

Redress Scotland

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Redress Scotland and the Auditor General for Scotland
November 2024

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Key messages

2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 The unaudited annual accounts were provided within the agreed timescales and were of a good standard.
- 3 We have no significant findings to report on the audit of the annual accounts.
- 4 Good progress has been made on the implementation of prior year audit recommendations.

Wider-scope

- 5 Redress Scotland operated within its budget for 2023/24.
- 6 Arrangements to demonstrate Best Value across the organisation are improving.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Redress Scotland. The scope of the audit was set out in the Annual Audit Plan presented to the 10 April 2024 meeting of the Audit, Risk and Assurance Committee. This Annual Audit Report comprises:

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

2. This report is addressed to Redress Scotland 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, Pauline Gillen, have been appointed by the Auditor General as auditor of Redress Scotland for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment.

4. My team and I would like to thank the Redress Scotland Oversight Board and staff, 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. Redress Scotland 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. Redress Scotland 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. We can confirm that the audit team comply with the Financial Reporting Council's Ethical Standard and that we have not undertaken any non-audit related services and therefore the audit fee of £29,960 as set out in the 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 Redress Scotland 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 unaudited annual accounts were provided within the agreed timescales and were of a good standard.

We have no significant findings to report on the audit of the annual accounts.

Good progress has been made on the implementation of prior year audit recommendations.

Audit opinions on the annual report and are unmodified

11. The Oversight Board approved the annual report and accounts for Redress Scotland for the year ended 31 March 2024 on 27 November 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 all 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 £73,000

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. Our 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 Materiality values

Materiality level	Amount
Overall materiality	£73,000
Performance materiality	£44,000
Reporting threshold	£3,600

14. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure of most interest 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 60% of overall materiality, reflecting a higher level of risk associated with 2023/24 only being the second year that Redress Scotland has prepared an Annual Report and Accounts.

16. It is our 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.

Significant findings and key audit matters

17. Under ISA (UK) 260, we communicate significant findings from the audit to the Audit, Risk and Assurance Committee including my view about the qualitative aspects of Redress Scotland's accounting practices.

18. 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.

19. We have no significant issues to report from the audit of the annual report and accounts.

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

20. We 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 the 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 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"> 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 with a focus on significant risk areas. Consider the need to test journal entries and other adjustments during the period. Evaluate significant transactions outside the normal course of business. 	<p>We undertook the assurance procedures as planned and found:</p> <ul style="list-style-type: none"> Through the work of the Scottish Government audit team, the general ledger controls were found to be operating as expected. Management are not aware of inappropriate or unusual activity. Detailed testing of journal entries did not identify any significant errors. There were no significant transactions outside the normal course of business. Second officer authorisation of journal entries is not an integrated control within the SEAS system. Evidence of review is recorded on a spreadsheet maintained by Redress Scotland staff.

Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • 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>However, this control is considered to be weak as data can be easily overwritten. We note that the replacement system for SEAS currently being implemented will include a mandatory control-based requirement for second officer authorisation of journals prior to posting to the ledger. Therefore, no recommendation has been made at this time.</p>

21. In addition, we identified an “area of audit focus” in the 2023/24 Annual Audit Plan where we considered there to be a risk of material misstatement to the financial statements. The area of specific audit focus relates to the disclosures within the Performance Report, the Governance Statement and the Remuneration and Staff Report. These disclosures can be complex and are subject to management judgement. We reviewed these areas against supporting evidence and ensured that they comply with the requirements of the FReM and any other relevant guidance

22. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

The financial statements included a non-material misstatement

23. The audit team identified a single misstatement of £4,500 which was not corrected by management in the audited accounts. We considered the size, nature and circumstances leading to this uncorrected misstatement, and concluded that this was not material to the accounts.

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

24. The unaudited annual report and accounts were received in line with the agreed audit timetable on 2 September 2024. The working papers provided to

support the audit process were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts ran smoothly.

Good progress was made on the implementation of prior year audit recommendations

25. Redress Scotland has made good progress in implementing the agreed recommendations from the 2022/23 audit. Where actions are not considered complete, revised recommendations have been set out at [Appendix 1](#).

Part 2. Wider Scope

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

Conclusion

Redress Scotland operated within its revised budgets for 2023/24.

Arrangements to demonstrate Best Value across the organisation are improving.

Redress Scotland operated within its revised budget for 2023/24

26. The main financial objective for Redress Scotland is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government.

27. Redress Scotland has reported an outturn of £3.67 million against its overall revised budget for 2023/24 of £3.75 million, resulting in an underspend of £0.08 million as shown in [Exhibit 3](#).

Exhibit 3

Performance against fiscal resource in 2023/24

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Revenue	5.0	3.75	3.67	(0.08)

Source: 2023/24 Redress Scotland Annual Report and Accounts

28. The utilisation of the original £5 million Grant-in-Aid (GIA) allocation for 2023/24 was based on a planned resource need to meet the anticipated workflow of applications from the Scottish Government Redress Unit during the year. Time delays in the recruitment and on-boarding process for new panel members and other Redress Scotland support staff, pushed the timeline for this additional resource to later in the year than originally anticipated. The reduction in GIA of

£1.25 million reflects the changes to the original financial forecasts to match the revised expenditure pattern.

29. The underlying reasons for the £0.08 million underspend mainly related to:

- time delays in the planned recruitment of additional panel members and reduction in associated revenue costs of on-boarding new panel members. This is a process which Redress Scotland does not fully control as all panel members are Ministerial appointments.
- Small increases in some revenue costs for external contractors and IT maintenance were off-set by reductions in legal costs; reduced need to purchase computer equipment and the uptake of lower cost accommodation for holding meetings and training events.

30. We have concluded that Redress Scotland has appropriate financial planning and monitoring processes in place.

Redress Scotland has agreed a financial plan for 2024/25

31. Redress Scotland was allocated a budget provision of £5 million of Grant-in-Aid for the 2024/25 financial year from the Scottish Government. The draft budget for 2024/25 was presented to the Oversight Board on 15 November 2023 and included proposals to ask for additional funding of just over £1 million from the Scottish Government to cover increased staffing to address the back log in cases and the introduction of a case management system. This additional funding was not awarded and therefore the 2024/25 budget was set at £5 million as outlined in further budget papers presented to the Oversight Board on 31 January 2024.

32. In order to set a balanced budget, Redress Scotland have made the decision not to proceed with the case management system and staffing increases. They have also considered other areas where savings can be made such as bringing communication and media services in-house.

33. The service provided by Redress Scotland is demand led and is dependent upon the level of work completed by the Scottish Government Redress Unit. The Scottish Government administer all redress applications and support survivors through the process, whilst Redress Scotland are responsible for assessing and making decisions on those applications. Therefore, the forecasts in Redress Scotland's financial plan are based on several assumptions including: anticipated number of applications and the level of available panel members and other resources to support the decision-making process.

34. Delivery against the financial plan requires matching funding to the available resource capacity and number of applications awaiting decision. This activity remains a challenge for Redress Scotland in 2024/25.

Redress Scotland is working hard to demonstrate Best Value

35. During 2023/24 there were a number of changes to governance arrangements, which have required changes to roles and responsibilities within the Oversight Board and Audit, Risk and Assurance Committee. Continuity in leadership and vision for the organisation was not affected by these temporary changes.

36. Wider governance arrangements are becoming more established and the programme of work for both the Oversight Board and the Audit, Risk and Assurance Committee have become more standardised during the year. The range of information considered and decision making undertaken by those charged with governance is in line with our expectations.

37. The Oversight Board approved a Corporate Plan 2023-26, which outlines the vision and strategic direction of the organisation over the medium term. Underpinning the Corporate Plan are a robust framework of policies and procedures which ensure that the key activities necessary for the delivery of their objectives are in place. Appropriate arrangements for the robust monitoring of performance and reporting have also been established.

38. The Corporate Plan 2023-26, states Redress Scotland's intention to be a learning organisation with a focus on continuous quality improvement. The aim is to ensure that the learning gained through day-to-day practice is shared across the organisation. We consider this approach to be in line with the principles of Best Value.

39. We note that opportunities exist to automate some of the key processes and procure additional IT solutions to support the efficiency and effectiveness of corporate functions and operational activities within the business. However, these new systems are dependent upon securing appropriate approval and funding.

40. We have concluded that whilst arrangements for securing Best Value are still developing, good progress has been made during 2023/24. We will continue to monitor developments during the remainder of our audit appointment.

Appendix 1. Action plan 2023/24

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>1. Non-compliance with the Government Financial Reporting Manual (FReM)</p> <p>Instances of non-compliance with the FReM were identified across sections of the annual report including the Performance Report, Governance Statement and Remuneration and Staff Report.</p> <p><i>Risk – The annual report and accounts do not comply with the Financial Reporting Framework.</i></p>	<p>Recommendation:</p> <p>Management should review the content and format of its Annual Report and Accounts to ensure compliance with the FReM.</p> <p>Agreed Action:</p> <p>Redress Scotland has valued the advice from Audit Scotland on our very first annual report and accounts. In future years, a full FReM review will be completed of every annual report to ensure compliance and inclusion of any updates and changes to guidance.</p> <p>Head of Finance and Resources 30/09/2024</p>	<p>Complete</p> <p>The 2023/24 Annual Report and Accounts were reviewed and considered to be in line with the FReM</p>
<p>2. Second Officer Authorisation of Journals</p> <p>Journal transactions are subject to secondary review by an independent officer, however there is no evidence recording the completion of this review.</p> <p><i>Risk – It is unclear whether journal entries have been</i></p>	<p>Recommendation:</p> <p>Management should strengthen the internal controls to ensure all officers involved in the creation and approval of journal entries record when this is completed.</p> <p>Agreed Action:</p>	<p>Complete</p> <p>Second officer checks on journals are now recorded on a spreadsheet maintained by Redress Scotland staff. We do not consider this to be a strong control as data can be easily over-written. However, we note that the replacement system for SEAS is currently</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p><i>subject to second officer review.</i></p>	<p>A journal approval template has been developed and will capture approvals going forward. This will be reconciled and audited.</p> <p>Head of Finance and Resources</p> <p>31/12/2023</p>	<p>being implemented and will include a mandatory requirement for second officer authorisation of journals prior to posting to the ledger. Therefore, no further recommendation has been made at this time.</p>
<p>3. Register of Interests</p> <p>A formal Register of Interests for Redress Scotland has not yet been developed.</p> <p><i>Risk – Redress Scotland are not aware of conflicts of interests or potential related parties that exist.</i></p>	<p>Recommendation:</p> <p>A formal Register of Interests should be developed and maintained for all members of the Oversight Board and Audit, Risk and Assurance Committee, as well as the Senior Management Team which is made publicly available on the Redress Scotland website.</p> <p>Revised Action:</p> <p>Redress Scotland should consider developing a Register of Interest for members of the Senior Management Team.</p>	<p>Partially complete</p> <p>Registers of Interest are now available on the website for Members.</p> <p>Agreed action - Redress Scotland thanks Audit Scotland for its recommendation, and will expand this policy to include members of the Senior Management Team.</p> <p>Responsible officer – Chief Executive</p> <p>Agreed date – 31 March 2025</p>

Redress Scotland

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www.audit-scotland.gov.uk/accessibility



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