

Accountant in Bankruptcy

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Accountant in Bankruptcy and the Auditor General for Scotland

December 2024

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Key messages

2023/24 annual report and accounts

- 1** Audit opinions on the annual report and accounts are unmodified. The Accountant in Bankruptcy's (AiB) financial statements give a true and fair view of its financial position and its net expenditure for the year.
- 2** Key risks arising from the audit of AiB's accounts were detailed in our Annual Audit Plan. There are no matters relating to our significant risks of material misstatement to draw to the attention of members.
- 3** There was an over recovery of outlays estimated at £53k included in repayments to the public purse income stream. We are satisfied this has not been adjusted as it is not material to the 2023/24 accounts. It was noted that over recoveries have been occurring since 2015/16 and we have recommended an improvement in the system reporting. A provision and contingent liability have been included in the accounts to reflect future repayments to third parties ([Exhibit 3](#)).

Wider scope

- 4** AiB operated within its operational cash resource budget for 2023/24. There was an underspend of £0.12 million in the cash resource budget and an overspend of £0.14 million in the non-cash resource budget. There was an underspend in the capital budget of £0.12 million.
- 5** AiB has developed a medium-term financial plan, looking forward five years to 2028/29. This will be reviewed annually to support identifying and addressing financial sustainability risks that may arise. The visibility of savings plans including how they interact with the medium-term plan can be enhanced.
- 6** Disclosures in the Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.
- 7** AiB has appropriate arrangements in place for securing best value.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of the Accountant in Bankruptcy (AiB). The scope of the audit was set out in an Annual Audit Plan shared with management in March 2024 and then presented to the Audit Committee meeting of 20 August 2024. This Annual Audit Report comprises:

- significant matters arising from an audit of AiB's annual report and accounts
- conclusions on financial sustainability as required by the [Code of Audit Practice 2021](#).

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

Audit appointment

3. I, Stephanie Harold, was appointed by the Auditor General as auditor of AiB for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment.

4. We would like to thank board and audit committee members, directors and staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

5. AiB 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. AiB is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity.

6. My responsibilities as 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 (ISAs)

7. The weaknesses or risks identified in this report are only those which have come to the attention of the audit team during our normal audit work and may not be all that exist. Communicating these does not absolve management from its

responsibility to address the issues we raise and to maintain adequate systems of control.

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

Auditor Independence

9. I can confirm that the audit team comply with the Financial Reporting Council's Ethical Standard. I can also confirm that we have not undertaken any non-audit related services and therefore the notional audit fee of £49,710 as set out in my 2023/24 Annual Audit Plan remains unchanged. I am not aware of any relationships that could compromise our objectivity and independence.

10. The annual audit adds value to AiB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

Part 1. Audit of 2023/24 annual report and accounts

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

Main judgements

Audit opinions on the annual report and accounts are unmodified. The Accountant in Bankruptcy's (AiB) financial statements give a true and fair view of its financial position and its net expenditure for the year.

Key risks arising from the audit of AiB's accounts were detailed in our Annual Audit Plan. There are no matters relating to our significant risks of material misstatement to draw to the attention of members.

There was an over recovery of outlays estimated at £53k included in repayments to the public purse income stream. We are satisfied this has not been adjusted as it is not material to the 2023/24 accounts. It was noted that over recoveries have been occurring since 2015/16 and we have recommended an improvement in the system reporting. A provision and contingent liability have been included in the accounts to reflect future repayments to third parties ([Exhibit 3](#)).

Audit opinions on the annual report and are unmodified

11. The Accountable Officer approved the annual report and accounts for AiB for the year ended 31 March 2024 on 3 December 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- 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 Government Financial Reporting Manual

- the Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.

Overall materiality was assessed on receipt of the annual report and accounts as £180,000

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

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

Exhibit 1

Quantitative materiality values

Materiality level	Amount
Overall materiality	£180,000
Performance materiality	£135,000
Reporting threshold	£10,000

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14. The overall materiality threshold was set with reference to gross operating income, which I judged as the figure most relevant to the users of the financial statements.

15. 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 75% of overall materiality, reflecting our cumulative knowledge of AiB.

16. It is my responsibility to request that all misstatements are corrected, other than those below the reporting threshold. The final decision on making the correction lies with those charged with governance.

Audit work responded to the risks of material misstatement identified in the annual report and accounts

17. My team and I have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements identified in my 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Identified significant risks 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 ISA (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"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Test journals at the year-end and post-closing entries and focus on significant risk areas. Consider the need to test journal entries and other adjustments throughout the year. Evaluate significant transactions outside the normal course of business. We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. 	<p>No issues identified in our consideration of the design of controls around journal entry processing.</p> <p>No findings from our enquiries of individuals involved in the financial reporting process around inappropriate or unusual activity relating to the processing of journal entries.</p> <p>No unusual or inappropriate transactions were identified as part of our detailed testing of journal entries.</p> <p>No significant transactions outside the normal course of business were identified.</p> <p>No significant changes to methods and underlying assumptions used to prepare accounting estimates.</p> <p>Conclusion: there is no evidence of management override of controls.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2. Presumed risk of fraud over income</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud over income, which is presumed to be a significant risk in any audit.</p> <p>A proportion of AiB's income is received from the Scottish Government. This income stream can be agreed to Scottish Government resource allocations, reducing the likelihood of this income stream being materially misstated.</p> <p>AiB receives a material amount of other operating income from sources other than the Scottish Government, including fees and charges. These are primarily flat-rate fees automatically charged/allocated as bankruptcy cases progress, reducing the likelihood of this income stream being materially misstated.</p> <p>The presumed risk focuses on Trustee Audit & Other Statutory Fees which are invoiced.</p> <p>Our work will focus on income transactions on the year-end cut-off, to ensure the correct accounting treatment of transactions.</p>	<ul style="list-style-type: none"> • Walkthrough of controls over material income streams. • Analytical procedures on income streams to identify unusual amounts or trends that may indicate unusual transactions for detailed investigation. • Agreeing year end position to income reconciliation. • Detailed testing of income transactions, focusing on the areas of greatest risk including pre and post year-end transactions to confirm they are accounted for in the correct financial year. 	<p>No issues identified in our walkthrough of controls over material income streams.</p> <p>Analytical procedures on income streams did not identify any issues.</p> <p>Year-end position agreed to reconciliation.</p> <p>Detailed testing of income transactions was concluded as satisfactory.</p> <p>Conclusion: there is no evidence of fraud over income.</p>
<p>3. Presumed risk of fraud over expenditure</p> <p>As set out in the Financial Reporting Council's Practice Note 10 (revised), there is</p>	<ul style="list-style-type: none"> • Walkthrough of controls over material expenditure streams. • Analytical procedures on expenditure streams to identify unusual amounts or trends that may indicate 	<p>No issues identified in our walkthrough of controls over material expenditure streams.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>also a presumed risk of fraud over expenditure recognition.</p> <p>Payroll expenditure makes up a large part of AiB's expenditure. As payroll expenditure remains relatively consistent and can be well forecasted, the risk of material misstatement is reduced. Similarly non-cash expenditure and direct accommodation costs can also be well forecasted, and the risk of material misstatement is reduced.</p> <p>Therefore, the presumed risk is on AiB's other significant expenditure streams. Our work will focus on year-end cut-off, to ensure the correct accounting treatment of transactions.</p>	<p>unusual transactions for detailed investigation.</p> <ul style="list-style-type: none"> • Agreeing year end position to expenditure reconciliation. • Detailed testing of expenditure transactions, focusing on the areas of greatest risk including pre and post year-end transactions to confirm they are accounted for in the correct financial year. 	<p>Analytical procedures on expenditure streams did not identify any issues.</p> <p>Year-end position agreed to reconciliation.</p> <p>Detailed testing of expenditure transactions was concluded as satisfactory.</p> <p>Conclusion: there is no evidence of fraud over expenditure.</p>

Significant findings and key audit matters

18. Under ISA (UK) 260, I communicate significant findings from the audit to those charged with governance, including my view about the qualitative aspects of the body's accounting practices.

19. The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 are those matters judged to be of most significance.

20. The significant findings and key audit matters are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Over recovery of outlays in the repayments to the public purse (RPP) income stream</p>	<p>The 2023/24 accounts have not been adjusted and we are satisfied this is not material to the accounts. The impact would</p>

Issue	Resolution
<p>Expenditure on bankruptcy cases for specified services (including surveyors, solicitors) is subject to VAT. VAT is appropriately reclaimed from HMRC as part of the Scottish Government VAT family.</p> <p>At the conclusion of a bankruptcy case, AiB is entitled to recover all the outlays incurred. It was identified during the audit, that where a full recovery of costs has been made, this also included recovery of VAT on specified services.</p> <p>AiB has already reclaimed the VAT, therefore it has over recovered outlays at the settlement of bankruptcy cases, as this should be net of recoverable VAT.</p> <p>Whilst the value of over recovery included in RPP in year was estimated at £53k, and not material to the 2023/24 audit, it was noted that the same system and reporting has been used since 2015/16.</p> <p>We obtained details of the expected over recovery for 2022/23, and it would be approximately £60k. We have considered the impact of this using extrapolation.</p> <p>We noted that the extrapolation is not fully reliable, particularly in early years, given there has been changes in accounting policies over the years, changes in charging policies and changes in recovery rates.</p> <p>AiB has also carried out work which suggests that a total figure of recoverable VAT is approximately £450k over 9 years, of which only part will have been recovered via repayments to the public purse.</p>	<p>have been to reduce income by £53k in the Statement of Comprehensive Net Expenditure (SoCNE) and a corresponding increase in net parliamentary funding in the Statement of Comprehensive Taxpayers' Equity (SoCTE), having no overall impact on the general fund.</p> <p>We have assessed the impact on prior years in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>There has been no impact on assets given that AiB does not retain the monies recovered in its bank accounts and pays this over to the Scottish Government. There is no liability created by this transaction, so there is no impact on liabilities. The impact in previous years reserves would be to see an increase in the net deficit on expenditure in the SoCTE, offset by an increase in net parliamentary funding in the SoCTE. There is no impact on the general fund reserves. Based on this assessment, we have identified that the impact on previous years financial statements is not material, and no prior period adjustment is required.</p> <p>The system reporting of expenditure incurred in bankruptcy cases and how this interacts with RPP requires to be more robust to ensure that only the appropriate costs due to AiB are recovered, and we have recommended there are improvements introduced.</p> <p>There remains a wider impact that AiB has recovered more income from bankruptcy cases than were due. AiB should look to identify the impact of the over recovery and if there are requirements to inform and make repayments to third parties.</p> <p>AiB has recognised a provision of £30k for these over recoveries. This has increased expenditure in the SoCNE by £30k and increased liabilities in the Statement of Financial Position (SoFP) by the same amount.</p>

Issue	Resolution
	<p>There is a contingent liability disclosed in the accounts of £185k to reflect that there may be need to repay other over recoveries. These currently do not meet the definition of a provision.</p> <p>This has also been disclosed in the performance report.</p> <p>Recommendation 1 (refer Appendix 1, action plan)</p> <p>This was judged to be a key audit matter due to the duration of this issue and the wider impact of the over recoveries.</p>

There was one further non-material misstatement identified within the financial statements

21. During the 2022/23 audit, the accounting policies and treatment were updated to have a new contingent liability for fees to providers which are payable when obligations are completed, which can take a number of years. We noted in 2022/23 that in line with the accounting standards we would keep these under review.

22. Our audit testing in 2023/24 identified that for an element of this contingent liability relating to initial fees that it is probable that there will be an outflow of resources. We have gathered evidence from payments made after the financial year end for both the 2022/23 and 2023/24 audits. This fee element totals £45k in 2023/24 and this should be provided for in the accounts as opposed to being disclosed as a contingent liability. Management have amended this in the annual accounts. There is an increase in expenditure in the SoCNE of £45k and an increase in liabilities (provisions) in the SoFP of £45k.

23. Management has chosen not to correct one misstatement, detailed in [Exhibit 3](#), in the audited accounts. As noted above, I considered the size, nature and circumstances leading to this uncorrected misstatement and concluded that this was not material in 2023/24

Disclosures in the annual accounts were updated following audit work

24. Accounting policies were updated following the audit to introduce policies for both contingent assets and liabilities. These had been included in the accounting policy changes in 2022/23, but not included in the draft accounts for 2023/24.

25. The third party funds notes were updated when it was identified that one provider had not given the latest asset data. This is a disclosure note and does not flow into the AiB financial statements.

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

26. The unaudited annual report and accounts were received in line with the agreed audit timetable on 7 October 2024.

AiB has appropriate financial control arrangements in place

27. From a review of the design and implementation of key controls within AiB's systems of internal control (including those relating to IT) relevant to our audit approach, we did not identify any internal control weaknesses which could affect AiB's ability to record, process, summarise and report financial and other relevant data and result in a material misstatement in the financial statements.

Housekeeping points identified including better documentation of impairment reviews for assets, bank supplier checks and better evidencing of the BASYS to SAGE reconciliation. These were discussed with management who have agreed these will be actioned going forward.

28. During 2024/25 the financial ledger has been updated from SEAS to Oracle, as part of the Scottish Government ledger system upgrade. There is no impact for the 2023/24 accounts, but we will look to understand the new system and controls as part of the 2024/25 audit.

Good progress was made on the prior year recommendation

29. AiB has made good progress in implementing the agreed prior year audit recommendation and completed the development of the medium-term plan. This will continue to be updated on an annual basis.

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

AiB operated within its operational cash resource budget for 2023/24. There was an underspend of £0.12 million in the cash resource budget and an overspend of £0.14 million in the non-cash resource budget. There was an underspend in the capital budget of £0.12 million.

AiB has developed a medium-term financial plan, looking forward five years to 2028/29. This will be reviewed annually to support identifying and addressing financial sustainability risks that may arise. The visibility of savings plans including how they interact with the medium-term plan can be enhanced.

Disclosures in the Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.

AiB has appropriate arrangements in place for securing best value.

Audit work has addressed the wider scope risk identified in our Annual Audit Plan

30. [Exhibit 4](#) sets out the wider scope risk relating to Financial Sustainability identified in my 2023/24 Annual Audit Plan. It summarises the audit procedures performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 4

Risk identified from my responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial sustainability</p> <p>Whilst AiB has set balanced budgets for both 2023/24 and 2024/25, the medium term financial plan identifies increasing shortfalls in the following years budgets. AiB will require to identify savings to mitigate these shortfalls. Currently similar challenges are being seen across the public sector in Scotland.</p> <p>AiB faces inflationary and pay related pressures over the short to medium term. Staff costs are approaching 70% of expenditure.</p> <p>AiB is predominantly funded through fees set out in the Bankruptcy Fees (Scotland) Regulations 2018 as amended, with smaller amounts of revenue funding from the Scottish Government. Downward fluctuations in bankruptcy income would create additional pressures.</p> <p>Within this financial environment, AiB faces challenges going forward in maintaining the delivery of services in a financially sustainable way.</p>	<ul style="list-style-type: none"> • Review of AiB’s annual budget setting and monitoring arrangements. • Review of AiB’s medium to longer term financial planning. • Ongoing review of AiB’s financial position and delivery of savings 	<p>Budget setting was completed before the start of the financial year, and regular reporting is provided to the Audit Committee and Board.</p> <p>A medium term financial plan is now in place and should be updated annually to include new budget pressures and be used to identify risks to financial sustainability.</p> <p>Whilst there is evidence of work to identify savings, the visibility of this, including the outcomes of this, could be enhanced, see paragraph 40.</p>

AiB operated within its operational resource budget for 2023/24

31. The main financial objective for AiB is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government.

32. The cost of operating AiB is met predominantly through income raised from fees and charges as set out by Bankruptcy Fees (Scotland) Regulations 2018. AiB’s resource operating expenditure for the year was £8.97 million. This was funded by operating income of £9.0 million, plus Scottish Government funding of £0.09 million resulting in a cash resource underspend of £0.12 million.

33. Non-cash resource expenditure relating to depreciation and amortisation of non-current and intangible assets was £1.21 million, which was greater than the non-resource cash budget of £1.07 million. This resulted in a non-cash overspend of £0.14 million. The total resource (cash and non-cash) budgets had a small overspend of £0.02 million. As this related to non-cash resource, this has been noted by the Scottish Government.

34. A separate budget allocation of £0.85 million was provided for capital expenditure. Total capital spend was £0.73 million with the majority of the expenditure on system development and cloud infrastructure. AiB reported a small underspend of £0.12 million.

There are net assets recorded in the statement of financial position

35. The Statement of Financial Position summarises what is owned and owed by AiB. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of physical assets.

36. AiB's 2023/24 statement of financial position shows net assets of £3.5 million. This includes the right of use asset and associated liability for the Kilwinning office building.

AiB has developed a rolling medium-term financial plan

37. AiB's 2024/25 budget was approved by the Board in February 2024, with a balanced budget forecasted. AiB's 2024/25 budget includes operating expenditure of £8.8 million, operating income of £8.5 million, and a Scottish Government resource allocations of just under £0.3 million. Non-cash expenditure (to support depreciation/amortisation of assets) is estimated at £1.2 million, and the Scottish Government has provided budget for this. In addition, the allocation of capital expenditure is £1.1 million.

38. AiB has developed a medium term financial plan which covers the period 2024/25 to 2028/29. It includes scenario planning detailing a central or expected scenario along with both an optimistic and pessimistic scenario. The central scenario identifies that there is an expected budget gap of £0.21 million in 2025/26 rising to £1.12 million by 2028/29, and a total gap of £2.67 million over the period 2025/26 to 2028/29.

39. Each year AiB should look to revise the medium term finance plan to adapt for new financial pressures. This would include the impact of increased employer national insurance costs and reflect that AiB's IT systems are moving towards a steady state which requires more ongoing maintenance. This will increase resource cost and reduce capital expenditure. Further, cloud spend going forward is expected to increase resource cost as opposed to capital expenditure. This will put increasing pressure on resource budgets going forward. AiB has committed to engaging with its IT provider to ensure they get detailed information on future

IT spend so that both the resource and capital expenditure needs can be included in future budgeting.

Visibility of savings plans can be enhanced

40. AiB has high levels of staff costs (almost 70% of operating expenditure in 2023/24) with these likely to increase due to pay inflation and increase national insurance costs going forward. Increased costs coupled with variable levels of income dependent on bankruptcy cases, and recent reductions in some bankruptcy fees to support vulnerable people, enhance the need for savings plans. We have seen evidence of AiB liaising with Scottish Government regarding savings, including how AiB can achieve the same work and outcomes with reduced staff numbers going forward. Budget reports are regularly reviewed to identify areas where savings can be made. This is through reducing spend, or 'spend to save' initiatives like solar panels for which there would be an initial outlay, but it is expected this would generate future savings in electricity costs.

41. In the annual budgets, quarterly reporting and medium term plan, there is limited visibility on the amount of savings required, the areas of the business where these will be made, and how these will be achieved. As budget pressures increase and budget gaps are identified from forecasting, savings plans and the outcomes from this work should be incorporated into financial planning and reporting.

Recommendation 2

The visibility of savings plans, and reporting savings outcomes can be improved by incorporating into financial planning. The outcomes from savings plans should be reported regularly.

Disclosures in the Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance

42. HM Treasury' Financial Reporting Manual (the FReM) states that AiB must prepare an annual governance statement within the annual report and accounts. Guidance is set out within the Scottish Public Financial Manual (SPFM) for the content of the governance statement and provides assurances around the achievement if the organisation's strategic objectives.

43. The governance statement reflects a range of assurances received by the accountable officer in relation to the adequacy and effectiveness of AiB's system of internal control which operated during the financial year. We confirmed that the accountable officer received assurances from members of the senior management team covering their areas of responsibility at year end and that there is ongoing review of the assurance mapping process across AiB.

AiB's governance and transparency arrangements are appropriate.

44. AiB is an Executive Agency of the Scottish Government responsible for administering the process of personal bankruptcy and recording corporate insolvencies in Scotland.

45. During 2023/24, the Advisory Board and Audit Committee meetings were held both in person and remotely using Microsoft Teams. We attend Audit Committee meetings and papers are circulated to members in a timely manner in advance of meetings for review. From our attendance at Committee, we observed and concluded that members are engaged during meetings and provide effective scrutiny and challenge.

46. We noted that there was one joint meeting of the Audit Committee and Advisory Board held in May 2024 due to exceptional circumstances. Audit business was held first and concluded before the Board meeting commenced. A recruitment advertisement for three new non-executive members was published in September 2024.

47. We have reviewed a selection of papers and minutes submitted to the Advisory Board throughout the year. The papers are detailed and comprehensive to allow for effective decision making and scrutiny of performance.

The performance report complied with the requirements of the FReM.

48. We consider the qualitative aspects of the performance report included in the annual report and accounts. The performance report is to provide information on the main objectives and strategies of the organisation, and the principal risks that it faces. It is required to provide a fair, balanced and understandable analysis of performance, and is essential in helping stakeholders understand the financial statements.

49. We concluded that the information disclosed in the 2023/24 performance report complies with the FReM. We discussed some minor amendments to the draft performance report which management implemented. Including more trend analysis on key performance indicators and looking to ensure that the performance analysis is more focused on key aspects of the year will support reporting going forward.

AiB has appropriate arrangements in place for securing Best Value

50. The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure best value. From discussions with AiB, we are satisfied that there are appropriate arrangements in place for securing best value.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Over recovery of outlays in RPP income</p> <p>AiB has over recovered outlays at the settlement of bankruptcy cases where costs have been recovered in full (equivalent to the value of recoverable VAT).</p> <p>Risk – income in the financial statements is overstated and there may be repayments due to third parties.</p>	<p>The system reporting of costs incurred in bankruptcy cases and how this interacts with RPP require to be more robust to ensure that only costs due to AiB are recovered.</p> <p>Exhibit 3</p>	<p>Accepted</p> <p>AiB operational and finance staff have attended a workshop with the IT developers to update the calculation in the case management system. Further investigation will continue during the 2024-25 year.</p> <p>Amanda Dowse</p> <p>On-going during 2024-25</p>
<p>2. Enhancing savings reporting</p> <p>Whilst work on identifying savings takes place, the plans and outcomes of this work is not always visible.</p> <p>Risk – that savings plans and outcomes are not evidenced.</p>	<p>The visibility of savings plans, and reporting savings outcomes can be improved by incorporating into financial planning. The outcomes from savings plans should be reported regularly.</p> <p>Paragraph 40.</p>	<p>Accepted</p> <p>The Head of Finance will put in place additional reporting for savings plans and outcomes.</p> <p>Amanda Dowse</p> <p>On-going during 2024-25</p>

Follow-up of prior year recommendations from 2022/23 Annual Audit Report

Issue/risk	Recommendation and Agreed Action	Progress
B/f 2022/23 AAR	We recommend that AiB develop its own medium-term	Implemented in year.

Issue/risk	Recommendation and Agreed Action	Progress
<p>1. Financial plan</p> <p>AiB's current financial plan does not look further ahead than the coming year or account for pay inflationary costs as this is done centrally by Scottish Government.</p> <p>Having a formalised three to five year financial plan updated on an annual basis will give greater certainty about future financial pressures.</p> <p>Without these plans, risks to financial sustainability may not be identified.</p>	<p>financial plan. This should be reviewed and updated on an annual basis to account for additional costs in future budgets, including pay growth and inflationary pressures and information received from third party agents.</p>	<p>The medium-term plan has been developed and will continue to be updated and reviewed on an annual/rolling basis.</p>

Accountant in Bankruptcy

2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

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