



Student Awards

Agency for Scotland

Annual audit report 2014/15

July 2015

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

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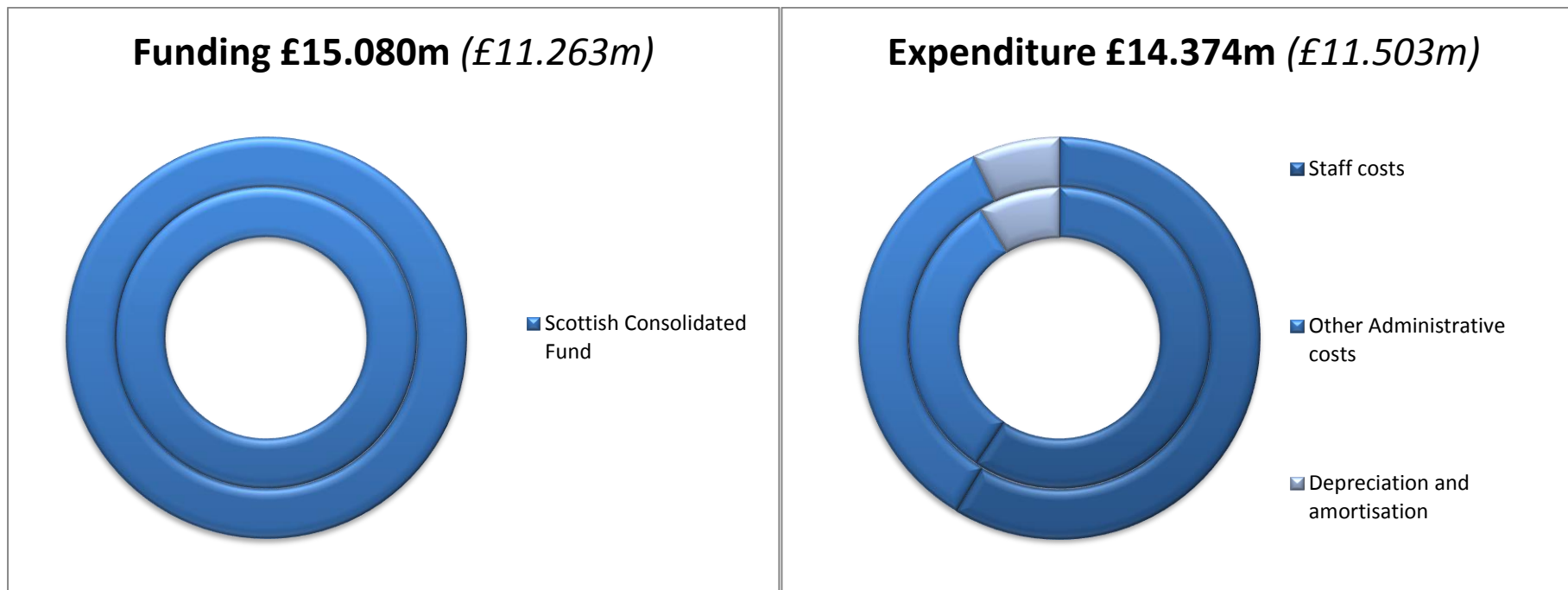
Key Messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none">• The independent auditor's report on the 2014/15 financial statements is unqualified.
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none">• The Student Awards Agency for Scotland operated within its resource budgets for 2014/15.
 <p>Governance and transparency</p>	<ul style="list-style-type: none">• The Student Awards Agency for Scotland had sound governance arrangements in place• Systems of internal control operated effectively during 2014/15.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of the Student Awards Agency for Scotland (SAAS):
2. The management of SAAS is responsible for:
 - preparing financial statements timeously which give a true and fair view of SAAS as at 31 March 2015 and its expenditure and income for the year then ended, in accordance with the relevant financial reporting framework
 - acting within the law and ensuring the regularity of transactions, by putting in place appropriate 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 SAAS, 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. A number of local reports have been issued by Audit Scotland during the course of the year. These reports are summarised at [Appendix II](#).
6. [Appendix III](#) is an action plan setting out our recommendations to address the high level risks we have identified from the audit. We recognise that not all risks can be eliminated or even minimised. What is important is that SAAS understands its risks and has arrangements in place to manage these risks. The 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 funding of £15.080 million this year is £3.817 million (34%) more than last year. SAAS is now operating close to full establishment to support service delivery, reflected in the increase in staff costs. Other administrative costs were £1.27 million (35%) more than last year due to one-off costs for the relocation of the agency to Saughton House in December 2014. The leased building at Gyleview House was returned to the landlord in March 2015 following termination negotiations and a dilapidations payment was agreed.

Audit of the 2014/15 financial statements

Audit opinions

Financial Statements

- The financial statements of SAAS for 2014/15 give a true and fair view of the state of the body's affairs as at 31 March 2015 and of its net expenditure for the year then ended.
- We confirm that the financial statements have been properly prepared in accordance with the 2014/15 FReM and the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Regularity

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

Other prescribed matters

- the part of the remuneration report to be audited has been properly prepared in accordance with the requirements of Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary is consistent with the financial statements.

Submission of financial statements for audit

9. We did not receive the complete unaudited Annual Report and Accounts at the agreed start date of the audit on 19th May 2015. The Management Commentary was submitted separately from the financial statements. Pension benefits information from MyCSP was not available for completion of the Remuneration Report until late May. A revised Annual Report and Accounts containing the Remuneration Report and Governance Statement was received on 27th May 2015. We completed our on-site fieldwork on 29 May 2015. **Action plan no.1**
10. The working papers were of a good standard and the staff provided good support to the audit team.

Overview of the scope of the audit of the financial statements

11. 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 18 February 2015.
12. 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 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.

13. 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.
14. [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.
15. 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.

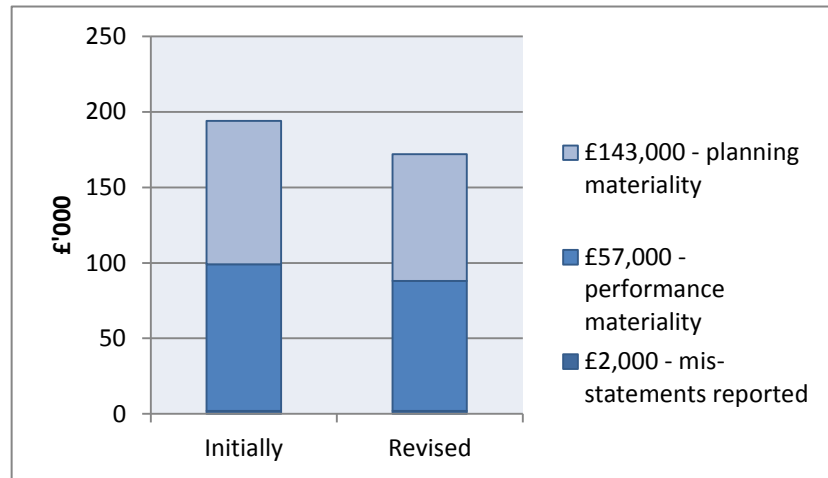
Materiality

16. 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).
17. 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

Audit of the 2014/15 financial statements

the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

18. 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 £143,000 (1% of gross expenditure). Performance materiality of £57,000 is determined to ensure that uncorrected and undetected audit differences do not exceed our planning materiality level. We report all misstatements greater than £2,000.



Evaluation of misstatements

19. There were no misstatements identified during the course of the audit. Presentational and monetary adjustments are noted in paragraph 21 to 23.

Significant findings from the audit

20. 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.
21. 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 financial statements.
22. An amendment was made to the accounts after Scottish Government Procurement Services identified in May 2015 that a payment was due to them. An adjustment was made to reflect this payment in SAAS' overall expenditure for 2014/15. The overall effect of the adjustment made to the financial statements is to increase total comprehensive net expenditure

Audit of the 2014/15 financial statements

by £13,000 and increase trade and other payables by £13,000.

23. SAAS capitalised £52,000 of improvement works to create the new reception area at Saughton house, including the new door for public access. The lease disclosure in the financial statements for SAAS' occupation of Saughton House was amended to clarify that SAAS is effectively leasing its accommodation. It is therefore appropriate to capitalise the work as tenant improvements to allow SAAS to conduct its business. (A separate entrance to SAAS reception was required to allow public access and satisfy security requirements for Saughton House.) An adjustment was made to the categorisation within non current assets for the capital works on the SAAS reception area. This had no effect on the overall value of the asset within the Statement of Financial Position.
24. In March 2015 SAAS moved from Gyleview House to Saughton House, a Scottish Government building. SAAS' occupancy at Saughton House is covered by a MOTO agreement (Memorandum of Terms of Occupation). This agreement was reviewed as part of our testing of leases and it was noted that some terms were still being negotiated and that the agreement had not been signed. SAAS confirmed that once the terms of the agreement have been finalised a signed copy will be available. **Action plan no.2**

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:
- 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.
26. **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.
27. 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*.
28. We will discuss any implications for SAAS with management in due course.

Audit of the 2014/15 financial statements

29. Restructuring of the annual audit 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 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.

30. SAAS will need to consider the implications for its Annual Report next year. **Action Plan no.3**

Financial management and sustainability

31. As an executive agency of the Scottish Government, the main financial objective for SAAS is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers. The Scottish Government sets a resource budget for the year which originates from the spending review settlement and is subsequently approved in the Budget Bill. During the year, revisions are approved in the autumn and spring budget revisions. SAAS operated within the budget approved by the Scottish Parliament.

2014/15 financial position

32. At 31 March 2015, the statement of financial position shows a net asset position of £1.609 million, an increase in total equity of £0.489 million. The most significant element of this is the reversal of the provision for anticipated dilapidation costs at Gyleview House that have now been paid.

33. SAAS is a service orientated organisation with a high proportion of staffing costs: 59% in 2014/15 (£8.418m of £14.374 million). SAAS was given additional funding in 2013/14 and 2014/15 to increase its staffing complement.

34. SAAS' 2014/15 budget increased from £11.3 million to £11.7 million in the autumn budget revision. The Scottish Government gave an additional £4.4m in the spring budget

revision to help SAAS meet relocation and business transformation costs, increasing the budget from £11.7 million to £16.0 million. The final outturn against budget is £14.374 million. The underspend is due to a combination of factors, which include the following: SAAS was able to save on budgeted relocation expenditure by using Scottish Government IT infrastructure rather than having to invest in SAAS-specific IT infrastructure; and the Online Services business transformation project experienced some delays in procurement, with the associated expenditure deferred to 2015/16.

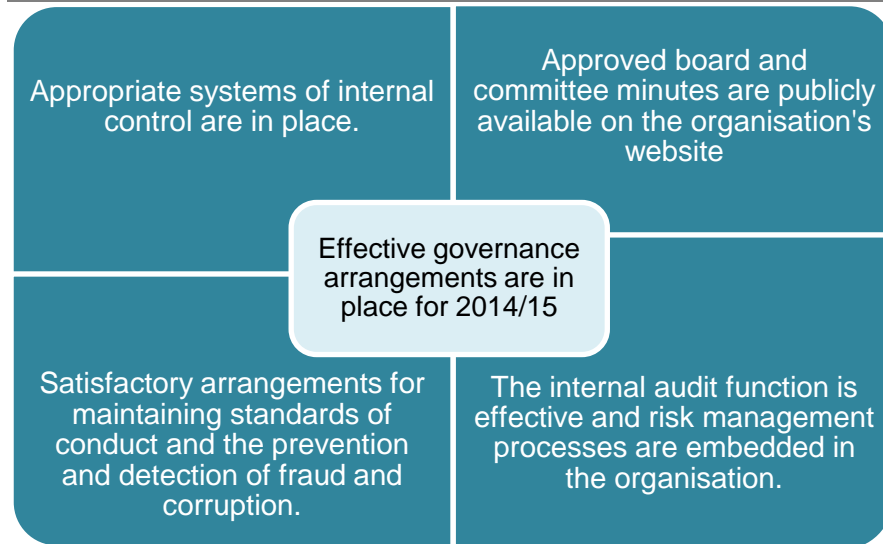
35. The financial position of SAAS remains stable with the body operating within its available funding (on an accounting and resource basis); and an excess of total and current assets over liabilities.

36. The budget for 2015/16 is £11.3 million (£10.3 million operating costs and £1.0 million capital) the same as last year's initial budget. Within these budget constraints, SAAS has the significant Online Services project to deliver in 2015/16, to move the organisation forward with its digital agenda.

Financial management

37. 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 Director of 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
38. The Management Board agreed the 2014/15 budget at its 19 March 2014 meeting and Strategic Board approved at its 22 April 2014 meeting.
39. Based on our accumulated knowledge, our review of board and committee papers and through our attendance at committees we conclude that SAAS had good financial management arrangements in place.

Governance and transparency



Corporate governance

40. The Chief Executive is the Agency's Accountable Officer, answerable to the Scottish Government's Principal Accountable Officer and Scottish Ministers. The Chief Executive is supported by a Management Board of Executive and Non-Executive Directors.
41. The Chief Executive and the Management Board are responsible for establishing arrangements for ensuring the proper conduct of the affairs of the Student Awards Agency for Scotland and for monitoring the adequacy of these

arrangements.

42. The Management Board is supported in its role by the Audit Committee and the Transformation Board. In addition, a Strategic Board was created last year to bring together non executive board members with senior civil servants from the Scottish Government to approve Agency budget allocation, monitor policy developments and to set and monitor performance targets. The boards and committees meet on a regular basis throughout the year to consider relevant matters. We concluded that SAAS has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

Transparency

43. The Scottish Government's [On Board](#) guidance 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

Governance and transparency

- 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.
44. Board and Audit Committee meetings are held in private and the papers for these meetings are not publicly available. Members of staff are encouraged to attend Management Board as observers. Some elements of board and committee business are held in private because of the confidential and sensitive nature of these areas. However there are some areas which would not necessarily be considered confidential and which could be made more accessible to the public.
45. The approved minutes of these meetings are published on SAAS' website; however, these are not up to date. Management board minutes are available to March 2015 and audit committee minutes are available to February 2014 on the website.
46. In terms of the transparency of financial reporting, the Annual Report and Accounts are published on the SAAS website once the accounts have been laid before Parliament. The financial statements clearly include a reconciliation between expenditure and the outturn against Scottish Government resource budgets. The financial statements also identify and explain

significant movements in budget during the year.

47. Overall we concluded that SAAS is open and transparent in conducting its business, but that there is scope for it to review whether some board and committee meetings could be held in public, to increase the accessibility of their discussions.

Action plan no.4

Internal control

48. In the interests of an efficient audit approach we have relied on assurances received from the auditor of the Scottish Government on audit testing of the Scottish Government central systems that are used by SAAS. This approach ensures we deliver an efficient co-ordinated audit that avoids unnecessary duplication and expense.
49. The Scottish Government Service Auditor has provided reasonable assurance on the controls within the Scottish Government Financial Services Division for 2014/15, except for those controls over payroll amendments and the travel booking process which did not operate effectively throughout the period. These issues were not deemed material for our audit opinion given the satisfactory results of our own payroll testing for SAAS.
50. 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

Governance and transparency

material misstatement in the financial statements.

51. We gave a progress update on our interim audit testing to the Audit Committee on 6 May 2015.

Internal audit

52. Internal audit provides the Audit Committee and accountable officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. Internal audit is provided by the Scottish Government Internal Audit Directorate.
53. Our review of internal audit concluded that overall the internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
54. The internal audit plan for 2014/15 was materially complete. In our 2014/15 Annual Audit Plan we concluded that we did not plan to place formal reliance on the work of internal audit in 2014/15 for our financial statements audit due to the nature of the internal audit work. In respect of our wider governance and performance audit work we have taken account of internal audit's 2014/15 work, particularly Corporate Governance and Business Continuity.

Arrangements for the prevention and detection of fraud

55. We assessed the arrangements for the prevention and detection of fraud during the planning phase of our audit. This involved reviewing fraud response policies and arrangements to respond to fraudulent claims for student awards. SAAS has a dedicated fraud investigation team and fraud reports are presented quarterly to the Audit Committee. These reports summarise the current caseload of fraud investigations and the outcomes during the period, including civil recovery actions and criminal prosecutions.
56. The number of new cases opened for investigation was consistently higher in 2014/15 than in previous years and the 2014/15 NFI exercise (see paragraphs 58-61 below) has had an additional impact. This increase in caseload has had a significant impact on SAAS' ability to complete investigations within target timescales. The most recent fraud report (May 2015) indicated that recruitment was ongoing for four posts to increase the resources within the fraud response team.
57. We concluded that there are effective arrangements in place for the prevention and detection of fraud.

National Fraud Initiative in Scotland

58. 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

Governance and transparency

different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error

- 59. 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.
- 60. SAAS has engaged well with the 2014/15 NFI exercise. NFI has a high profile within SAAS; data matches are actively investigated and findings are reported to the Audit Committee.
- 61. As part of this year's NFI exercise, SAAS submitted student support data and the matching process identified 80 data matches, with 3 of these "recommended" as a priority for investigation. So far 70 matches have been investigated and cleared, with the remaining 10 in progress. No fraud outcomes have been identified from the investigations to date. There are no issues of concern that we require to include in this report.

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

- 62. SAAS 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.

- 63. SAAS board members complete 'Register of Interests' forms which highlight where there may be a potential conflict of interest. This process is renewed annually. Details for non executive board members are contained within the financial statements.
- 64. 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 (from Annual Audit Plan)	Assurance procedure	Results and conclusions
<p>Management override of controls</p> <p>As stated in International Standard on Auditing 240, management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates and judgements • Evaluating significant transactions that are outside the normal course of business. 	<p>We concluded from our audit testing that the 2014/15 journal entries, accounting estimates and judgments and significant transactions which we reviewed were appropriate.</p>
<p>Material misstatement due to fraud and overpayments</p> <p>There are ongoing risks of fraudulent applications for financial support and of overpayments to students.</p>	<ul style="list-style-type: none"> • Review of SAAS’ NFI data match investigations • Review of SAAS’ reports on identified frauds and counter fraud activities 	<p>As noted at paragraphs 60-61 SAAS participated in the 2014/15 NFI exercise and has made good progress in investigating its data matches. No frauds have been identified to date from SAAS’ investigations.</p> <p>The Audit Committee receives regular reports on counter fraud activity and we have no issues to report in relation to this.</p>

Appendix I – Significant audit risks

Audit Risk (from Annual Audit Plan)	Assurance procedure	Results and conclusions
<p>Governance Statement and assurances</p> <p>There is a risk that Internal Audit's Annual Report is not received in sufficient time for SAAS's preparation of the 2014/15 Governance Statement.</p>	<ul style="list-style-type: none"> Internal Audit progress updates to the Audit Committee should identify significant issues that should be included in the Governance Statement. 	<p>Internal Audit's 2014/15 Annual Report was awaiting finalisation when SAAS prepared the Governance Statement. This report contains the overall annual assurance relating to SAAS' system of internal control, governance and risk management.</p> <p>We reviewed Internal Audit's 2014/15 audit reports and the Service Auditor assurance reports on internal controls over the Scottish Government systems used by SAAS. These reports should identify any significant weaknesses requiring disclosure in the Governance Statement. We have concluded that the Governance Statement complies with guidance from Scottish Ministers.</p>
<p>Committees and Boards</p> <p>There is a risk that the Board and Audit Committee are not effective. The Audit Committee and the Board agreed to review and self-assess their effectiveness; these reviews are due to be reported by 31 March 2015.</p>	<ul style="list-style-type: none"> Consideration of the progress of the Audit Committee's review of its effectiveness Review of Management Board minutes and relevant papers Consideration of the extent of scrutiny and challenge at Audit Committee meetings 	<p>At the 18 February 2015 Audit Committee meeting, members were asked to complete the Audit Committee self assessment checklist by 27 February. Following this, the Governance Manager would meet with members to add more context to responses. The results of the self assessment are not yet available; we will consider the outcome as part of our 2015/16 audit planning.</p>

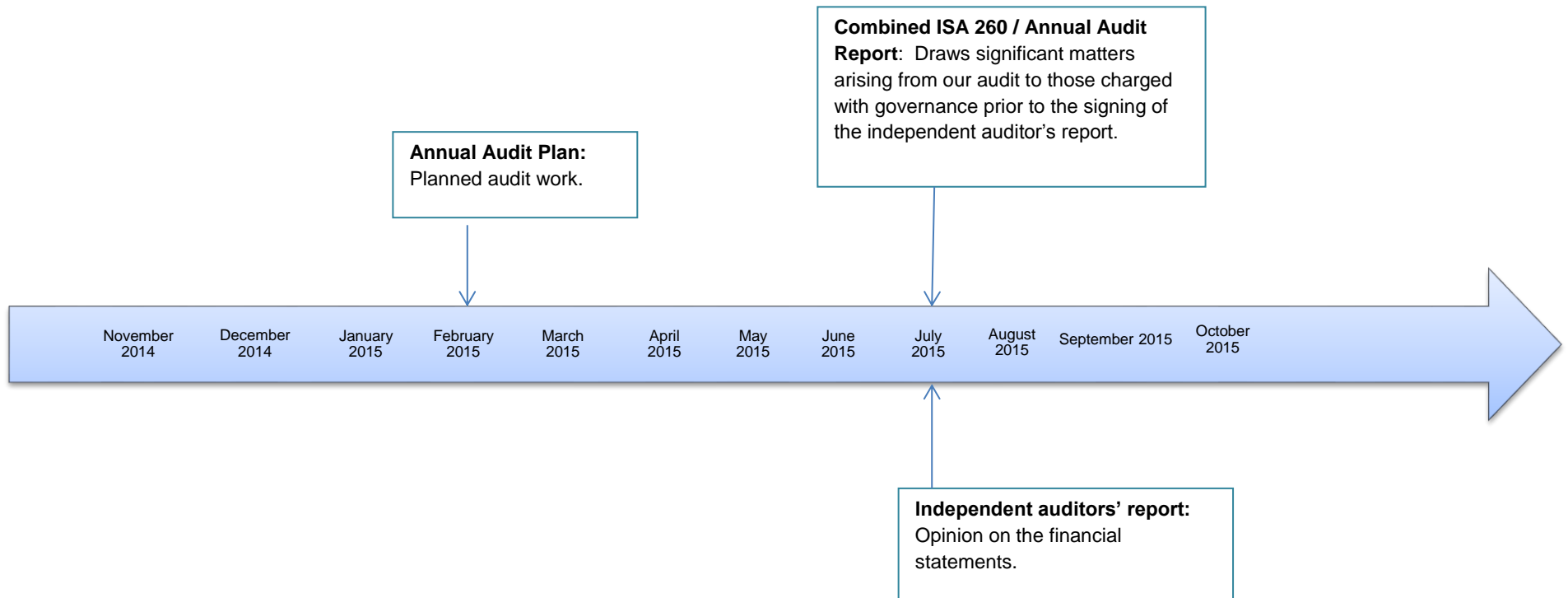
Appendix I – Significant audit risks

Audit Risk (from Annual Audit Plan)	Assurance procedure	Results and conclusions
<p>Remuneration Report</p> <p>There is a risk that incorrect salary details are submitted to MyCSP.</p> <p>Certification of the financial statements was delayed for a week last year due to problems obtaining the required information for the Remuneration Report from MyCSP.</p>	<ul style="list-style-type: none"> • Review of Treasury guidance on the information required for the Remuneration Report • Payroll audit testing 	<p>No issues were identified from our payroll testing.</p> <p>Preparation of the Remuneration Report was delayed as pension benefits information had not been received from MyCSP. We understand that the delay was caused by a problem uploading data from the Scottish Government payroll system to MyCSP. The Remuneration Report has now been audited and we have concluded that it has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.</p>
<p>Payroll</p> <p>There is a risk total payroll costs are not accurately disclosed within the financial statements. Our audit testing of payroll last year identified some errors in calculations for staff leaving the organisation.</p>	<ul style="list-style-type: none"> • Review of the Service Auditor Scottish Government Assurance report on Payroll Controls 2014/15. • Focussed substantive testing and recalculation. 	<p>No issues were identified from our payroll testing.</p> <p>The Scottish Government audit team's assurance report on payroll provided reasonable assurance that controls operated effectively during 2014/15. The exceptions highlighted in the report (payroll amendments and the travel booking process) were not deemed material for the SAAS audit, given the results of our own testing.</p>

Appendix I – Significant audit risks

Audit Risk (from Annual Audit Plan)	Assurance procedure	Results and conclusions
<p>Business Continuity</p> <p>There is a risk that business continuity risks exist and are not effectively mitigated. SAAS relocated to Saughton House during the year and revised business continuity arrangements are required. SAAS agreed to revise their business continuity plan by September 2015.</p>	<ul style="list-style-type: none"> Review of Internal Audit's "Corporate Governance and Business Continuity" 2014/15 audit report 	<p>Internal audit noted that significant progress has been made in relation to business continuity planning. However, they have made high priority recommendations for BCP testing and updating key BCP details to reflect the move to Saughton House. We will continue to monitor SAAS' reported progress in implementing internal audit's recommendations in 2015/16.</p>

Appendix II – Summary of local audit reports 2014/15



Appendix III – Action plan

Para/page	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
Financial audit issues				
1 9/6	<p>Submission of unaudited Annual Report and Accounts</p> <p>The complete Annual Report and Accounts document was not ready at the start of the audit. The financial statements and the Management Commentary were submitted as separate documents and the Remuneration Report and Governance Statement were not available until later in the audit.</p> <p>Risk:</p> <p>If additional audit work is required to check multiple drafts, an additional audit fee may be charged.</p> <p>Recommendation:</p> <p>SAAS should ensure that the unaudited Annual Report and Accounts including all required elements is prepared in advance of the agreed audit start date.</p>	<p>The financial statements (Accounts) were provided to Audit Scotland as agreed at the start of the audit. The Annual Report was submitted by email later the same day, however, some issues with the email system led to a short delay. We accept that the two elements should have been consolidated in readiness for the commencement of the audit.</p> <p>The Governance Statement was provided one week into the audit.</p> <p>The completion of the Remuneration Report was, again, delayed due to pensions information not being received from MyCSP until two weeks after commencement of the audit.</p> <p>We will agree a timetable next year to provide a completed Annual Report and Accounts at the commencement of the audit, with the proviso that pensions data may be delayed and subsequently the Remuneration Report.</p>	<p>Roz McCracken (Head of Governance)/ Audrey Shimmons (Director of Finance)</p>	<p>Commencement of 2015/16 audit</p>

Appendix III – Action plan

Para/page	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
2 24/8	<p>Memorandum of Terms of Occupation (MOTO)</p> <p>The MOTO agreement for SAAS' occupancy of Saughton House has not yet been finalised and signed.</p> <p>Risk:</p> <p>If SAAS does not have agreement on the terms of its occupation of Saughton House it may be unable to capitalise any future improvement work.</p> <p>Recommendation:</p> <p>SAAS should progress and conclude negotiations with the Scottish Government and retain a signed copy of the MOTO as audit evidence.</p>	<p>This will be concluded with officers from the Scottish Government as soon as possible.</p>	<p>Keith Jenkinson (Director of Corporate Services)</p>	<p>Sep 2015</p>

Appendix III – Action plan

Para/page	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
<p>3 30/9</p>	<p>Revisions to the Government Financial Reporting Manual (FReM)</p> <p>The 2015/16 FReM requires significant changes to the disclosures within the 2015/16 Annual Report and Accounts. A performance report will be required, along with an accountability report comprising a corporate governance report; a remuneration and staff report; and a parliamentary and accountability report. Arrangements should be put in place to develop these disclosures (and retain any supporting documents as audit working papers).</p> <p>Risk:</p> <p>If SAAS does not comply with the FReM it may receive a modified audit opinion for 2015/16.</p> <p>Recommendation:</p> <p>SAAS should consider the new FReM disclosure requirements and ensure that these are included in the 2015/16 Annual Report and Accounts, adjusting the timetable for preparation if necessary.</p>	<p>In accordance with our current practice, any amendments to the FReM will be adopted as necessary for the 2015/16 Annual Report & Accounts</p>	<p>Roz McCracken (Head of Governance)/ Audrey Shimmons (Director of Finance)</p>	<p>April/May 2016</p>

Para/page	Issue/risk/recommendation	Management action/response	Responsible officer	Target date
Wider audit issues				
4 47/13	<p>Transparency and accountability</p> <p>SAAS holds its board and committee meetings in private and the papers are not publicly available. Approved minutes are published on the website but these are not always kept up to date. There are some areas of board and committee business which would not necessarily be considered confidential and which could be made more accessible to the public.</p> <p>Risk:</p> <p>Holding all board and committee meetings in private may not be seen as open and transparent decision making.</p> <p>Recommendation:</p> <p>SAAS should consider implementing the recommendations relating to openness and transparency in decision making contained in the Scottish Government's On Board guidance. It should review whether all of its meetings need to be held in private and where appropriate make the papers available on its website.</p>	<p>The Agency is currently reviewing its website including the accessibility and content of its corporate publications.</p> <p>Changes are actively being considered to make the information more transparent.</p>	Roz McCracken (Head of Governance)	June 2016