



**Scottish**

**Parliamentary**

**Corporate Body**

Annual audit report 2014/15

September 2015

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This report will be published on our website after it has been considered by the Advisory Audit Board. The information in this report may be used by Audit Scotland in any reporting to the Scottish Parliament.

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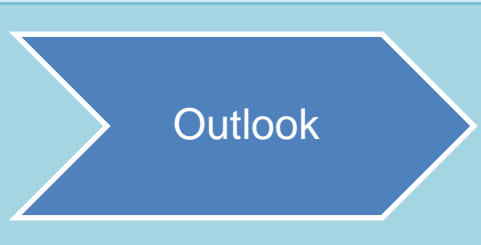
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# Key Messages

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 <p>Audit of financial statements</p>	<ul style="list-style-type: none"><li>• Unqualified independent auditor's report on the 2014/15 financial statements.</li></ul>
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none"><li>• SPCB operated within budget.</li><li>• The 2014/15 budget has reduced by 10.6% in real terms compared to the 2010/11 baseline.</li><li>• Financial management remained strong with a robust budget management process.</li></ul>
 <p>Governance and transparency</p>	<ul style="list-style-type: none"><li>• SPCB had satisfactory governance arrangements in place.</li><li>• SPCB had an effective internal audit function and satisfactory anti-fraud arrangements.</li><li>• Risk management continued to strengthen at both strategic and operational levels.</li><li>• A well developed framework was in place for monitoring and reporting performance.</li></ul>
 <p>Outlook</p>	<ul style="list-style-type: none"><li>• The Digital Parliament Programme continues to enable through the use of technology and should continue to be monitored by senior management.</li><li>• SPCB should ensure that the annual report and accounts are reviewed to fully consider the requirements of the 2015/16 FReM when these come into effect next year.</li></ul>

# Introduction

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1. This report is a summary of our findings arising from the 2014/15 audit of Scottish Parliamentary Corporate Body.
2. The management of Scottish Parliamentary Corporate Body is 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 Scottish Parliamentary Corporate Body, 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; that have been 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. We have issued a number of outputs during the course of the year as summarised at **appendix II**.
6. 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.
7. **Appendix III** is an action plan setting out our recommendations to address the risks we have identified from the audit. We recognise that not all risks can be eliminated or even minimised. What is important is that the Scottish Parliamentary Corporate Body understands its risks and has arrangements in place to manage these risks. The Principal Accountable Officer and the Advisory Audit Board should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Audit of the 2014/15 financial statements

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## Audit opinions

### Financial Statements

- The financial statements of Scottish Parliamentary Corporate Body 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.

### 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 FReM.
- The information in the performance report and accountability report is consistent with the financial statements.

## Audit of the 2014/15 financial statements

### Submission of financial statements for audit

9. We received the unaudited financial statements on 18 June 2015 in accordance with the agreed timetable. The working papers were of a satisfactory standard and the staff provided good support to the audit team and we completed our on-site fieldwork on 31 July 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 Advisory Audit Board on 28 January 2015.
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 notional fee for the audit was set out in the Annual Audit Plan 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.

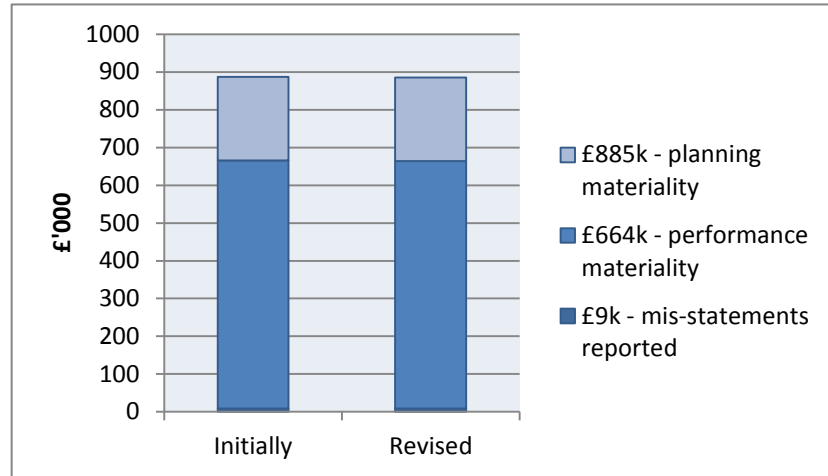
13. **Appendix I** sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
14. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable 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 by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other qualitative reasons (for example 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 programme. 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 Annual Audit Plan. Based on the financial statements, we revised our planning materiality for 2014/15 to £0.885 million (1% of gross expenditure). A performance materiality of £0.664 million was

## Audit of the 2014/15 financial statements

set to ensure that uncorrected and undetected audit differences did not exceed our planning materiality level. We report all misstatements greater than £9,000.



### Evaluation of misstatements

18. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements.

### Significant findings from the audit

19. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit:
  - 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 in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
20. A number of presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. The overall effect of the adjustments made to the financial statements is to decrease total comprehensive net expenditure by £20,000. Net liabilities as recorded in the statement of financial position have decreased by £20,000.
  21. A summary of the significant issues that, in our view, require to be communicated to you in accordance with ISA 260 are contained in the following table.

## Significant findings from the audit in accordance with ISA260

### Significant findings from the audit in accordance with ISA260

**22. Group accounting for SFF:** Scotland's Futures Forum (SFF) is a limited company created and owned by the SPCB. Funding arrangements have been noted within the financial statements in note 18, related party transactions along with narrative commentary explaining the form and function of SFF. SPCB had considered presenting SFF financial statements with their own, but concluded group accounting was not required for 2014/15 based upon the immaterial balances involved.

**Resolution:** We agree with this accounting treatment.

**23. Timing of the Principal Accountable Officer signing the accounts:** The financial statements were considered by the Advisory Audit Board on 14 August 2015. However, the Principal Accountable Officer did not sign and authorise the accounts until 9 September. This resulted in an extended period of time where events had the potential to impact upon the financial statements.

**Resolution:** Before the Auditor General for Scotland was able to sign the Independent Auditor's Report on 11 September, SPCB and Audit Scotland considered whether there had been any post balance sheet events requiring disclosure within the financial statements. We were content there were no post balance sheet events which required to be disclosed.

**24. Pension scheme liabilities:** The pension scheme for the Scottish Parliament Members provides benefits based on final pensionable pay. The Government Actuary is required to conduct a full valuation at three yearly intervals. The last valuation dated 9 February 2015 covered the period 1 April 2011 to 31 March 2014. There has been a significant movement in the actuarial liability of the Scottish Parliamentary Pension Scheme (SPPS) in 2014/15. At 31 March 2015 the liability was £72.648 million compared with £57.076 million at 31 March 2014, a £15.572 million increase. This was largely caused by changes in the financial assumptions adopted by the actuary (Government Actuary's Department) in assessing the scheme liability in 2014/15.

**Resolution:** We are satisfied that this has been correctly accounted for within the financial statements.



### Significant findings from the audit in accordance with ISA260

**25. Asset valuation:** During 2014/15, a valuation of the SPCB's assets, including the Parliament building was undertaken. The outcome of this exercise resulted in a number of capital accounting transactions within the financial statements. An overall reduction in net book value of £8.14 million was charged to the revaluation reserve (a £16.785 million reduction in cost and £8.645 million reduction in accumulated depreciation). This in part reverses an indexation gain of £19.2 million recorded within the 2013/14 accounts. A transfer of £1.048m was made to the Statement of Comprehensive Net Expenditure in relation to the realised element of the revaluation reserve.

**Resolution:** We agree with this accounting treatment.

**26.** Members' expenses is an area which carries inherent significant risk. It is a high profile area which is open to wide public scrutiny. All expense claims are published online and are scrutinised by the Allowances Office prior to reimbursement.

**27.** Internal Audit conducts a comprehensive review of a significant sample of expense claims. We undertook a detailed review of Internal Audit work in this area and reperformed a sample of test items. In addition, we accompanied Internal Audit on a number of local MSP office visits. There were no issues to report which would impact on the financial statements.

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

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

**29. International Financial Reporting Standards (IFRS) 13 Fair value measurement:** sets out the requirements for assets 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.

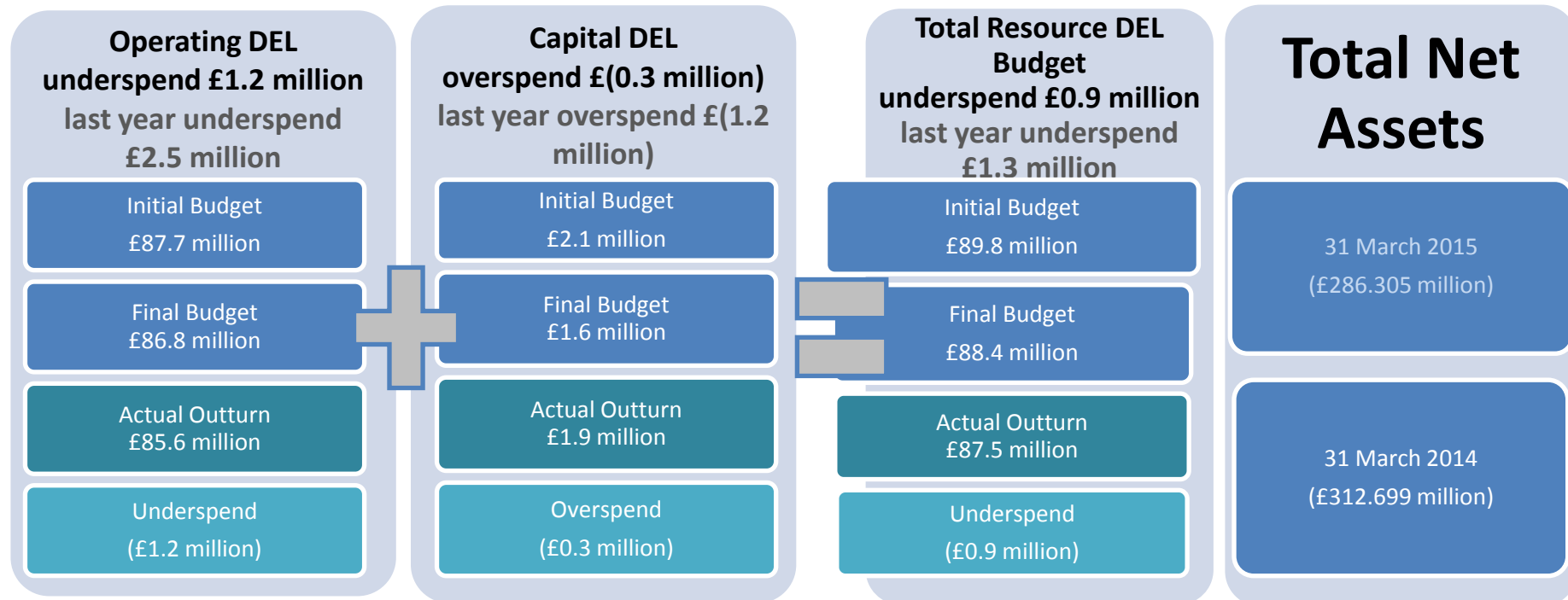
## Future accounting and auditing developments

### *Revisions to the Financial Reporting Manual (FReM)*

## Audit of the 2014/15 financial statements

30. 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 adaptations to IAS (*International Accounting Standard*) 16 *property, plant and equipment*. We will discuss the implications of the above with management as part of the 2015/16 audit.
31. **Restructuring of the annual report and accounts:** 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 an 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.
32. As detailed at paragraph 54 below, SPCB has restructured the annual report and accounts in 2014/15, in advance of the requirements coming into effect in 2015/16.

# Financial management and sustainability



In addition to its resource budget above, SPCB had an AME budget of £2.3 million which was underspent by £0.1 million. This resulted in an overall underspend of £1.0 million.

## Financial position

### 2014/15 financial position

33. The SPCB is required to work within its resource budget approved by the Scottish Parliament. As shown in the table above Scottish Parliamentary Corporate Body reported a Total Resource DEL underspend of £0.9 million.
34. SPCB utilised part of the Operating DEL underspend of £1.2 million to bring forward planned IT and Facilities Management expenditure, in line with budget rules. Capital DEL outturn was £1.9 million against a budget of £1.6 million, an overspend of £0.3 million.
35. At 31 March 2015 Scottish Parliamentary Corporate Body's statement of financial position shows total net assets of £286.305 million (2013/14 £312.699 million), a decrease in total assets of £26.394 million. The biggest movement in year was an increase in pensions liability as a result of changes to actuarial assumptions. In addition, the revaluation of the Parliament land and building resulted in a decrease in related net asset value.
36. The funding draw down was £76.8 million (2013/14 £70.75 million) which was within the cash limit authorised by the Budget Act (as revised by the Spring Budget revision) of £77.4 million (2013/14 £72.0 million).

### Financial management

37. As auditors we need to consider whether bodies have

established adequate financial management arrangements.

38. We do this by considering a number of factors, including whether:
  - the Head of Financial Resources 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.
39. Based on our work undertaken in the course of our audit appointment, our review of board papers and through our attendance at the advisory audit board we conclude that Scottish Parliamentary Corporate Body has strong financial management arrangements in place.

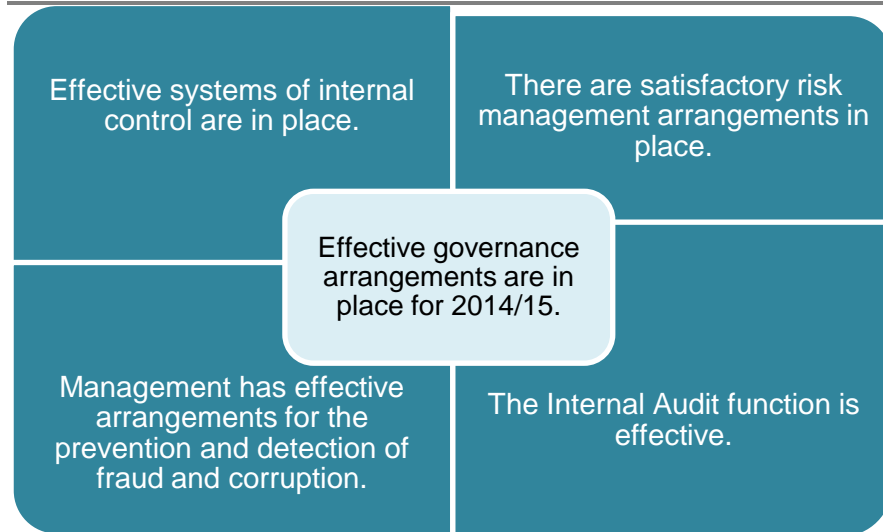
### Financial sustainability

40. SPCB funding is 'top-sliced' and although it is not constrained by Scottish Consolidated Fund (SCF) funding pressures, the SPCB consistently sets its budget in line with SCF constraints. The SPCB has agreed real term budget reductions over the past few years. The budget set for SPCB for 2014/15 is equivalent to a real terms reduction of 10.6% (based on May 2013 deflators) to 2014/15 against a 2010/11 baseline.

## Financial position

41. The SPCB's financial planning arrangements include regular monitoring, reporting and updating of the strategic risk register to ensure that the focus is maintained on financial performance and that action is taken on any emerging issues.
42. Monthly financial performance reports are submitted to the Leadership Group and are incorporated into the Chief Executive's monthly reports which are considered by the Corporate Body.
43. In line with other public bodies, SPCB are operating within a challenging economic environment. There is ongoing pressure to deliver a quality service whilst staying within a budget which has decreased in real terms.
44. The 2015/16 budget was approved by the Scottish Parliament in February 2015. The total budget of £89.8 million comprises an operating budget of £88.6 million and a capital budget of £1.2 million which represents an overall reduction of £0.8 million compared to 2014/15. The spending review for 2016/17 will commence later in the year.

# Governance and transparency



45. The SPCB, through its Principal Accountable Officer is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the SPCB and for monitoring the adequacy and effectiveness of these arrangements.

## Corporate governance

46. The Leadership Group is the SPCB's key management forum. The Corporate Body is responsible for setting the overall strategic direction and the Leadership Group is responsible for ensuring that the aims and objectives set by the members of

the Corporate Body are achieved. The role of the Leadership Group includes monitoring performance against agreed objectives and ensuring that the statutory requirements for the use of public funds are complied with.

- 47. The Advisory Audit Board (AAB), comprising two members of the SPCB and three independent members, considers all matters of governance, audit and internal control. It considers the adequacy of the arrangements for ensuring sound governance and internal control, the assessment and management of business risks, the planned activity of internal and external audit and the results of their work. Two new independent members were appointed to the AAB in June 2014 to replace two members leaving in September 2014. The new chair took over from 1 October 2014.
- 48. Based on our observations, completed audit work, and relying on the work of Internal Audit, our overall conclusion is that the governance and internal control arrangements within SPCB operated effectively during 2014/15.
- 49. In 2014/15 the Leadership Group was supported in its role by a number of advisory boards as illustrated below:

## Governance and transparency



50. All Scottish Parliamentary Corporate Body and committee meetings are held in private due to the confidential and sensitive nature of their business. SPCB and LG minutes are available on the Scottish Parliamentary Corporate Body website along with relevant papers. MSP registers of interests are available online.
51. A number of meeting papers are not available online as they contain information considered exempt under the Freedom of Information (Scotland) Act 2002.
52. The financial statements include reconciliations between

expenditure and the outturn against the budget allocated by the Scottish Government. The accounts also identify and explain significant movements in budget during the year.

## Performance and Accountability report

53. Following a review the SPCB concluded that combining the SPCB Annual Report and the SPCB Annual Accounts would bring them more in line with their public sector counterparts. Given that significant changes to the narrative accompanying the annual accounts will be required by the FReM in 2015/16, the SPCB took the decision to adopt these requirements early and incorporated these into the new Annual Report and Accounts for 2014/15. This brings together the financial, performance and governance information into one single report.
54. SPCB has incorporated the general requirements of the 2015/16 FReM into the combined annual report and accounts. However the performance and accountability reports should be reviewed as part of the 2015/16 accounts to ensure full compliance with new rules when these come into effect next year. This will ensure full compliance and improve clarity on how the organisation has performed against its planned objectives.

**Refer Action Plan no. 1**

### Governance Statement

55. The SPCB included a governance statement in its annual accounts in accordance with Scottish Government guidance. The statement included description and assessment of the essential components of corporate governance and details of any significant risk-related matters arising during the period. We confirmed that the statement was prepared in line with guidance and that relevant risks and issues have been included.
56. We had noted during previous audits that the statement could be strengthened by providing a fuller commentary on the risks the SPCB faces and the actions taken to mitigate these. We are pleased to note that SPCB has included additional narrative on higher level strategic risks within the 2014/15 Governance Statement.
57. The Governance Statement this year notes that there were no high rated risks within the strategic risk register. It provides detail around the two highest rated risks and the controls in place to mitigate these.

### Internal control

58. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain sufficient audit evidence to support our opinion on the financial

statements.

59. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the organisation's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

### Internal audit

60. A key element of our work on internal controls is the extent of reliance we can place on the work of internal audit in terms of ISA610 (Considering the Work of Internal Audit). In a letter to the Clerk/Chief Executive, we confirmed that we had carried out a review of the internal audit function and we had concluded that the work of SPCB's internal audit service is carried out in accordance with Public Sector Internal Audit Services (PSIAS).
61. The Head of Internal Audit concluded in his annual report that substantial assurance can be taken from the areas reviewed in year, subject to the implementation of agreed recommendations.
62. The SPCB's internal audit service is led by the Head of Internal Audit who works directly for the SPCB. He is supported by an external provider which was appointed following open competition in 2010. With the exception of two reviews which have been carried forward into 2015/16 with agreement from



## Governance and transparency

the AAB, all planned reviews were carried out in year.

63. The current internal audit provision contract will conclude in 2015/16 and a new provider for internal audit functions needs to be appointed by May 2016. SPCB has a proposed timetable in place for the procurement process which begins with the production of a draft procurement strategy in October 2015.
64. The intention is to maintain the current working arrangements whereby the Head of Internal Audit is employed by the SPCB, oversees all work and issues reports and contracted staff carry out fieldwork as instructed.

## Performance Management

65. SPCB has a well developed framework for monitoring and reporting performance. A new Strategic Plan was agreed in October 2014. It also reviewed and agreed an updated Organisational Performance Framework (OPF) and Risk Register for the Scottish Parliamentary Service (SPS).
66. The Organisational Performance Framework (OPF) underpins the Strategic Plan by outlining how successful delivery of outcomes would look for Parliamentary business, members, the public and the Parliamentary Service. Updates on progress against the OPF are given to the Corporate Board on a quarterly basis. A Red Amber Green (RAG) system is used to highlight any areas which carry a risk of not being fully achieved.

## Risk Management

67. Risk management operated well at a strategic level, with the Strategic Risk Register being used to identify risks that may act as barriers to the successful delivery of the Strategic Plan and the SPCB's strategic objectives.
68. A significant piece of work was carried out during 2014/15 to improve the strategic risk register. Leadership Group members assess risks quarterly and identify new and/or escalating risks. During 2014/15 an exercise was undertaken to collate information on LG member tolerance towards specific risks and a risk priority score was arrived at for each risk on the register.
69. In addition, the risk register has been updated to detail more explicitly the controls and actions in place to mitigate risks. An Assistant Chief Executive takes the lead on the risk register, supported by other senior staff, and Leadership Group retain overall responsibility for the effective management of risk.
70. We welcome the improvements made in year to the strategic risk register. Taking into account risk tolerance in addition to the residual risk score has enabled SPCB to better capture the risk appetite of the organisation to allow risk to be more effectively managed.

## ICT

71. The Digital Parliament Programme continues to drive the

## Governance and transparency

SPCB towards its goal of enabling through technology. During 2014/15, work was completed on the Members' Portal and continued on upgrading meeting rooms to be more digital-friendly.

72. Presentations were made during the year to SPCB, LG and the AAB on progress with Digital Parliament, emphasising the importance of the project to the SPCB as well as management awareness and review. Internal audit also carried out a review of the governance of the project in year, concluding that the design of the programme governance controls included in the review were in line with those expected.
73. We note that work towards the preparation of a new SPCB IT strategy began in early 2015/16 with a completed strategy due to be in place by May 2016 when the Digital Parliament Programme comes to an end.
74. An internal review of the disaster recovery capabilities of the ICT infrastructure against the recovery time objectives is underway. SPCB has noted that many aspects of the current infrastructure will not necessarily meet the recovery time objectives. To address this, a Gap Analysis to identify and prioritise investment to achieve recovery time objectives is in development and will be available prior to the start of the 2016/17 budget planning exercise. It is important that management continue to monitor progress over the next year.

## Workforce management

75. SPCB has a Workforce Plan and Learning and Development Plan in place to ensure that it is able to respond to the challenging environment it operates in. Pressures facing staffing during 2014/15 included the split summer recess and the additional work undertaken in relation to the independence referendum. The annual leave arrangements differed from the norm to take this into account and staff were given the opportunity to volunteer to work in the referendum media village.
76. Further work was undertaken in year to produce a high level organisational development programme plan to more fully align workforce planning with strategic priorities. Outcomes have been split into a number of different strands, each with individual project managers.

## Arrangements for the prevention and detection of fraud

77. We assessed the arrangements for the prevention and detection of fraud during the planning phase of our audit. This involved reviewing whistle blowing policies and reviewing high value journals.
78. We conclude that there are effective arrangements for the prevention and detection of fraud.

## National Fraud Initiative in Scotland

79. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.
80. Auditors are required to assess the arrangements that bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.
81. Our review of SPCB concluded that arrangements in place during 2014/15 were adequate and that work is well underway in investigating matches identified.

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

82. Scottish Parliamentary Corporate Body has in place a range of activities designed to maintain standards of conduct including Codes of Conduct for officers and members. Also, there are established procedures for preventing and detecting corruption including annual reviews of Standing Financial Instructions and Standing Orders.
83. SPCB requires senior staff to highlight where there may be a potential conflict of interest. All staff, including LG members, record interests in the relevant section of the HR database.
84. Based on our review of the evidence we concluded that there are appropriate arrangements in place for the prevention and detection of corruption and we are not aware of any specific issues that we need to record in this report.

# Appendix I – Significant audit risks

The table below sets out the financial statement audit risks, how we addressed each risk and our judgement in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Financial audit Issues</b>		
<p><b>Financial sustainability – budget pressures and capacity</b> (Statement of Comprehensive Net Expenditure)</p> <p>In common with other public sector bodies, SPCB continue to face significant pressures upon their budgets. Following the publication of the Smith Commission report, the Scottish Parliament is facing uncertainty in terms of potential increased powers in the future. SPCB will need to ensure that they have the appropriate resources in place to continue to deliver a satisfactory level of service to Parliament and Members.</p>	<ul style="list-style-type: none"> <li>• Reviewed LG and SPCB papers.</li> <li>• Review in year of financial capacity within the SPCB.</li> <li>• Review of financial performance in relation to budgets.</li> </ul>	<ul style="list-style-type: none"> <li>• SPCB operated within Parliamentary budgets for 2014/15.</li> <li>• Our audit work concluded that SPBC has strong financial management arrangements in place.</li> </ul>

## Appendix I – Significant audit risks

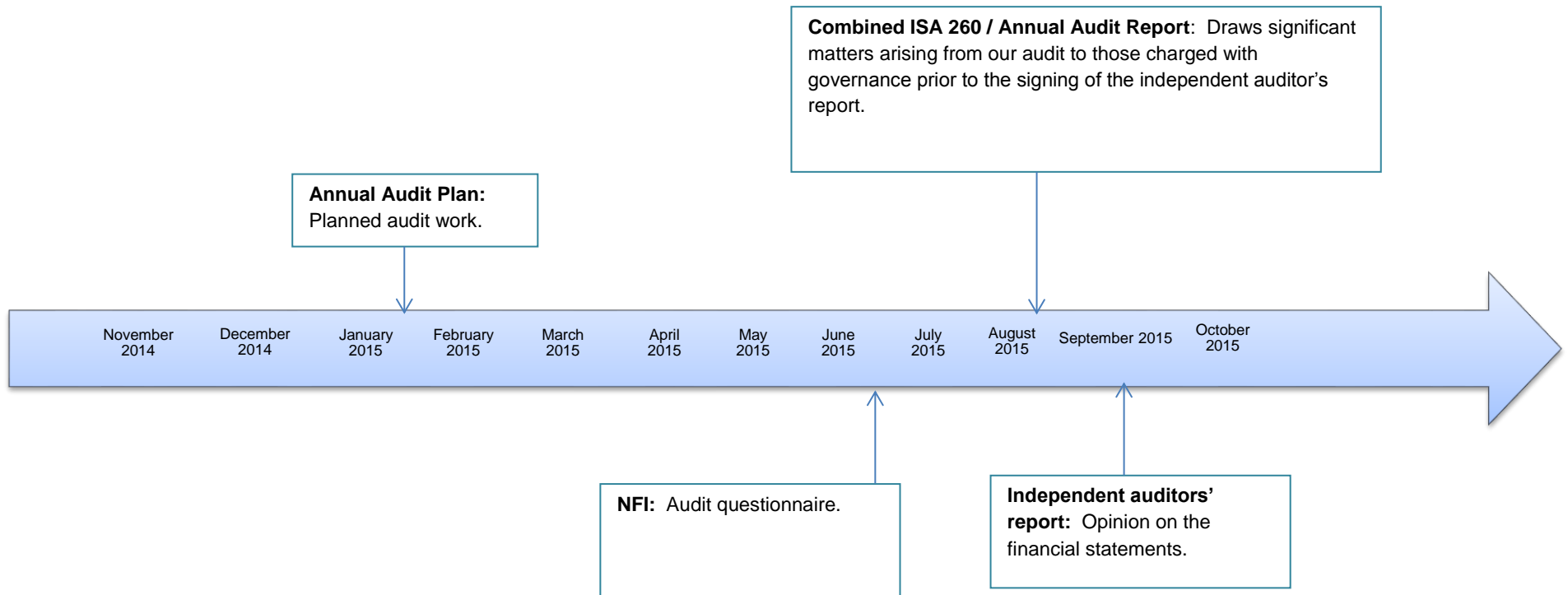
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Financial sustainability – income generation</b> <i>(Statement of Comprehensive Net Expenditure)</i></p> <p>SPCB are continuing their income generating initiative which includes using the Parliament building as an events venue. SPCB will need to carefully monitor income to ensure that it is at the level anticipated. In addition they will need to ensure that the costs associated with this are fully considered when budgeting for expected income.</p>	<ul style="list-style-type: none"> <li>• Reviewed LG and SPCB papers.</li> <li>• Review, including analytical review, of income within the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• Income increased by £55k compared to 2013/14.</li> <li>• SPCB operated within budget.</li> <li>• No issues identified.</li> </ul>
<p><b>Financial statements – management override of controls</b> <i>(Statement of Comprehensive Net Expenditure, Statement of Accounting Policies )</i></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Testing of transactions outside the normal course of business such as journal entries and accounting estimates.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues identified.</li> </ul>

## Appendix I – Significant audit risks

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Financial statements – MSPs expenses</b> <i>(Statement of Comprehensive Net Expenditure)</i></p> <p>This remains an area which carries inherent significant risk. It is a high profile area which is open to wide public scrutiny. SPCB need to ensure that only expenditure incurred within the scheme eligibility criteria is reimbursed.</p>	<ul style="list-style-type: none"> <li>• Detailed review of Internal Audit work carried out.</li> <li>• Reperformance of a sample of test items to confirm agreement with conclusions.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues identified and substantial assurance concluded.</li> </ul>
<p><b>Financial statements – revaluation</b> <i>(Statement of Comprehensive Net Expenditure)</i></p> <p>A revaluation of SPCB assets, including the Parliament building, is due to be carried out in 2014/15. SPCB need to ensure that the revaluation is treated correctly within the financial statements.</p>	<ul style="list-style-type: none"> <li>• Early audit work and discussions with key SPCB officers regarding the valuation and subsequent accounting treatment.</li> <li>• Testing of revaluation figures within the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues identified.</li> </ul>
<p><b>Wider audit Issues</b></p>		
<p><b>Financial statements – (governance statement)</b></p> <p>The governance statement contained within the financial statements should include information relating to the organisation’s risk profile and reference to details of significant risk related matters arising during the year. SPCB need to ensure that the governance statement fully complies with issued guidance.</p>	<ul style="list-style-type: none"> <li>• Review of governance statement.</li> <li>• Discussions with key SPCB staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Governance statement includes more detail regarding the highest two rated risks within the strategic risk register.</li> </ul>

# Appendix II – Summary of local audit outputs 2014/15

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## Appendix III – Action plan

Para/Action plan point	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
<b>Wider audit issues</b>				
54/1	<p><b>Performance and Accountability report</b></p> <p>SPCB has incorporated the general requirements of the 2015/16 FReM into the performance and accountability report. However the performance and accountability reports should be reviewed as part of the 2015/16 accounts to ensure full compliance with new rules when these come into effect next year.</p> <p><b>Risk</b></p> <p>The 2015/16 annual report and accounts do not fully comply with the 2015/16 FReM.</p> <p><b>Recommendation</b></p> <p>SPCB should review the content of the performance and accountability report for 2015/16.</p>	We will review this as part of our planning and preparation process for the 2015-16 annual report and accounts in line with any further guidance on the adoption of the 2015-16 FReM.	Financial Controller	For 2015-16 accounts.