriate arrangements in place for securing Best Value.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of the Scottish Biometrics Commissioner (SBC). The scope of the audit was set out in an Annual Audit Plan which was agreed with the Commissioner and issued on 30th March 2023. This was presented to the 26th April 2023 meeting of the Advisory Audit Board. This Annual Audit Report comprises:

- an audit of SBC's annual report and accounts.
- wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability

2. This report is addressed to SBC and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities and reporting

3. SBC has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. SBC is also responsible for compliance with legislation and putting arrangements in place for governance, propriety and regularity.

4. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.

5. The weaknesses or risks identified in this report are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of SBC from its responsibility to address the issues we raise and to maintain adequate systems of control.

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

Auditor Independence

7. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £10,550 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

We would like to thank the Commissioner, Advisory Audit Board members, and all staff at SBC for their cooperation and assistance throughout the audit. We look

forward to continuing to work together constructively over the remainder of the appointment.

Part 1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

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

Non-Material adjustments have been made to the annual report and accounts as a result of the audit process. No additional audit procedures were required.

Audit opinions on the annual report and are unmodified

8. The Commissioner approved the SBC annual report and accounts for the year ended 31 March 2023 on 13th September 2023. As reported in the independent auditor's report, the audit opinions were that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income are regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report was prepared in accordance with the financial reporting framework
- the performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Overall materiality was assessed as £7,600

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

10. Overall materiality increased from that outlined in our Annual Audit Plan. This was due to the actual expenditure being slightly higher than budgeted. The revised materiality did not result in a change in our audit approach.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£7,600
Performance materiality	£5,500
Reporting threshold	£380

Source: Audit Scotland

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

12. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 73 percent of overall materiality reflecting our assessment of the risk profile of the organisation.

13. It is our responsibility to request that all misstatements are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

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

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

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

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

17. We have obtained audit assurances over the identified significant risk of material misstatement to the annual report and accounts. [Exhibit 2](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures

we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 2

Identified significant risk of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Detailed testing of journal entries. • Evaluate significant transactions outside the normal course of business. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments. 	<p>We undertook the assurance procedures and found:</p> <ul style="list-style-type: none"> • management are not aware of any inappropriate or unusual activity • the detailed testing of journal entries and unusual transactions did not identify any issues or errors • no significant transactions outside the course of business were identified • the detailed testing of income and expenditure around the year-end did not identify any issues or errors • detailed testing of accruals and prepayments found no instances of management override of control. <p>Conclusion: We did not identify any issues as a result of our audit work that would indicate management override of controls affecting the year-end position.</p>

There were two non-material misstatements identified within the financial statements

18. When reviewing the Untaken Holiday Liability we identified that it did not include all costs in line with IAS 19 Employee benefits. The accrual did not include employer's national insurance or employer's pension contributions. A correction was made that resulted in a £4,407 increase to the liability.

Recommendation 1

SBC should ensure that the untaken holiday liability includes all costs in line with IAS 19.

19. Our review of the backdated pay accrual found that it was incorrectly calculated. We found that the accrual double counted the effect of the pay award. As a result, the liability decreased by £740.

Recommendation 2

SBC should ensure that any future back dated pay accruals are calculated correctly.

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

20. The unaudited annual report and accounts were received in line with our agreed audit timetable. The unaudited accounts package, including working papers, were of a high standard and enabled the audit to progress smoothly.

Good progress was made on the prior year recommendation

21. SBC has made good progress in implementing the audit recommendation identified in 2021/22. The recommendation from 2021/22 has been addressed and completed.

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term

Conclusion

Scottish Biometrics Commissioner reported an underspend of £6 thousand against budget in 2022/23.

Scottish Biometrics Commissioner has effective and appropriate arrangements in place to continue to deliver services.

Scottish Biometrics Commissioner has appropriate arrangements in place for securing Best Value

SBC operated within its budget for 2022/23

22. SBC receives funding on a cash basis from the overall budget of the Scottish Parliamentary Corporate Body (SPCB). Funding from the SPCB is SBC's only source of income. Paragraph 29 of the Scottish Biometrics Commissioner Act 2020 states that the Commissioner must ensure that the Commissioner's resources will be used economically, efficiently, and effectively.

23. SBC's budget for 2022/23 was £421 thousand. SBC's reported outturn for 2022/23 was £415 thousand, resulting in an underspend of £6 thousand.

Financial Planning

24. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

25. The current financial planning system is adequate to support financial planning, and good progress continues to be made in embedding the required systems and processes.

26. SBC currently does not have a medium to longer term financial plan. SBC does, however, submit a budget bid to SPCB each year that includes indicative bids for an additional two years. This provides evidence that SBC is demonstrating what funding it requires to continue to deliver services in the medium term (two to five years).

SBC has appropriate arrangements in place for securing Best Value

27. SBC's four-year Strategic Plan 2021-25 sets out how the Commissioner discharges the duties as detailed in the Scottish Biometrics Commissioner Act

2020. In addition to this, SBC has a Governance and Internal Control Policy and Scheme of Delegation. Both policies help SBC to ensure that the strategic priorities and objectives are managed effectively, efficiently and economically.

28. SBC has monthly management team (MMT) meetings at which corporate and operation matters are considered. Issues relating to finance and risk management are discussed at these meetings on a quarterly basis.

29. A Shared Services Agreement is in place with the Scottish Public Services Ombudsman (SPSO). SPSO provides SBC with finance administration, HR support and payroll processing services, and ICT cyber security advice. Internal Audit carried out a review of the agreement and provided assurance that the agreement is value for money.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Untaken Holiday Liability</p> <p>The untaken holiday liability did not include employer's national insurance or employer's pension contributions.</p> <p>Risk – the cost of the untaken holiday liability is not in line with IAS 19.</p>	<p>SBC should ensure that the untaken holiday liability includes all costs in line with IAS 19.</p> <p>Paragraph 18</p>	<p>The accounting calculation errors have been corrected, and have been drawn to the attention of the shared services accountant for noting and future calculations on notional holiday liability.</p> <p>Scottish Biometrics Commissioner</p> <p>23 August 2023</p>
<p>2. Backdated Pay Award Accrual</p> <p>The backdated pay accrual was incorrectly calculated. The accrual double counted the effect of the pay award.</p> <p>Risk – The backdated pay award is not correctly accounted for in year expenditure.</p>	<p>SBC should ensure that any future back dated pay accruals are calculated correctly.</p> <p>Paragraph 19</p>	<p>The accounting calculation errors have been corrected, and have been drawn to the attention of the shared services accountant for noting and future calculations on notional backdated pay award accrual.</p> <p>Scottish Biometrics Commissioner</p> <p>23 August 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Performance Report</p> <p>The purpose of a performance report is to provide information on a body, its main objectives and strategies, and the principal risks that it faces. They are</p>	<p>In future years, the Office of the Scottish Biometrics Commissioner should consider separating the requirements of the Financial Reporting Manual (FReM) with other reporting</p>	<p>Complete</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>required to provide a fair, balanced and understandable analysis of a body's performance. They are also essential in helping stakeholders understand the financial statements.</p> <p>This is the first year a performance report has been prepared by the Office of the Scottish Biometrics Commissioner. In addition to the disclosures required by the Financial Reporting Manual (FReM), the Commissioner also must report on issues relevant to the use of biometric data for criminal justice and police purposes in line with section 32 of the Scottish Biometrics Commissioner Act 2020.</p> <p>While we are satisfied that all FReM requirements were met, there is a risk that the format of the report does not allow users to easily identify significant issues and findings.</p>	<p>obligations in the Annual Report and Accounts.</p> <p>The Commissioner should also consider Audit Scotland's Good practice note on improving the quality of central government annual report and accounts when preparing the 2022/23 performance report.</p>	

The Scottish Biometrics Commissioner

2022/23

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www.audit-scotland.gov.uk/accessibility



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk