

Scottish Government: Scottish Consolidated Fund Report on the 2010/11 audit



Prepared for Scottish Government: Scottish Consolidated Fund
November 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Introduction.....	4
Financial Statements	5
Overall conclusion	5
Financial Position	5
Issues arising	5
International Standards on Auditing.....	6
Corporate Governance	7
Overview of arrangements	7
Systems of internal control	7
Internal audit	7
Appendix A.....	8
Independent Auditor's Report.....	8

Introduction

1. This report summarises the findings from our audit of the Scottish Consolidated Fund for the year to 31 March 2011. It covers the outcomes from our audit of the financial statements and aspects of governance.
2. Our responsibilities and approach are outlined in the Scottish Consolidated Fund Audit Plan for 2010/11. In summary, we audit the financial statements and give an opinion on:
 - whether they properly present the financial position of the Scottish Consolidated Fund and its receipts and payments for the period in question
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - the consistency of the information which comprises the Foreword with the financial statements
 - the regularity of the payments and receipts.
3. We also review the Statement on Internal Control by:
 - considering the adequacy of the process put in place by the Permanent Secretary as Principal Accountable Officer to obtain assurances on systems of internal control
 - assessing whether disclosures in the statement are consistent with our knowledge of the Scottish Consolidated Fund.
4. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk.

Financial Statements

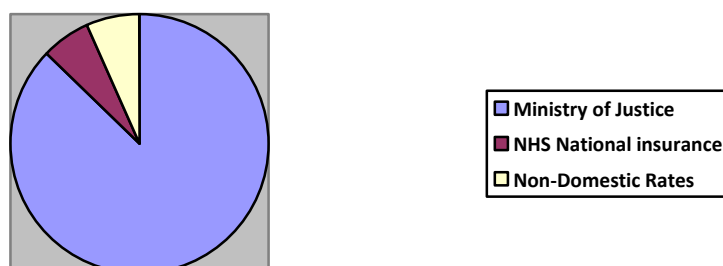
Overall conclusion

5. We have given an unqualified opinion on the financial statements of the Scottish Consolidated Fund for 2010/11. This means that, in our view, they properly present the receipts and payments of the Scottish Consolidated Fund and the balance held at 31 March 2011, and that they have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by Scottish Ministers.
6. Section 22 of the Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the payments and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Principal Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

Financial Position

7. The Scottish Consolidated Fund reported a surplus of £82.276 million at the end of 2010/11. Payments and receipts during the year totalled £30.759 billion and £30.841 billion respectively. The year end surplus of £82.276 million has had the effect of increasing the balance held with the Government Banking Service by 39%, to £294 million at 31 March 2011 compared to a balance as at 31 March 2010.
8. Payments under Budget (Scotland) Act account for 99% of all payments made from the Fund. Contributions from the Ministry of Justice under section 64(2) of the Scotland Act 1998 account for the majority of receipts as shown in exhibit 1.

Exhibit 1: Contributions to the Scottish Consolidated Fund 2010/11



Issues arising

9. The unaudited schedules for the accounts were submitted in line with agreed plans. Working papers and responses provided by staff in Finance allowed us to conclude our audit within the

agreed timetable. A number of presentational changes were required to the accounts as a result of the audit and our review of the disclosures required by the FReM.

International Standards on Auditing

10. International Standard on Auditing (ISA) 260 requires auditors to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. ISA 260 requires us to highlight:
 - relationships that may bear on our independence and the integrity and objectivity of the appointed auditor and audit staff
 - the overall scope and approach to the audit, including any expected limitations, or additional requirements
 - expected modifications to the audit report
 - management representations requested by us
 - unadjusted misstatements, other than those that are clearly trivial
 - material weaknesses in internal control identified during the audit
 - qualitative aspects of accounting practice and financial reporting, including accounting policies
 - matters specifically required by other auditing standards to be communicated to those charged with governance and any other matters that are relevant to the audit.
11. The management of the audited body is responsible for preparing the financial statements of the Scottish Consolidated Fund, and for ensuring that they properly present the receipts and payments of the Scottish Consolidated Fund and the balance held at 31 March 2011, and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
12. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Audit Plan for 2010/11, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in March 2007.
13. Our work on the financial statements is now substantially complete. Subject to the satisfactory receipt of a revised set of accounts for final review, we anticipate being able to issue an unqualified auditor's report. The proposed report is attached at Appendix A. There are no anticipated modifications to the audit report.

Corporate Governance

Overview of arrangements

14. Our overall conclusion is that the governance arrangements relevant to the operation of the Scottish Consolidated Fund were satisfactory during the period under review. This is reflected in the Statement on Internal Control and assurances provided to the Principal Accountable Officer.

Systems of internal control

15. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. As part of our audit of the Scottish Government, we reviewed the key controls operating across central financial systems. We concluded that controls and procedures in these systems relevant to the operation of the Scottish Consolidated Fund were operating satisfactorily, enabling us to place reliance on them for the purposes of our audit.

Internal audit

16. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible. As part of our risk assessment and planning process for the 2010/11 audit we assessed whether we could place reliance on the Scottish Government's internal audit function, which covers the Scottish Consolidated Fund. We concluded that internal audit complied with Government Internal Audit Standards and that we were able to place reliance on their work for the purposes of our audit.

Appendix A - Independent Auditor's Report

Independent auditor's report to the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Scottish Consolidated Fund for the year ended 31 March 2011 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Receipts and Payments Account, Statement of Balances and related notes. These financial statements have been prepared under Section 19 (2) of the Public Finance and Accountability (Scotland) Act 2000.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members, in their individual capacities, or to third parties.

Respective responsibilities of the Accountable Officer and Auditor

As explained more fully in the Statement of the Accountable Officer's Responsibility set out on page 3, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they properly present the receipts and payments for the financial year, and is also responsible for ensuring the regularity of receipts and payments. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of receipts and payments.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of payments and receipts in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- properly present, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, the receipts and payments of the Scottish Ministers in respect of the Scottish Consolidated Fund for the year ended 31 March 2011 and the balance held at that date;
- have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects:

- the sums paid out of the Scottish Consolidated Fund were paid out in accordance with section 65 of the Scotland Act 1998 and sections 4 to 6 of the Public Finance and Accountability (Scotland) Act 2000
- the account complies with any applicable direction by virtue of any enactment.

Opinion on prescribed matter

In my opinion the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Mark Taylor CPFA

Assistant Director

13 December 2012

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