



**Final report to the Audit & Risk Committee, CS and the Auditor General for Scotland  
for the year ended 31 March 2024  
Issued on 16<sup>th</sup> September for the meeting on the 24<sup>th</sup> September 2024**

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# 1.1 Partner introduction

## The key messages in this report

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

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

I have pleasure in presenting our final report to the Audit & Risk Committee (“the Committee”) of Consumer Scotland (“CS”) for the 2023/24 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in March 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 Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of CS. We provided management with comments and suggested changes based on review of the first draft and an update has been received confirming compliance.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page [8](#). CS met its financial targets for 2023/24, achieving a surplus of £0.138m.

No material errors have been identified to date and there are no uncorrected misstatements.

## 1.2 Partner introduction (continued)

### The key messages in this report (continued)

#### Status of the Annual Report and Accounts audit

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

#### Conclusions from wider scope audit work

- **Financial management** – CS continues to have effective budget setting and monitoring arrangements in place, meeting its financial targets whilst achieving a surplus of £0.138m.
- **Financial sustainability** – CS has substantially achieved financial balance in 2023/24 and has confirmed funding for 2024/25 with an approved balanced budget, therefore is financially sustainable in the short term.  
While work has improved in developing a medium term outlook, it is noted that no long term plan is in place, and so further work is required to be able to demonstrate that CS is financially sustainable over the medium to longer term.
- **Vision, leadership and governance** – The approved Strategic Plan sets out a clear vision for CS. During its second year of operation, an experienced leadership team have been put in place, both at the Executive and non-Executive level.  
  
Effective governance and scrutiny arrangements are in place, underpinned by clear governance documents and demonstrated through high attendance and effective scrutiny and challenge at Board and Audit & Risk Committee (ARC) meetings.

## 1.3 Partner introduction (continued)

### The key messages in this report (continued)

#### Conclusions from wider scope audit work (Continued)

**Use of resources to improve outcomes** – A clear performance management framework is in place, and in line with best practice, there is a clear approach to assessing its performance and impact on long term outcomes. We will continue to monitor how this is implemented in practice during the course of our audit appointment.

**Best Value** – 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 (BV).

As part of our wider scope audit work, we have noted that CS has sufficient arrangements in place to secure BV. However, as reflected in the financial sustainability above, we note that the sustainability remains a key risk in the longer term.

#### Next steps

An agreed Action Plan is included on pages [37 to 43](#) of this report, including a follow up of progress against prior year actions.

#### Added value

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

We have also included our “sector developments” on page [32](#) where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to CS.

# Annual Report and Accounts Audit









## 2. Quality indicators

### Impact on the execution of our audit

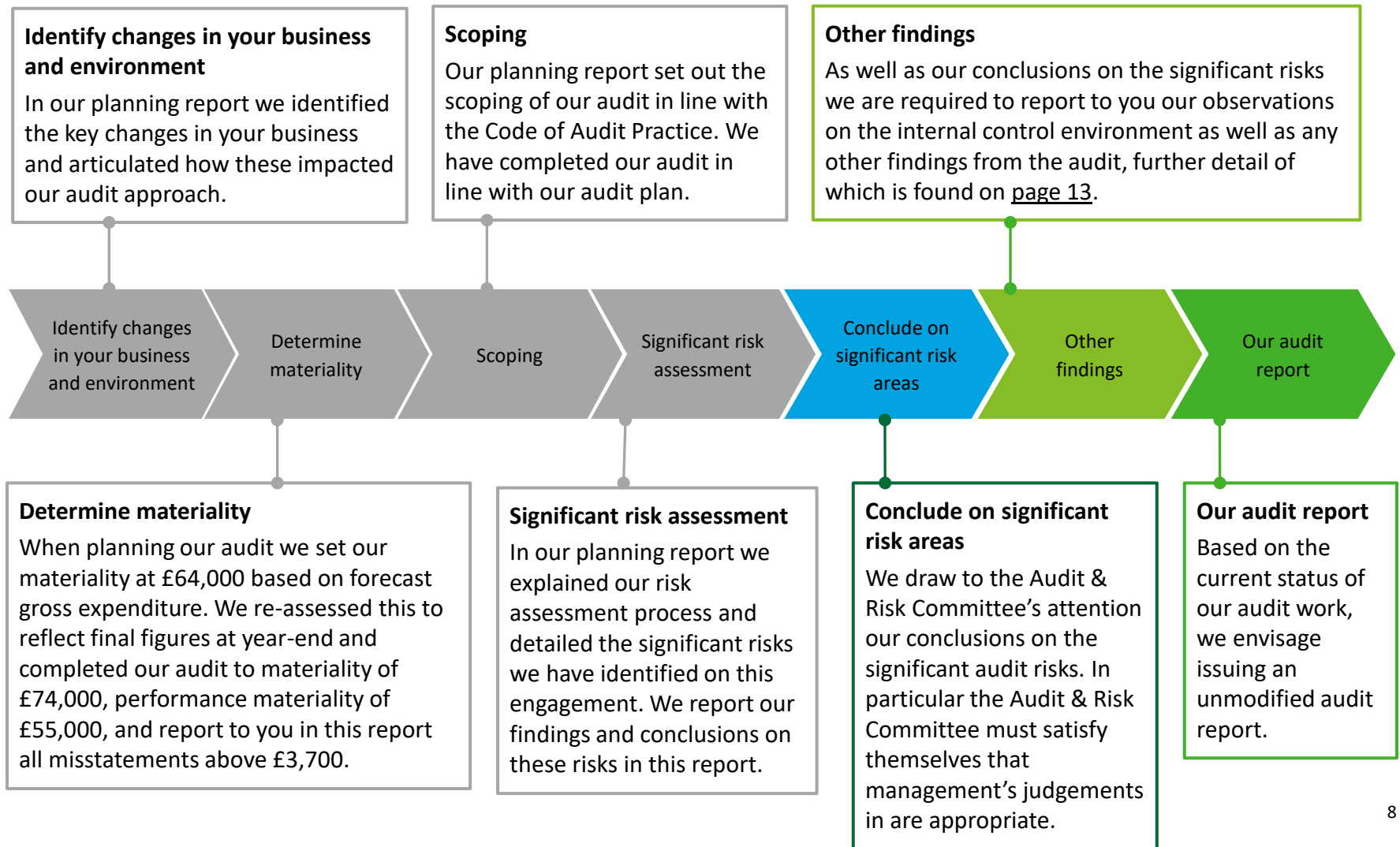
 Lagging  Developing  Mature

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements	N/A	Not applicable as the Annual Report and Accounts do not contain any key accounting judgements or estimates	N/A
Adherence to deliverables timetable		All deliverables were provided within agreed upon timeframes. All follow up requests and queries were dealt with appropriately.	N/A
Access to finance team and other key personnel		All key members of staff were available throughout the audit. No issues were encountered.	N/A
Quality and accuracy of management accounting papers		Evidence provided by management was generally found to be complete, accurate and sufficient for the purposes of our audit.	N/A
Quality of draft Annual Report and Accounts		Quality of the first draft was generally of a high standard. Review comments were addressed promptly and change logs provided.	N/A
Response to control deficiencies identified		No control deficiencies have been noted.	N/A
Volume and magnitude of identified errors		No misstatements above our reporting threshold have been identified.	<a href="#">Page 44</a>





### 3. Our audit explained

We tailor our audit to your business and your strategy



## 4.1 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	
Operating within the expenditure resource limit		DI	Satisfactory	

**Controls approach adopted**  
DI Assess design & implementation

**Controls conclusion**  
Satisfactory  
Not Satisfactory



**Consistency of judgements with Deloitte's expectations**

Consistent



Improvement required



Inconsistent

## 4.2 Significant risks (continued)

### Management override of controls

#### **Risk identified**

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

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

#### **Deloitte response and challenge**

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

#### **Journals**

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

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected and tested journal entries and other adjustments made at the end of a reporting period; and
- Tested journal entries and other adjustments throughout the period and using data analytics to understand trends/fluctuations.

#### **Accounting estimates and judgements.**

Our audit testing has confirmed management's conclusion that there are no significant accounting estimates or judgements impacting the Annual Report and Accounts.

#### **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. Our testing in this area has not identified any exceptions.

## 4.3 Significant risks (continued)

### Operating within the expenditure resource limits



#### Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for CS as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Scottish Government which can be agreed to confirmations supplied.

We therefore considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. There is a risk is that CS 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;
- Obtaining independent confirmation of the resource limits allocated to CS by the Scottish Government;
- Performing focused testing of accruals and prepayments made at the year-end; and
- Performing focused cut-off testing 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 CS has performed within the limits set by Scottish Government achieving a surplus of £0.138m over the year and therefore is in compliance with the financial targets set for the period.

## 5. Your control environment and findings

### Control deficiencies and areas for management focus

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No control deficiencies have been noted throughout our 23/24 audit work.

For follow up on 22/23 deficiencies and observations, please refer to page [38](#).

## 6. Other significant findings

### Financial reporting findings

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

#### Qualitative aspects of your accounting practices:

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

#### Significant matters discussed with management:

There were no significant matters discussed with management other than IFRS 16 leases. The audit team noted that CS management has entered into lease arrangements for the new office premises at Thistle House on 1<sup>st</sup> April 2024. Therefore, the lease accounting for the new premises will be assessed in the next year audit.

#### 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 audit risks identified (as discussed further on pages [9 to 11](#)), no reliance was placed on the work of internal audit, and we performed all work ourselves.

Further consideration of internal audit is discussed under our wider scope conclusions on [pages 20](#)

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

# 7. 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 than the continued existence of a particular body.



### Emphasis of matter and other matter paragraphs

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

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



### Other reporting responsibilities

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

### Opinion on regularity

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

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

## 8. Your Annual Report and Accounts

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

	Requirement	Deloitte response
The Performance Report	The report outlines CS's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by CS.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading.</p> <p>We provided management with comments and suggested presentational changes which management have updated in the revised draft.</p>
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.	<p>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.</p> <p>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 presentational changes which management have updated in the revised draft.</p> <p>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.</p>

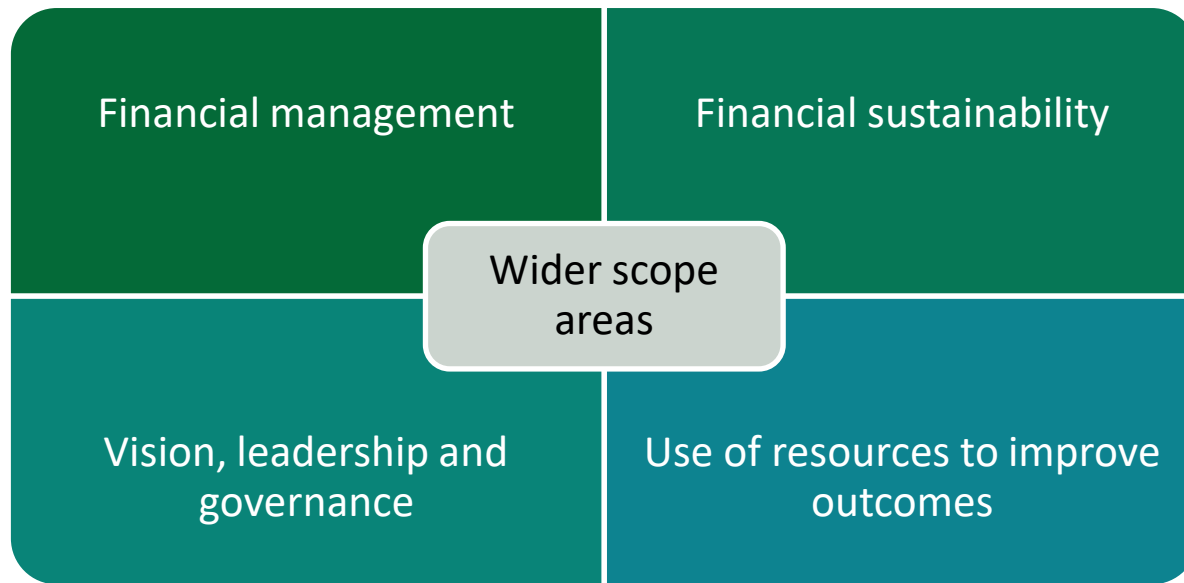
## Wider scope audit



# 9.1 Wider scope requirements

## Overview

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



Our audit work has considered how CS is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value (“BV”) have all been incorporated into this audit work.

## 9.2 Wider scope requirements (continued)

### Financial management



#### Significant risks identified in Audit Plan

In our Audit plan, we did not identify any significant risks in relation to financial management.

#### Current year financial performance

As a Non-Ministerial Office (NMO) of the Scottish Administration, working alongside but separate from the Scottish Government and accountable directly to the Scottish Parliament, CS' budget allocation appears as distinct line items in the Annual Scottish Budget Bill. The Chief Executive, as Accountable Officer, has direct accountability to the Scottish Parliament in relation to the financial management of CS. However, given the Board has ultimate responsibility for CS, the Board needs to assure itself that procedures are in place to ensure the propriety and probity of public expenditure.

After receiving the allocation, CS has flexibility to determine how that money is spent and is split at a high-level between staff and non-staff costs. The 2023/24 budget was presented to the Board for noting at its meeting in March 2023. Regular reports are provided to the Board and the Audit and Risk Committee on the budget position, with these reports evolving to include more detail as the organisation has developed.

## 9.3 Wider scope requirements (continued)

### Financial management (continued)

#### Current year financial performance (continued)

As discussed further on page [22](#), Consumer Scotland is part of a shared service arrangement with Scottish Government and uses its financial ledger system. As the system is in the process of being upgraded, with planned implementation from October 2024, Consumer Scotland has been set up as a dedicated Scottish Government cost centre rather than a separate accounting entity. This has resulted in the reporting capabilities from the system being limited. While we recognise this to be a temporary measure, management should ensure that when implemented, the new system provides them with the information required to allow robust monitoring reports to be prepared.

Consumer Scotland has reported an underspend against its budget allocation for the second year of operation, as illustrated opposite. The key reasons for the variance is due to an underspend in projects that went out for tender but received no responses, and underspends against the furniture as part of the office move to Haymarket Terrace in FY 2023-24, which has seen delays in the procurement process which has caused the supplier being unable to deliver all of the furniture in the year. This position has been regularly reported to the Board and Scottish Government.

2023/24 Financial outturn (£m)



#### Finance capacity

The finance team is led by the Director of Operations and the Finance, Governance and Corporate Services Manager. A Finance and Accountancy Advisor was recruited in the year on a part-time basis for a few days per month to provide support at key times throughout the year.

The implementation of the new Scottish Government ledger system from late 2024 will result in further changes to the work of the team. We have not, however, identified any risks with the teams' capacity that has impact on the operational financial management of CS. We will continue to monitor this during our audit appointment.

## 9.4 Wider scope requirements (continued)

### Financial management (continued)

#### Internal controls and internal audit

CS relies upon the financial systems provided by the Scottish Government, in particular the general ledger, purchase ledger and payment of invoices. A detailed Framework Agreement is in place. This agreement also includes the provision of internal audit services.

We have assessed the internal audit function, including its nature, organisational status and activities performed. The agreed 2023-24 internal audit plan set out plans to provide an assurance review of corporate governance in CS to provide a benchmark of the elements of a sound and robust corporate structure.

Their conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

#### Standards of conduct for prevention and detection of fraud and error

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

#### Deloitte view – financial management

CS has established sound financial management arrangements during its second year of operation, with timely financial reporting which has evolved during the year.

While an underspend was reported in the year, this was largely as a result of delays in the procurement processes for the furniture used as part of CS's office move to Thistle House at Haymarket Terrace, and certain projects which went out for tender receiving no bidders.

The finance team is led by the Director of Operations and the Finance, Governance and Corporate Services Manager and the team has continued to grow in the year, bringing in capacity to support the organisation. We will continue to monitor this during our audit appointment. There is also a robust internal audit function in place and clear arrangements for the prevention and detection of fraud and error.

## 9.5 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 there is a risk that medium to long term financial planning arrangements are not adequate to ensure the financial sustainability of the organisation.

#### 2024/25 budget setting

As explained on page [18](#), CS' budget allocation appears as distinct lines items in the Annual Scottish Budget Bill. The confirmed budget allocation for 2024/25 is £4.27 million. The breakdown of this budget was presented to the Board in March 2024 for approval and had been reviewed in detail by the Audit and Risk Committee in advance of the Board. This provided a granular detail of the proposed budget allocations and assumptions applied and how this compared to previous year costs, demonstrating that a balanced position is expected to be achieved.

The paper provided a high level analysis of the key points for the ARC to note and clearly set out the assumptions applied. This could be enhanced in future years by clearly setting out the key risks.

#### Medium-to-long term financial planning

As part of the Spending Review, the Scottish Government expects bodies to set an annual efficiency target of 3% and also expects them 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 Consumer Scotland as follows.

#### Savings targets

While the budget update reports to the ARC Board acknowledge the need to find savings, and the budget requests to the Scottish Government offered potential savings, the budget allocations currently do not set out how those will be achieved. This is an area that Consumer Scotland could incorporate into future budget setting papers to demonstrate how it is contributing to the 3% efficiency target.

## 9.6 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Medium-to-long term financial planning (continued)

##### *Use of shared services*

Consumer Scotland currently has a shared service agreements in place with the Scottish Government for the finance system.

In its baseline report on staffing, budget and business planning to the Scottish Government Director General for Net Zero as part of the Public Sector Reform work, Consumer Scotland has also highlighted areas where it is working closely with other public sector bodies. In particular, it is working closely with Environmental Standards Scotland on a number of areas where they could realise synergies and cost savings through a more collaborative approach around accommodation and shared service.

As part of the 2024/25 budget paper to the ARC and Board, management noted its proposals to the Scottish Government that future planning would be assisted through a shared understanding of a multiple year budget profile. As a result, it agreed to develop a 5-year budget profile and it is positive to note that this report is now in place in the form of the Medium Term Financial Plan which looks over the next 5 years.

Strategic planning, financial planning and workforce planning are intrinsically linked and critical to the future success of any organisation. It is therefore positive to see the early thinking on the 2024/25 budget and plans to develop a five year forecast.

Audit Scotland's report, published in June 2014 [Scotland's public finances – A follow-up audit: Progress in meeting the challenges \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/scotland-s-public-finance-a-follow-up-audit-progress-in-meeting-the-challenges) includes a helpful summary of important features of a financial strategy, as summarised in the next page. We would recommend that the as part of the development of the 5-year strategy, management make reference to this publication as a guide to best practice.

## 9.7 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Medium-to-long term financial planning (continued)

Strategic planning, financial planning and workforce planning are intrinsically linked and critical to the future success of any organisation. It is therefore positive to see the continued analysis on the projected position over the next 5 years through the development of the Medium Term Financial Strategy.

CS recognises that due to the high proportion of its costs being salaries, there is the potential that their costs will increase in the medium to long term, more than the funding that they may receive. For this reason, CS is taking a precautionary approach to its planning. This includes focusing on their costs through organisational optimisation, active collaboration and resource sharing.

We would recommend that the next stage in the development of a finance strategy should set out contextually more detail around the assumptions and risks impacting the medium to long term and how CS propose to address the potential funding gaps for not only the period of the next 5 years, but beyond into the longer term.

Audit Scotland's report, published in June 2014 [Scotland's public finances – A follow-up audit: Progress in meeting the challenges \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/scotland-s-public-finances-a-follow-up-audit-progress-in-meeting-the-challenges) includes a helpful summary of important features of a financial strategy, as summarised opposite. We would recommend that management use this as a reference for developing its strategy,

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

## 9.8 Wider scope requirements (continued)

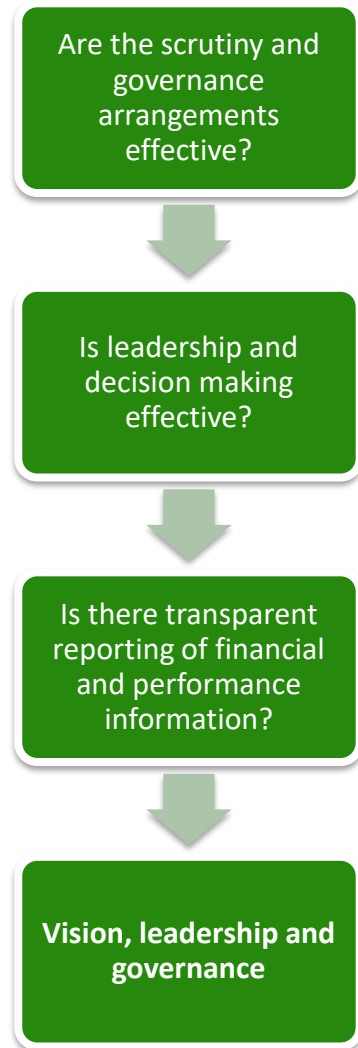
### Financial sustainability

#### **Deloitte view – Financial sustainability**

CS has achieved financial balance in 2023/24 and has confirmed funding for 2024/25 with an approved balanced budget, therefore is financially sustainability in the short term. While work has continued in developing a medium term outlook, further work is required to fully develop this to be able to demonstrate that CS is financially sustainable over the medium to longer term – stretching further than 5 years in the future. We have recommended that, as CS develop its Medium-Long Term plan for 5-10 years, reference is made to Audit Scotland's publication which sets out the important features of a financial strategy.

## 9.9 Wider scope requirements (continued)

### Vision, leadership and governance



#### Significant risks identified in Audit Plan

In our audit plan, we did not identify any significant risks relating to vision, leadership and governance.

#### Vision and strategy

An Interim Strategic Plan was published in June 2022 setting out how CS intended to carry out its role in the interim period until its final Strategic Plan was approved by the Scottish Parliament. The final Strategic Plan covering the period 2023-2027 was approved in March 2023 and still relevant in 2023/24.

The plan clearly sets out the purpose and ambition of Consumer Scotland, supported by the following strategic objectives:

1. To enhance understanding and awareness of consumer issues by strengthening the evidence base.
2. To service the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sector.
3. To enable the active participation of consumers in a fairer economy by improving access to information and support.

Consumer Scotland plan to develop measures to monitor its impact and influence as an organisation, which we have considered further on page [27](#). The Strategic Plan is supported by an annual work programme setting out how Consumer Scotland will deliver against its Strategic Plan.

## 9.10 Wider scope requirements (continued)

### Vision, leadership and governance

#### Leadership

CS have had a permanent Chief Executive appointed since June 2022.

The Executive Team comprise the Chief Executive and three Directors. The full complement of staff is 35. The Executive Team have all been recruited through external recruitment process and bring with them significant experience.



The Board consisted of five Board members at 31 March 2024, appointed by Scottish Ministers, with the approval of the Scottish Parliament. All Board members received on-Board training and in line with best practice, has carried out a self-assessment of its performance and identified areas for further Board member development.

#### Governance and scrutiny arrangements

The Scottish Government Framework Agreement was signed in June 2022. This sets out the broad framework within which the CS operates and defines key roles and responsibilities which underpin the relationship between CS and the Scottish Ministers.

The Board standing orders were updated in March 2024, and a clear governance structure is in place, with the Board being supported by the ARC, and both the Board and ARC supported by the Executive Team.

## 9.11 Wider scope requirements (continued)

### Vision, leadership and governance

#### Governance and scrutiny arrangements (continued)

In line with best practice, the ARC has carried out an annual self-assessment of its effectiveness, using the Scottish Government handbook. We have reviewed meetings attendance in the current year and confirmed that they have been well attended. In addition, from review of the minutes and observation at meetings, we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

#### Transparency of reporting

All Board and ARC minutes are publicly available through the CS website. The Board have considered the option of holding its meetings in public. It was agreed that given the profile as an organisation, hosting a Board meeting in public would be unlikely to offer value. It was therefore agreed that a proposal focused initially on public awareness was the preferred option.

The CS website includes a comprehensive suite of information including links to strategies and plans, thereby demonstrating openness and transparency of decision making and performance information (which is considered further on page [25](#)).

#### Deloitte view – Vision, leadership and governance

The approved Strategic Plan sets out a clear vision for CS. During the first two years of operation, an experienced leadership team have been put in place, both at the Executive and non-Executive level.

Effective governance and scrutiny arrangements are in place, underpinned by clear governance documents and demonstrated through high attendance and effective scrutiny and challenge at Board and ARC meetings.

CS is also open and transparent. This could be further enhanced by publishing Board papers online alongside the minutes currently published. This is something that management have noted they will consider to do in future.

## 9.12 Wider scope requirements (continued)

### Use of resources to improve outcomes

Are resources being used effectively to meet outcomes and improvement objectives?



Is there effective planning and working with strategic partners and communities?



Is Best Value demonstrated, including economy, efficiency and effectiveness?



**Use of resources to improve outcomes**

#### Significant risks identified in Audit Plan

In our Audit Plan, we identified that Consumer Scotland's Performance Framework was published in December 2023, and that there is a risk that CS does not have sufficiently established performance management arrangements in place to demonstrate that resources are being directed to improving outcomes.

#### Performance management framework

This has been developed in partnership with key stakeholders and aims to provide a robust framework for Consumer Scotland to evidence its outcomes whilst acknowledging that many of our policy outcomes may take several years to be fully realised.

The organisational indicators within Performance Framework allows Consumer Scotland to track key metrics which help to evidence how the organisation is evolving and progressing.

As highlighted in his blog "Christie 10-years on" [Blog: Christie 10-years on | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/blog/christie-10-years-on), the Auditor General for Scotland noted that Christie challenged us to make a shift towards prevention and deliver improved long term outcomes for individuals and communities. But we still measure the success of public services by short term, service specific measures. Public bodies need to rethink radically how we measure success and hold organisations to account for their performance. The approach being taken by CS, as set out above, is a good example of how outcomes can be measured.

#### Deloitte view –Use of resources to improve outcomes

Consumer Scotland has developed its performance management framework. It aims to provide a robust framework for Consumer Scotland to evidence its outcomes whilst acknowledging that many of their policy outcomes may take several years to be fully realised.

We will continue to monitor how this is developed and implemented during the course of our audit appointment.

## 9.13 Wider scope requirements (continued)

### Best value

#### Requirements

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 (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

#### **The duty of BV in Public Services is as follows:**

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
  - Vision and leadership
  - Governance and accountability
  - Effective use of resources
  - Partnership and collaborative working
  - Working with communities
  - Sustainability
  - Fairness and equality

#### **Conclusions**

CS has a number of arrangements in place to secure best value. As noted on slide [27](#) within this report, the Strategic Plan provides a clear vision and has specific focus on some of the BV characteristics including partnership and collaboration, sustainability and a focus on continuous improvement. An experienced leadership team have been put in place during the first 2 years of operation. Governance and scrutiny arrangements are found to be effective.

Financial sustainability remains a key risk in the longer term, as is the case across the public sector.

#### **Deloitte view – Best Value**

CS has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk.

# 10. Audit quality and our system of quality management

## Our commitment to audit quality

Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

The FRC recently promulgated ISQM (UK) 1, a standard that sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

Led by senior UK leadership, Deloitte UK's ISQM (UK) 1 implementation activities reached successful completion on 15 December 2022.

Deloitte UK performed its first annual evaluation of its system of quality management as of 31 May 2023. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2023.

For further details surrounding the conclusion on the operating effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [transparency report](#).



# 11. 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 & Risk Committee and CS 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, significant risks and our observations on the quality of your Annual Report.
- Wider scope
- 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 CS, 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 CS.

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

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

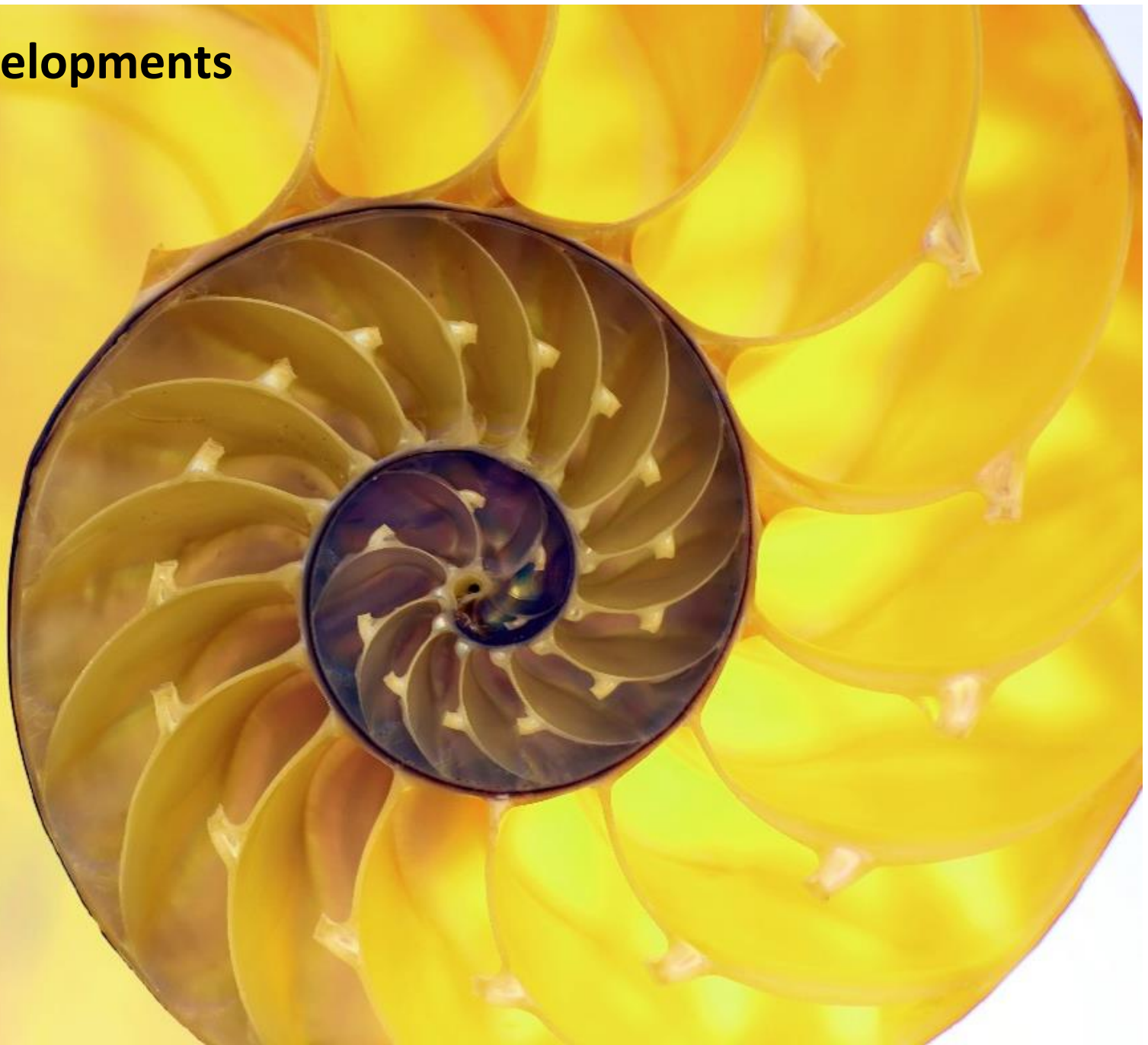
We welcome the opportunity to discuss our report with you and receive your feedback.



**Deloitte LLP**

Glasgow | 16<sup>th</sup> September 2024

## Sector developments



# 12.1 Sector developments

## Audit Scotland: The important role of a CFO

### Background and overview

As the challenges across the public sector intensify, the role of CFOs is increasingly in the spotlight. As CIPFA highlight, with existing frameworks on governance and decision-making being pushed to their limits, with public services becoming more complex, the CFO is expected to take an active leadership role, not just within the finance function, but across their organisation, sector and public services as a whole.

When budgets tighten, Audit Scotland highlight that often corporate, or 'back office' functions face the hit, to avoid immediately impacting front line services. Against this background, it is important that in the pursuit of back-office efficiencies, the effectiveness of the financial function is not put at risk.

This is an area of interest for Audit Scotland, and in this report it is outlined that they will be taking an interest in auditor conclusions on the resourcing of the finance function as part of their consideration of the 2023/24 annual accounts.



### Next steps

The full report is available at [The Important Role of a CFO \(Audit Scotland\)](#)

## 12.2 Sector developments

How collaborative leadership can create solutions to big global issues on government's future frontiers

### Background and overview

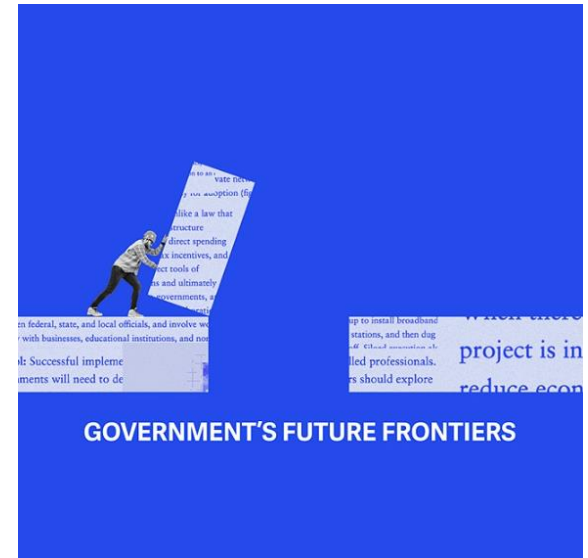
Infrastructure. Security. Health. Technology. The on-the-ground realities of homelessness. The infinite possibilities of space.

These are all big issues, bigger than any one organization can handle alone. Truly tackling the problems and opportunities inherent in these pressing societal concerns could take a concerted effort from all walks of society: Public agencies and private companies, nonprofits and academics, multinational foundations and community activists. But no matter what teams are assembled, government is expected to play a key role in constructing the scaffolding on which solutions are built.

In this publication, Deloitte speak to Bill Eggers and Don Kettl, authors of *Bridgebuilders: How Government Can Transcend Boundaries to Solve Big Problems*. They have more than 75 years of combined experience in the world of public management between them, and they have studied countless efforts to redesign government to make it more agile and responsive.

### Next steps

The full publication is available at [Government's Future Frontiers \(deloitte.com\)](https://www.deloitte.com/government/future-frontiers)



# 12.3 Sector developments

## Government Trends 2023

### Background and overview

In the age of discontinuity, governments are moving from hierarchies to networks to enable intra-government collaboration and nurturing collaborative public-private ecosystems to achieve shared outcomes.

This report outlines nine transformational trends that illustrate governments “bringing down walls” to deliver solutions. The trends outlined are:

- Fluid government workforce models
- Bridging the data-sharing chasm
- Tackling funding silos
- Tailored public services
- Back-office innovations improving mission performance
- Regulation that enables innovation
- Teaming up to deliver whole health
- End-to-end justice
- Security by network

### Next steps

The full publication is available at [Government Trends 2023 \(deloitte.com\)](https://www.deloitte.com/gt2023)



# Appendices



## 13.1 Action Plan

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

Recommendation	Management Response	Priority	Responsible Person	Target Date
<b>1. Financial Sustainability</b> While work has continued in developing a medium-term outlook, further work is required to fully develop this to be able to demonstrate that CS is financially sustainable over the medium to longer term – stretching further than 5 years in the future. We have recommended that, as CS develop its Medium-Long Term plan for 5-10 years, reference is made to Audit Scotland’s publication which sets out the important features of a financial strategy.	Consumer Scotland will look to develop a longer-term plan covering the period 5-10 years and to supplement the medium-term financial strategy already in place. We will reference the guidance from Audit Scotland as suggested.	Medium	Director of Operations	Q4 2024-25
<b>2. Vision, Leadership and Governance</b> We understand that CS have made the decision not to publish all Board papers online, alongside the minutes at this stage, however, we recommend that this should be re-considered moving forward for better transparency.	Consumer Scotland will reconsider the publishing of Board papers or suitable alternatives.	Medium	Director of Operations	Q3 2024-25

## 13.2 Action Plan (continued)

We have followed up the recommendations made in 2022/23. We are pleased to note that:

- 2 recommendations have been **fully implemented**,
- 2 recommendations have been **partially implemented**.
- 1 recommendation has **not been fully implemented** but is subject to re-consideration in the future and
- 1 recommendation has been **dropped**.

Please see below for further details.

Recommendation	Management Response	Priority	Management Update 2023/24	Audit Team Response
<b>1. Review of year-end accruals and trade payables</b>  Our testing highlighted several errors within the year-end accruals and payables classification. Although no impact to the financial statements' performance, a review of the classification should be done more appropriately based on when invoice is received and when the accrual or payable should be recorded.	Management will reconsider and update the year-end accruals and other payables review processes.  Particular focus will be made to confirm the correct classification of transactions. In addition to checking the underlying timing of receipt of the good or service, the invoice date, invoice received date and processing date will all be checked before concluding on the correct classification.  An additional documented check of invoices recorded on SEAS for period 12 in the financial year and period 1 of the new financial year will be carried out 1 month after the year end as a detective control over the correct classification of any late received invoices.	Low	Management considered and updated the year-end accruals and other payables review processes. Particular focus was made to confirm the correct classification of transactions. In addition to checking the underlying timing of receipt of the good or service, the invoice date, invoice received date and processing date are all now being checked before concluding on the correct classification.  An additional documented check of invoices recorded on SEAS for period 12 in the financial year and period 1 of the new financial year will be carried out 1 month after the year end as a detective control over the correct classification of any late received	We have assessed the overall control environment including performing design level testing on controls identified in the business process walkthroughs, noting no issues.  We did not identify any errors in accruals and trade payables through our audit work performed.  We will re-assess in the next year audit if the additional check has been implemented. Therefore, the status of this recommendation is partially implemented.

## 13.3 Action Plan (continued)

Recommendation	Management Response	Priority	Management Update 2023/24	Audit Team Response
<p><b>2. Review of Holiday Pay Accrual and tracking of holiday leave</b></p> <p>As part of our observation, we noted that a review of the holiday tracker schedule which forms the basis of the holiday pay accrual has not been reviewed prior to calculations being made. Employees directly update the schedule as and when leave is taken but there is no control to ensure the leave numbers are appropriate.</p> <p>We recommend that the leave balance is reviewed, with evidence of review retained, in advance of the holiday pay accrual calculation being performed.</p>	<p>The current manual system operates via Word and Excel and will be replaced in November 2023 with an app based HR management system which should resolve the issues identified during the audit.</p> <p>Management is reviewing the current interim holiday tracking process to build in additional oversight and control. This could involve restricting edit access and building in additional email approval routes.</p>	Medium	<p>The original plan had been to replace the manual system which operates via Word and Excel with an app based HR management system. This was trialled and not implemented as it did not deliver the functionality we expected. The manual system has been reviewed and additional controls built in for oversight and control. This means edit access is restricted to two individuals in the Corporate Services team and requests are now completed on a new template and routed via line management for approval. In addition, we take monthly snapshots.</p> <p>Further automation possible now that we have SmartSheet and we hope to implement this in Q3 FY2023-24.</p>	<p>We have assessed the overall control environment including performing design level testing on controls identified in the business process walkthroughs, noting no issues.</p> <p>We did not identify any errors in holiday pay accrual and tracking of holiday leave through our audit work performed.</p> <p>We will re-assess in the next year audit if further automation has been implemented. Therefore, the status of this recommendation is partially implemented.</p>

## 13.4 Action Plan (continued)

Recommendation	Management Response	Priority	Management Update 2023/24	Audit Team Response
<b>3. Financial Sustainability</b> Budget papers to the ARC and Board could be enhanced in future years by clearly setting out the assumptions applied and the key risks.	Management will review the budgetary reporting process to ensure that, in future, any budget reports provided to the ARC and Board, include details of the relevant underlying assumptions and key risks.	Medium	<p>Management reviewed the budgetary reporting process to ensure that any budget reports provided to the ARC and Board, include details of the relevant underlying assumptions and key risks.</p> <p>Management accounting reporting is now introduced. Budget forecasting now based on assumptions, lessons learned and factors in scenario planning. Key financial risks now further analysed via a Board deep dive.</p>	As part of our wider scope assessment, we have noted that this has now been addressed and no further recommendations are required, hence fully implemented

## 13.5 Action Plan (continued)

Recommendation	Management Response	Priority	Management Update 2023/24	Audit Team Response
<p><b>4. Financial sustainability</b></p> <p>We would recommend that the next stage in the development of a finance strategy should set out contextually more detail around the assumptions and risks impacting the medium term and how CS propose to address the potential funding gaps, based on Audit Scotland publication of best practice.</p>	<p>Management continues to develop a finance strategy that will enable Consumer Scotland to fulfil its objectives.</p> <p>Management will review the financial aspects of Consumer Scotland's strategy to ensure that the key assumptions and risks over the medium term are fully considered. This will include details of how any potential funding gaps could be addressed.</p>	Medium	<p>Management has developed a medium-term finance strategy that will enable Consumer Scotland to fulfil its objectives. Management regularly review the financial aspects of Consumer Scotland's strategy to ensure that the key assumptions and risks over the medium term are fully considered. This includes details of how any potential funding gaps could be addressed.</p> <p>5-year budget plan (medium term financial strategy) agreed with Board and will be refined on confirmation of FY2024-25 budget (confirmed for core funding but not yet for levy areas).</p>	<p>As part of our wider scope assessment, we have noted that this has now been addressed in the development of Medium-Term Financial Projections (MTFPs).</p> <p>However, we have raised a recommendation in the current year action plan at slide 37 above that financial projections should be over the medium to longer term – stretching further than 5 years in the future.</p>

## 13.6 Action Plan (continued)

Recommendation	Management Response	Priority	Management Update 2023/24	Audit Team Response
<b>5. Vision, leadership and governance</b> Consideration should be given to publishing the Board papers to accompany the minutes to enhance the openness and transparency.	Management will give consideration to how openness and transparency could be enhanced. There is already a paper scheduled for the December Board meeting to propose how the board could be more accessible to the public. Management will include the question of publishing board papers as part of this discussion.	Low	<p>Management have considered how openness and transparency could be enhanced. A paper was presented to the December 2023 Board meeting to propose how the board could be more accessible to the public. It was discussed and agreed that we wouldn't publish all Board papers at this stage, but it is something we would reconsider in the future.</p> <p>Proposal agreed at Board in February 2024 to take forward Board engagement events – the first of these will be an open event held in the Scottish Parliament and directly linked to our overseeing committee's objectives (Economy and Fair Work Committee.</p>	<p>Based on our wider scope assessment and after evaluation of management's response to the last year recommendation, we have recommended in the current year action plan at slide 37 above that these should be re-considered in the future.</p> <p>We will re-assess this as part of next year audit if the proposal to hold board engagement events have been implemented. Therefore, this recommendation has remained open.</p>

## 13.7 Action Plan (continued)

Recommendation	Management Response	Priority	Management Update 2023/24	Audit Team Response
<p><b>6. Climate Change</b></p> <p>A Climate Change Strategy or Action Plan should be developed to set out how the organisation plans to contribute to the targets and to allow regular reporting against baseline data.</p>	<p>The requirement for Consumer Scotland to produce a mandatory report on sustainability activity by 30th November 2023 has now been changed to a voluntary submission. Management will continue to develop the plan already in progress to ensure that we are demonstrating our commitment and action towards the climate change agenda. This report will be discussed and agreed with the board before being submitted.</p>	Low	<p>The requirement for Consumer Scotland to produce a mandatory report on sustainability activity by 30th November 2023 was changed to a voluntary submission. Management continued to develop the plan already in progress to ensure that we are demonstrating our commitment and action towards the climate change agenda. This report was discussed and agreed with the board before being submitted.</p> <p>April 2024 – legislation still not amended to include Consumer Scotland, so a mandatory report not required. Voluntary report will continue to be completed</p>	<p>Based on the Audit Scotland Guidance, it is deemed that this is no longer a mandatory requirement for CS. Since management is voluntarily producing and submitting the sustainability report, therefore, this recommendation has been dropped.</p>

## 14. Audit adjustments

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### Corrected misstatements

As a result of our work performed, we have not identified any material corrected misstatements.



### Un-corrected misstatements

As a result of our work performed, we have not identified any material un-corrected misstatements.



### Disclosure misstatements

As a result of our work performed, we have not identified any material disclosure misstatements.

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

We have also asked CS 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 operating within expenditure resource limits 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 detecting fraud, errors and other irregularities in the financial statements.

We have reviewed the paper prepared by management for the Audit & Risk Committee on the process for identifying, evaluating and managing the system of internal financial control. We will explain in our audit report (for all entities subject to audit) how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

### Concerns:

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

## 16. 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 CS and our objectivity is not compromised.	
Fees	The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:	
		£
	Auditor remuneration	43,880
	Audit Scotland fixed charges:	
	• Pooled costs	4,430
	• Audit support costs	-
	• Sectoral cap adjustment	-
	<b>Total expected fee</b>	<b>48,310</b>
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and CS'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 CS, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.	



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