

# Risk Management Authority

2024/25 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Risk Management Authority and the Auditor General for Scotland  
July 2025

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# Key messages

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## Audit of the annual report and accounts

- 1** All audit opinions stated that the annual report and accounts were free from material misstatement.
- 2** There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by Risk Management Authority.
- 3** The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation, and directions made by Scottish Ministers.

## Financial Sustainability and Best Value audit

- 4** Risk Management Authority achieved an underspend of £161,000 in 2024/25 and is currently forecasting an underspend of £23,000 for 2025/26.
- 5** Risk Management Authority expenditure is mainly staff costs and without sufficient funding Risk Management Authority may be unable to deliver certain services required by legislation.
- 6** Risk Management Authority has appropriate arrangements in place for securing Best Value.

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# Introduction

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## Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Risk Management Authority's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Risk Management Authority, hereafter referred to as 'RMA' and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

## Appointed auditor and independence

3. Mark Ferris, of Audit Scotland, has been appointed as external auditor of RMA for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Mark Ferris and the audit team are independent of RMA in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from RMA, including no provision of non-audit services.

## Acknowledgements

4. We would like to thank RMA and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

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# Audit scope and responsibilities

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## Scope of the audit

**5.** The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Concluding on the financial sustainability of RMA and a review of the Governance Statement.
- Reporting on RMA's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

## Responsibilities and reporting

**6.** The Code of Audit Practice sets out the respective responsibilities of RMA and the auditor. A summary of the key responsibilities is outlined below.

### Auditor's responsibilities

**7.** The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on RMA's arrangements in place for the wider scope areas and Best Value.

**8.** The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve RMA from its responsibilities outlined below.

**9.** The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

## **RMA's responsibilities**

**10.** RMA has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

## **National and performance audit reporting**

**11.** The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to RMA and the Audit and Assurance Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

# Audit of the annual report and accounts

## Main judgements

All audit opinions stated that the annual report and accounts were free from material misstatement.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by Risk Management Authority.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation, and directions made by Scottish Ministers.

## Audit opinions on the annual report and accounts

**12.** Risk Management Authority's annual report and accounts were approved by the Audit and Assurance Committee on 23 June 2025 and signed by the appointed auditor on 11 July 2025. The Independent Auditor's Report is included in RMA's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



## Audit timetable

**13.** The unaudited annual report and accounts and all working papers were received on 12 May 2025 in accordance with the agreed audit timetable.

## Audit Fee

**14.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £10,570. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

## Materiality

**15.** The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

**16.** Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

**17.** Materiality levels for RMA were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated and these can be seen in Exhibit 1.

### Exhibit 1

#### 2024/25 Materiality levels for Risk Management Authority

Materiality	Amount
<b>Materiality</b> – set at two per cent of gross expenditure	£41,900
<b>Performance materiality</b> – set at 75 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£31,400
<b>Reporting threshold</b> – set at five per cent of materiality.	£2,095

Source: Audit Scotland

## Significant findings and key audit matters

**18.** ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for RMA is Audit and Assurance Committee.

**19.** The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

**20.** In determining key audit matters, auditors consider:



- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

## Qualitative aspects of accounting practices

**21.** ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of RMA's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

### Accounting policies

**22.** The appropriateness of accounting policies adopted by RMA was assessed as part of the audit. These were considered to be appropriate to the circumstances of RMA, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM) issued by HM Treasury.

### Accounting estimates

**23.** RMA only has one accounting estimate contained within its financial statements, depreciation. Audit work considered the process management of RMA has in place around making this accounting estimate, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

### Disclosures in the financial statements

**24.** The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

## Significant matters discussed with management

**25.** All significant matters identified during the audit and discussed with RMA's management have been reported in the Annual Audit Report.

## Audit adjustments

**26.** No audit adjustments were required to the financial statements.

## **Significant risks of material misstatement identified in the Annual Audit Plan**

**27.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 2, \(page 11\)](#).

## Exhibit 2

### Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<p><b>Fraud caused by management override of controls</b></p> <p>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>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>Assess the design and implementation of controls over journal entry processing.</li> <li>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.</li> <li>Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>Consider the need to test journal entries and other adjustments throughout the year.</li> <li>Evaluate significant transactions outside the normal course of business.</li> <li>Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> <li>Assess changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year</li> <li>Focussed testing of accounting accruals and prepayments.</li> </ul>	<p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>The design of controls over journal processing were appropriate and these were implemented as intended.</li> <li>No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.</li> <li>No significant issues were identified from testing of journal entries.</li> <li>There were no significant transactions outside the normal course of business.</li> <li>The controls in place for identifying and disclosing related party relationships and transactions were adequate.</li> <li>No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.</li> <li>No issues were identified in the audit testing of accruals and prepayments.</li> </ul> <p><b>Conclusion:</b> no evidence of fraud caused by management override of controls.</p>

Source: Audit Scotland

## Prior year recommendations

**28.** RMA has made some progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with RMA and are outlined in [Appendix 1](#).

# Financial Sustainability and Best Value audit

## Conclusion

RMA achieved an underspend of £161,000 in 2024/25 and is currently forecasting an underspend of £23,000 for 2025/26.

RMA expenditure is mainly staff costs and without sufficient funding the RMA may be unable to deliver certain services required by legislation.

RMA has appropriate arrangements in place for securing Best Value.

## Audit approach to wider scope and Best Value

### Wider scope

**29.** The Annual Audit Plan reported RMA was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of RMA.

### Duty of Best Value

**30.** 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. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

**31.** Consideration of the arrangements RMA has in place to secure Best Value have been carried out alongside the wider scope audit.

## Conclusions on Financial Sustainability

**32.** The audit work performed on the arrangements RMA has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by RMA:

- making appropriate arrangements to develop medium and term financial plans and linking these to its Corporate Plan and priorities.

- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.

**33.** RMA is funded directly by Grant in Aid received from the Scottish Government. Funding from the Scottish Government is RMA's sole source of income and there is more certainty over future funding streams than for some other public-sector organisations who are involved in income generating activities. Therefore, the focus for RMA is achieving a balanced financial plan to remain within their annual allocation.

**34.** RMA has a 5-Year Financial Plan 2024/25 – 2028/29. RMA's expenditure is mainly staff costs and related expenditure, it is acknowledged that potential for reducing expenditure is limited, without impacting on its ability to deliver a growing range of services required by legislation.

**35.** Scottish Government published its 2025/26 budget on 14 April 2025 which confirmed an allocation of funding of £2.303 million from the Sponsor Department. This represented a 9.6 per cent increase on the prior year. Based on this, RMA is forecasting an underspend of £23,000 in 2025/26.

**36.** RMA have been in regular discussions with the sponsor department with regards to this budget shortfall and business cases for additional funding to support their activities. The sponsor department has confirmed they remain committed to supporting the business cases and these have been submitted to the Cabinet Secretary for approval.

## Conclusion on Duty of Best Value

**37.** The audit work performed on the arrangements RMA has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- RMA having well established and effective governance arrangements in place.
- the arrangements RMA has in place to secure financial sustainability which help ensure the effective use of available resources.

# Appendix 1

## Action plan 2024/25

### Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<b>Segregation of Duties</b> Through discussions with management and our review of internal controls it was confirmed that there was no segregation of duties between September 2022 and March 2023. This impacted the preparation and review of journals, and general ledger reconciliations.  Risk – There is an increased risk of fraud or error where a secondary review of journals and reconciliations is not undertaken.	We recommend review of the system of internal controls to ensure adequate segregation of duties going forward.  RMA will review staff structure with the aim to increase resilience to support segregation of duties within the organisation.  Responsible officer: Director of Corporate Services.  Revised date: 31 December 2024	<b>Implemented</b>  We identified no issues in segregation of duties in the 2024/25 financial year. RMA currently has sufficient controls in place to ensure this and we expect these will continue in future.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>Equalities and Diversity - Update to the current staff training and induction pack</b></p> <p>There were no training materials for staff relating to equalities and diversity. This is also not covered in the current induction pack for new employees or members.</p> <p>Risk – there is a risk the current RMA staff training and induction training programme does not comply with the most current legislation.</p>	<p>RMA should provide appropriate training to existing staff and update the current induction pack for new employees and members to include training materials relating to equalities and diversity.</p> <p>It was noted that no progress was made on this during 2022/23. The recommendation is to be taken forward by the new HR Manager who joined in May 2023, with a review of policies and training scheduled to be carried out during 2023/24.</p> <p>Responsible officer: HR Manager</p> <p>Revised date: 30 August 2024</p>	<p><b>Implemented</b></p> <p>A review of the staff training and induction pack was conducted in year. Consequently RMA has brought their training and induction pack in line with Scottish Government. This will be reviewed and updated In line with Scottish Government going forward.</p>
<p><b>Business Continuity Planning</b></p> <p>Current plans are to carry out a review of business continuity plans in 2022. We acknowledge that, in common with many public bodies, processed in place coped well with the major upheaval of a sudden transition to remote working.</p> <p>Risk – Elements of the current BCP, not directly linked with remote working arrangement, have not been subject to recent review or testing and may not operate as designed in the “new normal” working environment.</p>	<p>We recommend that the next review of business continuity planning should be brought forward, to address the current governance and operational environment.</p> <p>Management have identified the risks posed by remote working and work is currently underway to identify actions to mitigate these risks.</p> <p>Responsible officer: Director of Corporate Services</p> <p>Revised date: 30 April 2025</p>	<p><b>Work in progress</b></p> <p>Work on updating the current Business Continuity Plan commenced in 2024/25 to bring it in line with the Scottish Governments’ model.</p> <p>This model has been tested against business team functions however, there is still work to be done to finalise the response plan.</p> <p>Work on this objective has been paused due to resource constraints and will recommence when suitable resources are available.</p> <p>Director of Corporate Services</p> <p>Revised date: 31 March 2026</p>



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# Appendix 2

## Supporting national and performance audit reports

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Report name	Date published
<a href="#">The National Fraud Initiative in Scotland 2024</a>	15 August 2024
<a href="#">Alcohol and drug services</a>	31 October 2024
<a href="#">Fiscal sustainability and reform in Scotland</a>	21 November 2024
<a href="#">Public service reform in Scotland: how do we turn rhetoric into reality?</a>	26 November 2024
<a href="#">Auditing climate change</a>	7 January 2025
<a href="#">Additional support for learning</a>	27 February 2025

# Risk Management Authority

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