AUDIT SCOTLAND

Risk Management Authority

Annual audit report 2014/15

Prepared for members of the Risk Management Authority and the Auditor General for Scotland

June 2015

Contents

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This report has been prepared for the use of the Risk Management Authority and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the audit committee and the financial statements have been laid before parliament. The information in this report may be used by Audit Scotland in any reporting to the Scottish Parliament.

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Key Messages

Audit of financial statements	• Unqualified independent auditor's report (audit certificate) on the 2014/15 financial statements. • Officers provided good support which enabled the audit team to complete on-site fieldwork by the planned target date. • All monetary errors, and presentation and disclosure issues, identified in unaudited accounts corrected by management in audited financial statements.
Financial management and sustainability	• Scottish Government core grant-in-aid funding for the year was £0.971 million. Additional funding of £0.220 million was also available to fund the annual costs associated with the Moving Forward Making Changes (MFMC) project of which £0.150 million was drawn down during the year. • The annual outturn on a cash basis represented an underspend of £0.001 million against the Scottish Government drawn down during the year of £1.121 million.
Governance and transparency	• The Authority had sound governance arrangements in place during 2014/15.
Best value	• The Authority have considered Scottish Government guidance on Best Value and developed an approach to address this.
Outlook	• The Authority should ensure adequate arrangements are in place to separately monitor and report the costs of the MFMC project and to return any unused funding to the Scottish Government at the end of each financial year. • Cash and cash equivalents of £0.560 million were held at the 31 March 2015. This balance should be reviewed during 2015/16 to identify whether any money could be released back to the Scottish Government. • If the Enhancing Effective Practice in Community Supervision (EEPICS) project does not commence in 2015/16 the balance earmarked for this should be released back to the General Fund and the funding should be returned to the Scottish Government if the project is no longer likely to go ahead.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of the Risk Management Authority (the Authority).

2. The Authority and the Chief Executive, as the Accountable Officer, are responsible for:

   - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
   - ensuring the regularity of transactions, by putting in place systems of internal control
   - maintaining proper accounting records
   - preparing and publishing with their financial statements an annual governance statement and a remuneration report.

3. Our responsibility, as the external auditor of the Authority, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.

4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.

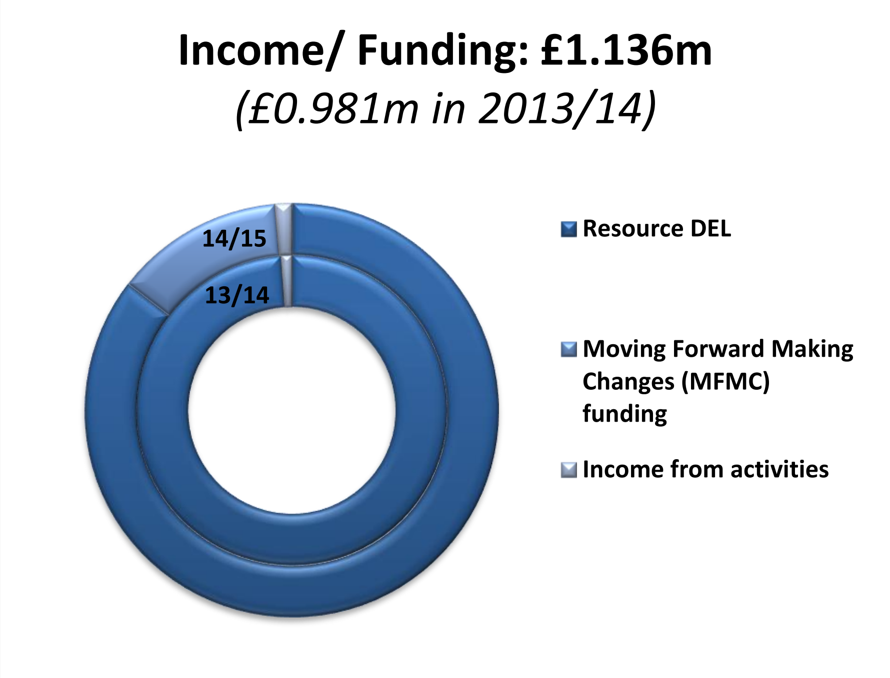
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at appendices 2 and 3.

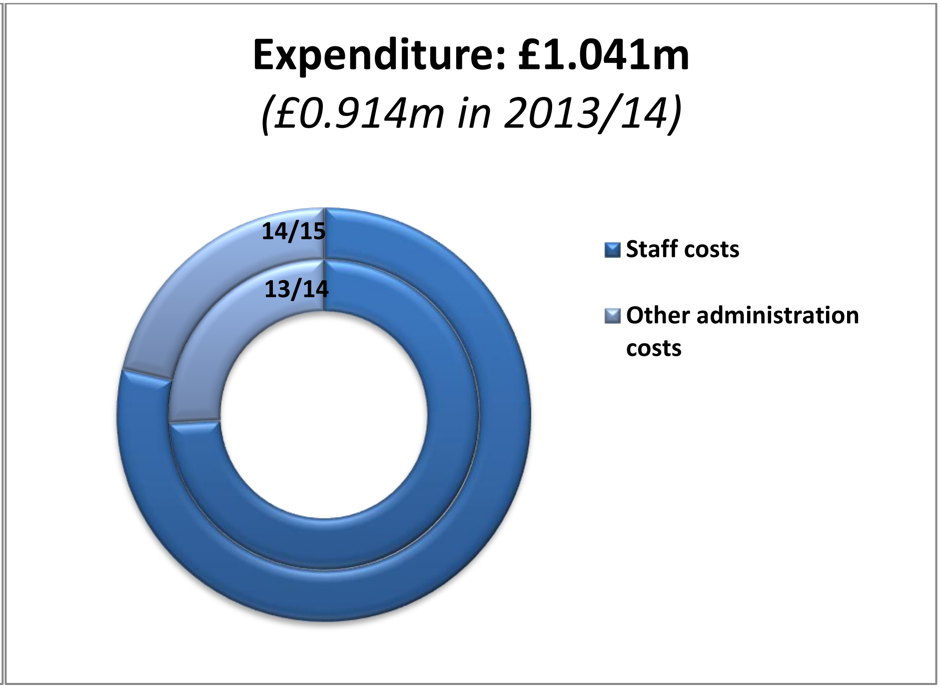
6. Appendix 4 is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that the Authority understands its risks and has arrangements in place to manage these risks. The audit committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.

7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

2014/15 financial statements





The financial statements show that Scottish Government core grant-in-aid funding for 2014/15 was £0.971 million. This was consistent with the prior year. However, during 2014/15 an additional allocation of £0.220 million was also available to fund the annual costs associated with the Moving Forward Making Changes (MFMC) project of which £0.150 million was drawn down during the year. Income from activities related to the recharge of salary costs of a member of staff seconded to the University of Strathclyde. Overall expenditure increased by £0.127 million (14%) from £0.914 million in 2013/14 to £1.041 million in 2014/15. This was attributable to a £0.136 million increase in staff costs related to the MFMC project and temporary staff recruited to assist in clearing the Authority's processing backlog, partially offset by a £0.009 million reduction in other administration costs.

Audit of the 2014/15 financial statements

Audit opinions

Financial Statements

- The financial statements of the Authority for 2014/15 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.
- We confirm that the financial statements have been properly prepared in accordance with the 2014/15 FReM and the requirements of the Criminal Justice (Scotland) Act 2003 and directions.

Regularity

- In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

Other prescribed matters

- The remuneration report to be audited has been properly prepared in accordance with the requirements of the Criminal Justice (Scotland) Act 2003 and directions.
- The information in the strategic report and directors' report is consistent with the financial statements.

Submission of financial statements for audit

9. We received the unaudited financial statements on 18 May 2015, in accordance with the agreed timetable. Staff provided good support to the audit team and we completed our on-site fieldwork on 21 May 2015.

Overview of the scope of the audit of the financial statements

10. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit Committee on 15 December 2014.

11. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was £6,500 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

12. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.

13. Appendix 1 sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

14. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

15. Materiality can be defined as the maximum amount which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. In addition, a misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law).

16. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

17. We summarised our approach to materiality in our plan. Based on the financial statements, we revised materiality for 2014/15 to £10,370 (planning materiality set at 12,000) based on actual expenditure for the year.

18. We also set a lower level, known as performance materiality, when defining our audit procedures. This level depends on professional judgement and is informed by a number of factors including:

- extent of estimation and judgement within the financial statements
- nature and extent of prior year misstatements
- extent of audit testing coverage.

19. Performance materiality has been set at £9,333 (i.e. 90% of materiality). We report all misstatements greater than £1,000.

Evaluation of misstatements

20. All misstatements identified during the audit, which exceeded our misstatement threshold of £1,000, have been amended in the financial statements as detailed at paragraphs 22 and 23.

Significant findings from the audit

21. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit as detailed below:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
- Significant difficulties encountered during the audit.
- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which the auditor judges, are significant to the oversight of the financial reporting process.

22. A number of minor presentational and disclosure issues were identified during the course of the audit. In addition, three monetary errors were identified within the financial statements. These were discussed with management who agreed to amend the financial statements. As the adjustments also impacted upon the 2013/14 financial statements a prior year adjustment has been processed, in accordance with *IAS8 – Accounting policies, Change in Accounting Estimates and Errors*, to restate the comparative amounts for the prior year in the 2014/15 financial statements.

23. The impact of the adjustments made to correct the monetary errors identified on the unaudited accounts was to increase the net operating costs for 2014/15 by £0.014 million and to reduce the net operating costs for 2013/14 by £0.014 million. The net assets at 31 March 2014 also increased by £0.014 million as a result of these changes but there was no impact on the net assets at 31 March 2015.

24. The following table details those issues or audit judgements that, in our view, require to be communicated to you in accordance with ISA 260.

Significant findings from the audit in accordance with ISA260
Recognition of income for secondee salary recharge: During January to July 2014 an employee of the Authority was seconded to the University of Strathclyde. The recharge of these salary costs was all recognised as 2014/15 income within the unaudited accounts. However, as an element related to 2013/14 (i.e. income for January to March 2014) this should have been recognised as income in the prior year. As a result the income in the 2013/14 accounts was understated by £10,006 and the income in the 2014/15 accounts has been overstated by £10,006. A prior year adjustment has been processed to correct this error in the audited accounts.
Internal audit fee: During the audit we established that that the 2013/14 internal audit fee had been significantly overstated in the prior year financial statements. This was due to both an element of the 2012/13 fee being included in the 2013/14 figure, and the actual prior year fee being overstated by £2,905 due to £9,000 being accrued in respect of this when the actual charge was only £6,095. This second error also resulted in the 2014/15 internal fee being understated by £2,905 in the current year's financial statements as a result of the accrual reversal reducing the in-year charge from £6,000 to £3,000. A prior year adjustment has been processed to correct the over-accrual of the 2013/14 audit fee in the audited accounts.
Recognition of capital expenditure: During 2013/14 £5,000 of expenditure was capitalised in relation to a central air conditioning unit that had not yet been installed. As the Authority did not eventually require to purchase the unit the value originally capitalised was shown as a disposal at *Note 5. Property, Plant and Equipment* of the 2014/15 unaudited financial statements. However, as the original transaction did not satisfy the asset recognition criteria set out in *IAS16 – Property, Plant and Equipment* (i.e. the asset had delivered / installed) it should not have been capitalised in 2013/14. Therefore, a prior year adjustment has been processed to remove the asset, and the related payables balance, from the prior year comparatives in the audited accounts.
Scottish Government approval of 2014/15 funding draw down: During 2014/15 the Authority drew down Scottish Government funding of £0.150 million for the Moving Forward Making Changes (MFMC) programme but only incurred related costs of £0.131 million. In addition, they also drew down core funding of £0.971 million which exceeded their Resource Departmental Expenditure Limit (DEL) of £0.970 million. The Authority obtained approval from the Scottish Government to carry forward the MFMC funding drawn down but not utilised during the year and for the Resource DEL drawn down in excess of their approved allocation for the year.

Future accounting and auditing developments

Revisions to the Financial Reporting Manual (FReM)

25. The financial statements are prepared in accordance with the Government financial reporting manual (FReM). Two significant revisions will apply from 2015/16:

- Simplification and Streamlining Project – changes to the form and content of the annual report and accounts.
- Adoption of IFRS13 *Fair value measurement* for the first time – this also includes IAS 16 and IAS 38 adaptations.

26. **Restructuring of the annual report**: the 2015/16 FReM has been extensively re-written to require the annual report and accounts to include:

- A performance report which will give a fair, balanced and understandable analysis of performance and will include and overview section and a performance analysis section.
- An accountability report incorporating the following three main sections:
  - corporate governance report consisting of a directors' report, a statement of the Accountable Officer's responsibilities and a governance statement
  - remuneration and staff report which will cover a number of prescribed disclosures including remuneration policy, payments to directors, staff numbers and sickness absence rates
  - parliamentary and accountability report which will include information on the regularity of expenditure and the independent auditor's report.

Appendix 4 – Action Plan No. 1

27. **International Financial Reporting Standards (IFRS) 13 Fair value measurement:** sets out the requirements for assets to be to be valued at fair value and is applied in full by the FReM only to assets that are not held for their service potential (i.e. investment properties and assets held for sale). It also applies to operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market.

28. IFRS 13 does not apply to operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal. These will be valued in accordance with the adaptions to *IAS (International Accounting Standard) 16 property, plant and equipment.*

29. As the Authority do not hold any assets of this nature this will not impact upon their 2015/16 financial statements.

Financial management and sustainability

30. The arrangements for budget setting and monitoring in place are sound, with management exercising a close control over expenditure and reporting financial results quarterly to the board.

2014/15 financial position

31. As shown in the table below, the Authority's Resource Departmental Expenditure Limit (DEL) allocation for 2014/15 was £0.971 million. In addition, £0.220 million was also available to fund the annual costs associated with the Moving Forward Making Changes (MFMC) project of which £0.150 million was drawn down during the year.

SG Funding 2014/15	Allocation (£m)	Drawn Down (£m)
Resource DEL	0.971	0.971
MFMC Funding	0.220	0.150
Total	**1.191**	**1.121**

32. The main financial objective of the Authority is to ensure that financial year is within the resource budget allocated by Scottish Ministers.

33. The 2014/15 financial statements show that on a cash basis the Authority's outturn was £1.120 million, representing an underspend of £0.001 million against the Scottish Government drawn down during the year of £1.121 million.

34. On an income and expenditure basis, the financial statements show a surplus of £0.095 million. This is the difference between the net operating cost for the year as shown in the Statement of Comprehensive Net Expenditure of £1.026 million and the annual funding received from the Scottish Government of £1.121 million.

Financial management

35. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the officer responsible for finance has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the body
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are

linked to information about performance

- members provide a good level of challenge and question budget holders on significant variances.

36. Based on our accumulated knowledge, our review of relevant board papers and through our attendance at committees we conclude that the Authority has sufficient financial management arrangements in place.

2015/16 and beyond

37. The Authority's core Scottish Government funding for 2015/16 will again be £0.970 million. In addition, £0.220 million will be available to meet the costs associated with the MFMC project.

38. As the costs associated with the MFMC project are demand led it is difficult for the Authority to accurately forecast their actual funding requirements. However, the Authority should continue to monitor and report the costs of the project and should ensure arrangements are in place to return any funding drawn down but not used to the Scottish Government at the end of each financial year.

Appendix 4 – Action Plan No. 2

39. The Authority held cash and cash equivalents of £0.560 million at the 31 March 2015. The framework agreement with the Scottish Government states that they should only retain the level of funds required to meet any relevant liabilities at the year-end. As annual expenditure is only around £1.1 million we discussed with management whether this level of funds is required.

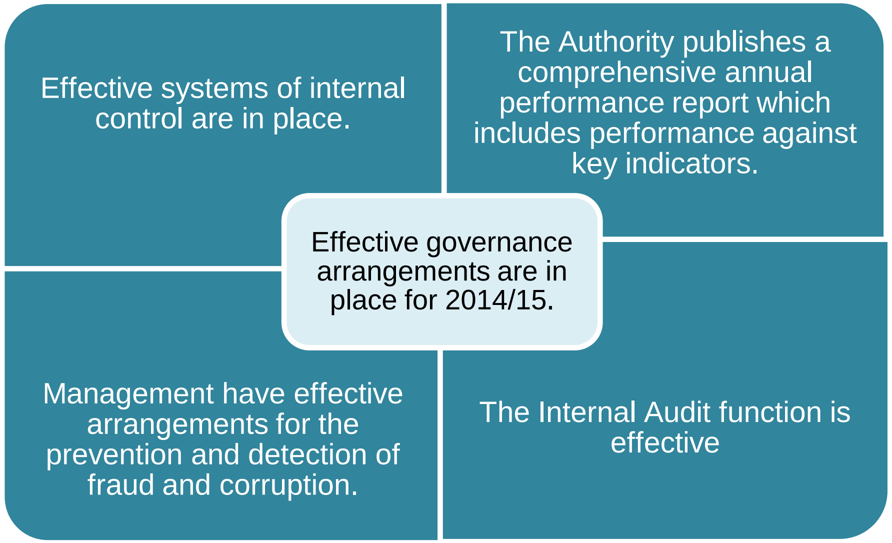
40. We were advised by management that there are some outstanding liabilities relating to the recent office relocation and ongoing projects that require them to hold a large cash balance. The Authority obtained confirmation from their Scottish Government sponsor division that they are content with the current level of the cash and cash equivalents balance. However, this should be revisited during 2015/16 to identify whether any money could be released back to the Scottish Government.

Appendix 4 – Action Plan No. 3

41. The Authority has a General Fund balance which is earmarked for use on the Enhancing Effective Practice in Community Supervision (EEPICS) project. This project was originally scheduled to begin in 2013/14 but has not yet started. If the project does not commence in 2015/16 this balance should be released back to the General Fund and the funding should be returned to the Scottish Government if the project is no longer likely to go ahead.

Appendix 4 – Action Plan No. 4

Governance and transparency



Corporate governance

42. The Board and Chief Executive (as Accountable Officer) are responsible for establishing arrangements for ensuring the proper conduct of the affairs of the Authority and for monitoring the adequacy of these arrangements.

43. The members of the Board are appointed by the Scottish Ministers. The strategic direction and performance of the Authority is governed by the Board. The current Board has eight members, including the chairperson, and there were no changes in membership of the Board during 2014/15.

44. Mr Peter Johnson has served as chairperson since 2008 and the Authority's Chief Executive, Ms Yvonne Gailey, has been in post since 2009. The Authority has thereby benefited from continuity of leadership over this period.

45. The Authority is considering signing up to the Scottish Government's aspirational 50:50 by 2020 initiative which '…challenges all private, public and third sector bodies to achieve gender balance on their boards by 2020.' As the Authority do not appoint board members their ability to contribute to the achievement of this target is limited.

46. The board has established six committees, the Accreditation Committee, the Appeals Committee, the Audit Committee, the Remuneration Committee, the Research and Training Committee, and the Risk Management Plan Approval Committee.

47. The Audit Committee has the direct responsibility for corporate governance and provides the Accountable Officer with assurance as to the Authority's compliance. The committee considers all internal and external audit reports and ensures any issues raised are addressed.

Transparency

48. The Scottish Government's On Board guidance

(http://www.gov.scot/Publications/2015/04/9736/0), for board members of public bodies was updated and reissued in April 2015. On Board states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:

- holding an annual open meeting
- holding board meetings in public unless there is a good reason not to
- publishing summary reports and/or minutes of meetings
- inviting evidence from members of the public in relation to matters of public concern
- consulting stakeholders and users on a wide range of issues
- making corporate plans and the annual report widely available.

49. Audit Scotland also believes in transparency of financial reporting within the Annual Report and Accounts including:

- a clear reconciliation between expenditure and the outturn against Scottish Government Resource budgets.
- identification of, and explanation of, any significant movements in budget during the year.

50. Overall we concluded that the Risk Management Authority is open and transparent although committees are held in private because of the confidential and sensitive nature of the Authority's business.

Internal audit

51. As part of our risk assessment and planning process our Scottish Government audit team assessed the Scottish Government Internal Audit Division, the Authority's internal auditors, and concluded that they operate in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. We were therefore able to rely on their work in terms of our wider code of audit practice responsibilities.

Arrangements for the prevention and detection of fraud

52. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.

53. There were no instances of fraud or corruption reported by the Authority in 2014/15.

54. We assessed the arrangements for the prevention and detection of fraud during the planning phase of our audit.

55. We concluded that there are effective arrangements for the prevention and detection of fraud, although it should be noted that no system can eliminate the risk of fraud entirely.

National Fraud Initiative (NFI) in Scotland

56. The Authority participates in the National Fraud Initiative (NFI) through the Scottish Government Payroll Division. The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error. No matches were identified in relation to Authority staff through the latest NFI exercise.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

57. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Best Value

58. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.

Arrangements for securing Best Value

59. The Authority have considered Scottish Government guidance on Best Value and developed an approach to address this

60. The Authority conducted a Best Value self-assessment during 2012/13 and a further Best Value review was undertaken during 2014.

61. The 2014 review focussed on five distinct (Vision and Leadership, Effective Partnerships, Governance and Accountability, Use of Resources and Performance Management) and two cross-cutting (Equality and Sustainability) themes which define the expectations placed on Accountable officers by the duty of Best Value.

62. The results of the review were reported to the audit committee in December 2014 and highlighted achievements made by the Authority in securing Best Value in their operations. It also identified further action to be taken in each of the seven areas going forward. Progress against this will be reviewed as part of our 2015/16 audit activity.

Appendix 1 – Audit risks

The table below sets out the audit risks identified in our 2014/15 Annual Audit Plan, how we addressed each risk, and our judgement in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Cash balance The Authority held significant cash reserves at 31 March 2014. *There is a risk that the Authority are retaining funds that should be returned to the Scottish Government.*	• We reviewed the cash and cash equivalents balance at 31 March 2015 to assess whether this was consistent with the level of funds required to meet any relevant liabilities at the year-end. • We discussed the planned use of the accumulate funds with management. • We asked the Authority to obtain confirmation from their Scottish Government sponsor division that they are content with the current level of the cash and cash equivalents balance.	The Authority held cash and cash equivalents of £0.560 million at the 31 March 2015. We were advised by management that there are some outstanding liabilities relating to the recent office relocation and ongoing projects that require them to hold a large cash balance. The Authority obtained confirmation from their Scottish Government sponsor division that they are content with the current level of the cash and cash equivalents balance. However, this should be revisited during 2015/16 to identify whether any money could be released back to the Scottish Government. **To be followed up as part of our 2015/16 audit activity, see Appendix 4 – Action Plan No. 3**

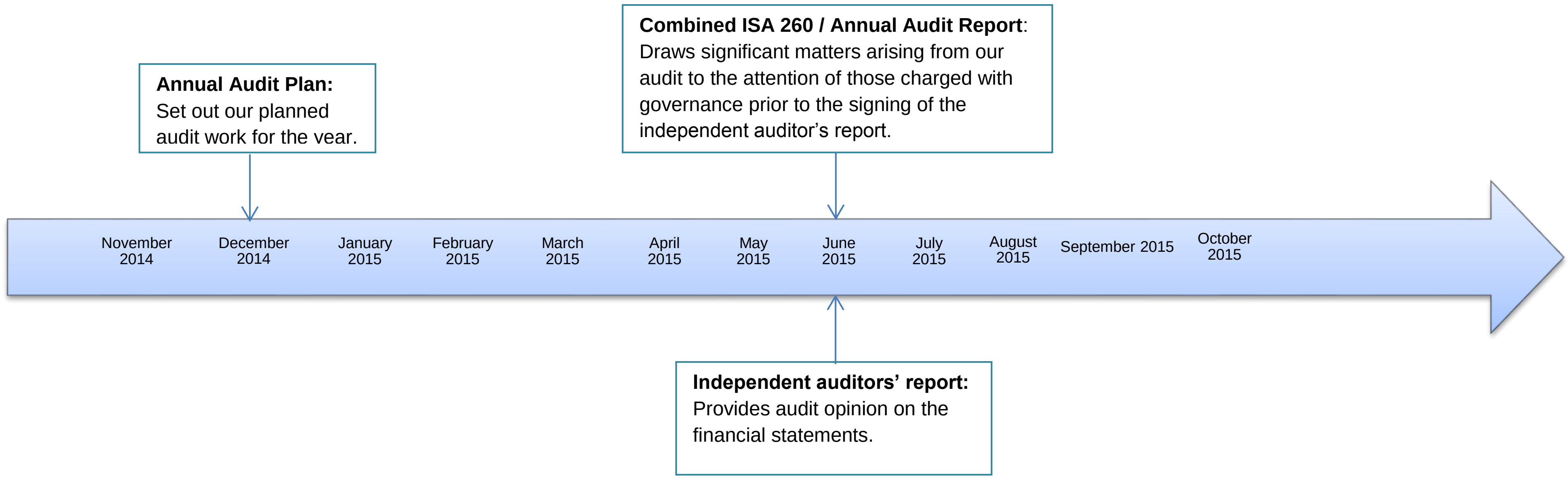
Audit Risk	Assurance procedure	Results and conclusions
Year-end accruals During the 2012/13 and 2013/14 financial statements audits a number of instances were identified where expenditure had been accrued and recognised in the financial statements prior to the goods or services being delivered. *There is a risk that similar issues may be encountered in 2014/15 which will result in expenditure being overstated.*	• We reviewed a sample of large or unusual income and expenditure transactions to confirm these had been posted to the correct financial period. • We reviewed a sample of receipts and payments received early in 2014/15 and 2015/16 to confirm the related income and expenditure had been posted to the correct financial period.	Our testing did not identify any issues with income and expenditure relating to 2015/16 being recognised in 2014/15. However, three instances were identified where income and expenditure had not been correctly recognised in 2013/14. These were discussed with management who agreed to amend the financial statements. As the adjustments impacted upon the 2013/14 financial statements a prior year adjustment has been processed, in accordance with *IAS8 – Accounting policies, Change in Accounting Estimates and Errors*, to restate the comparative amounts for the prior year in the 2014/15 financial statements. As detailed in the table of Significant findings on page 8, the required changes were reflected in the audited accounts. **No further action required**

Audit Risk	Assurance procedure	Results and conclusions
Receipt of pension Information The Department of Work and Pensions (DWP) provide the Authority with pension information for both the Chief Executive and Director of Business Performance for inclusion with the Remuneration Report in their annual accounts. *There is a risk that this information will not be provided by the DWP prior to the proposed certification date for the 2014/15 accounts.*	• We reviewed the pension information included within the remuneration report in the unaudited accounts as part of the 2014/15 financial statements audit.	The pension information was provided by the DWP prior to the production of the unaudited accounts. **Satisfactory**
Reconciliation of expenditure to Scottish Government invoices The Authority receive invoices from the Scottish Government on an ad-hoc basis. *There is a risk that expenditure could be omitted or incorrectly recorded in the Authority's records.*	• We reviewed the local expenditure log totals against those shown in the trial balance produced from Scottish Executive Accounting System (SEAS) ledger to identify any differences or inconsistencies requiring investigation.	No significant differences or inconsistencies were identified between the two records. **Satisfactory**

Audit Risk	Assurance procedure	Results and conclusions
Use of ring-fenced funding The Authority received ring-fenced to support the MFMC project. *There is a risk that this funding will not be applied for the purposes intended.*	• We reviewed MFMC costs as part of our income and expenditure testing to identify any unusual items requiring investigation. • We reviewed total MFMC expenditure for 2014/15 against the funding drawn for the year to ensure this had all been utilised for the purposes intended (i.e. not applied for other purposes or drawn down in advance of need). • We asked the Authority to obtain approval from their Scottish Government sponsor division to carry forward any MFMC funding drawn down and not utilised during the year.	No issues were identified with the funding being applied for other purposes. However, we noted that £0.150 million of MFMC was drawn down during the year but only £0.131m of MFMC expenditure was incurred. The Authority obtained approval from their Scottish Government sponsor division to carry forward the MFMC funding drawn down and not utilised during the year. The Authority should continue to monitor and report the costs of the MFMC project and should ensure arrangements are in place to return any funding drawn down but not used to the Scottish Government at the end of each financial year. **To be followed up as part of our 2015/16 audit activity, see Appendix 4 – Action Plan No. 2**

Audit Risk	Assurance procedure	Results and conclusions
Budget monitoring No finance monitoring reports were taken to the board up to the end of October 2014. *There is a risk that the board are not sighted on the forecast outturn for the year.*	• We reviewed the projected and final outturn position during the course of the audit.	No issues identified with financial position of the Authority during 2014/15. **Satisfactory**

Appendix 2 – Summary of local audit reports 2014/15



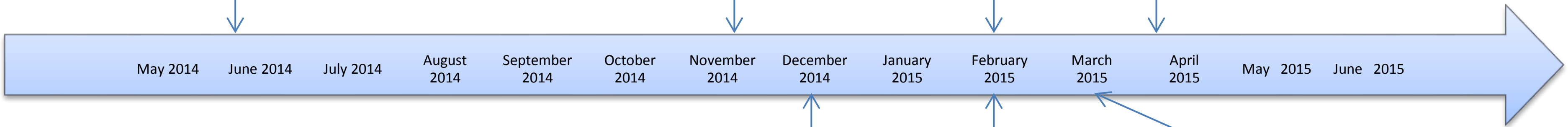
Appendix 3 – Summary of national reports 2014/15

Scotland's public finances - a follow-up audit: Progress in meeting the challenges -Provides a high-level update on the financial position and on how public bodies are meeting the challenges of reduced public spending.

Community planning: Turning ambition into action - Provides a national update on community planning in Scotland since March 2013. The report assesses progress locally and nationally and identifies opportunities for further improvement.

Superfast broadband for Scotland: a progress report: assesses whether the Scottish Government and HIE have clear plans and arrangements in place to build their superfast broadband network in Scotland.

Update on developing financial reporting - reviews the principles of public financial management and provides an update on the actions the Scottish Government is taking to further develop financial reporting.



Preparations for the implementation of the Scotland Act 2012: Reports progress in preparing for the Land and Buildings Transaction Tax (replacing the current stamp duty arrangements), Scottish Landfill Tax and other financial powers for the Scottish Government from 1 April 2015.

The Scottish Government's purchase of Glasgow Prestwick Airport: Assesses if the Scottish Government's approach to the purchase of Glasgow Prestwick Airport was reasonable, considers the future plans for the airport's development and the governance arrangements that have been put in place.

Commonwealth Games 2014: third report: third report on the Games. The overall aim was to answer the question: Was the Commonwealth Games 2014 delivered within budget and is it achieving value for money?

Appendix 4 – Action plan

No.	Para/page	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
1.	26	**Issue:** The 2015/16 FReM has been extensively re-written and includes significant changes to the form and content of the annual report and accounts. **Risk:** The Authority's 2015/16 financial statements do not reflect the revised FReM requirements. **Recommendation:** Management should review the revised requirements to identify the impact upon their 2015/16 financial statements, and discuss these with their external auditors as required.	The RMA will review the 2015/16 FReM and revise the Annual Report and Accounts accordingly.	Director of Business Performance	March 2016

No.	Para/page	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
2.	38	**Issue:** Additional Scottish Government Funding of £0.220 million is available to the Authority in 2015/16 to meet the costs associated with the MFMC project. **Risk:** As this additional funding is ring-fenced there is a risk that the Authority can not demonstrate that the funds have been applied for the purposes intended. **Recommendation:** The Authority should continue to monitor and report the costs of the MFMC project and should ensure arrangements are in place to return any funding drawn down but not used to the Scottish Government at the end of each financial year.	MFMC costs for 2015/16 are budgeted at £200,000. The RMA will utilise the additional drawdown from 2014/15 to offset costs in 2015/16.	Director of Business Performance	March 2016

No.	Para/page	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
3.	39/40	**Issue:** The Authority held cash reserves of £0.560 million at 31 March 2015. **Risk:** There is a risk that the Authority are retaining funds that should be returned to the Scottish Government. **Recommendation:** The Authority should review their cash and cash equivalents balance during 2015/16 to identify whether any money could be released back to the Scottish Government.	The RMA will review cash reserves with the Sponsor Department.	Director of Business Performance	Autumn 2015
4.	41	**Issue:** The Authority has a General Fund balance which is earmarked for use on the EEPICS project. **Risk:** There is a risk that the EEPICS project will not be undertaken. **Recommendation:** If the project does not commence in 2015/16 this balance should be released back to the General Fund and the funding should be returned to the Scottish Government if the project is no longer likely to go ahead.	The Business Plan for 2015/16 contains several objectives in relation to EEPICS which signal our intent for this project to progress.	Director of Business Performance	March 2016