Risk Management Authority

2015/16 Annual Audit Report to Members and the Auditor General for Scotland

June 2016

Key contacts

Asif A Haseeb, Engagement Lead
ahaseeb@audit-scotland.gov.uk

Richard Smith, Senior Auditor
rismith@audit-scotland.gov.uk

David Docherty, Auditor
ddocherty@audit-scotland.gov.uk

Audit Scotland
4th floor (South Suite)
8 Nelson Mandela Place
Glasgow
G2 1BT

Telephone: 0131 625 1500

Website: www.audit-scotland.gov.uk

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about).

Asif A Haseeb, Engagement Lead – Audit Scotland, is the appointed external auditor of Risk Management Authority for the period 2011/12 to 2015/16.

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

The information in it may be used by the Auditor General for Scotland in support of her wider responsibilities, including reporting to the Scottish Parliament.

Contents

Key messages

Audit of financial statements	• Unqualified independent auditor's report (audit certificate) on the 2015/16 financial statements. • We did not receive a full set of unaudited accounts until midway through the audit fieldwork. This placed additional pressure on the audit team but we were able to complete our on-site fieldwork by the planned target date. • All monetary errors, and presentation and disclosure issues, identified in the unaudited accounts were corrected by management in the audited financial statements.
Financial management and sustainability	• We are satisfied that the Authority has sufficient financial management arrangements in place. • The Authority's outturn on a cash basis was £1.132 million which was £0.050 million within their total Scottish Government funding for the year of £1.182 million.
Governance and transparency	• We concluded that the Risk Management Authority had sound governance arrangements in place during 2015/16.
Best Value	• The Authority have considered Scottish Government guidance on Best Value and have been proactive in their approach.
Outlook	• Cash reserves of £0.610 million were held at 31 March 2016. Management should identify what level of cash reserves are actually required to meet relevant liabilities and release the remainder of the balance back to the Scottish Government during 2016/17. • The Authority drew down £13,500 of Moving Forward Making Changes (MFMC) funding during 2015/16 that was not utilised during the year. MFMC funding should only be drawn down in future years once the actual costs have been incurred. • The Authority is holding £65,000 of EEPICS project funding despite the project now being unlikely to be taken forward. If the project does not commence in 2016/17 this funding should be returned to the Scottish Government. • A new Convener of the Board will be appointed during 2016/17. Management should ensure that they provide adequate support to allow the Convener to undertake his/her role effectively.

Introduction

1. This report summaries our findings arising from the 2015/16 audit of the Risk Management Authority (the Authority).

2. The Authority and the Chief Executive, as the Accountable Officer, are responsible for:
   - acting within the law and ensuring the regularity of transactions by putting in place appropriate systems of internal control
   - maintaining proper accounting records
   - preparing financial statements which give a true and fair view of the financial position of the Authority as at 31 March 2016 and its expenditure and income for the year then ended
   - publishing with their financial statements an annual report, comprising a performance report and accountability report.

3. Our responsibility, as the external auditor, 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. Appendix 1 sets out the financial statements risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

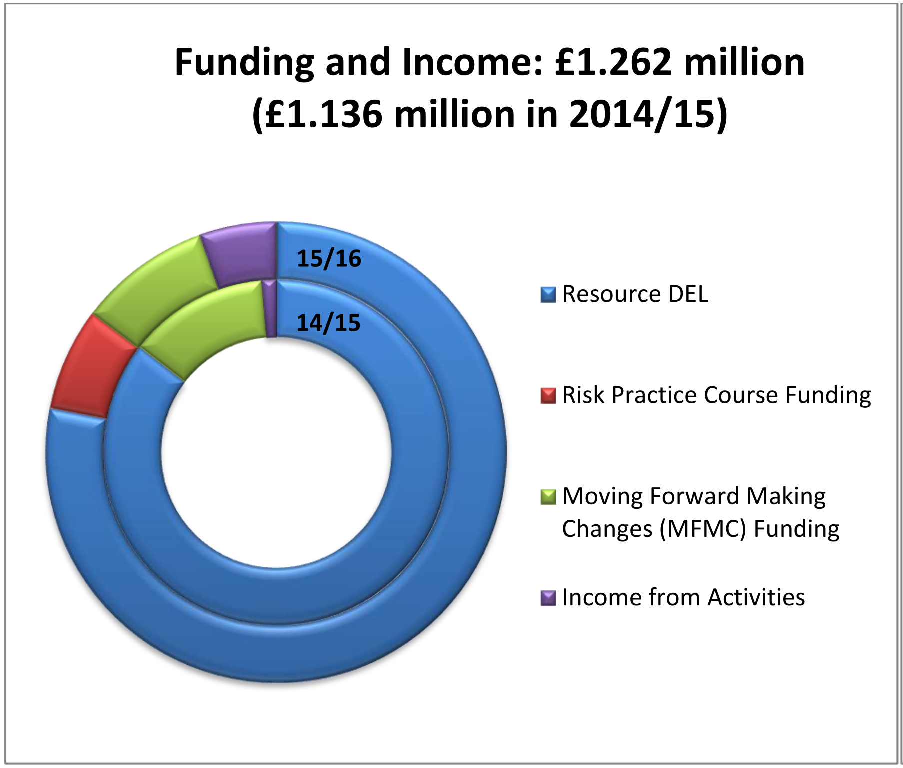
6. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at appendices 2 and 3.

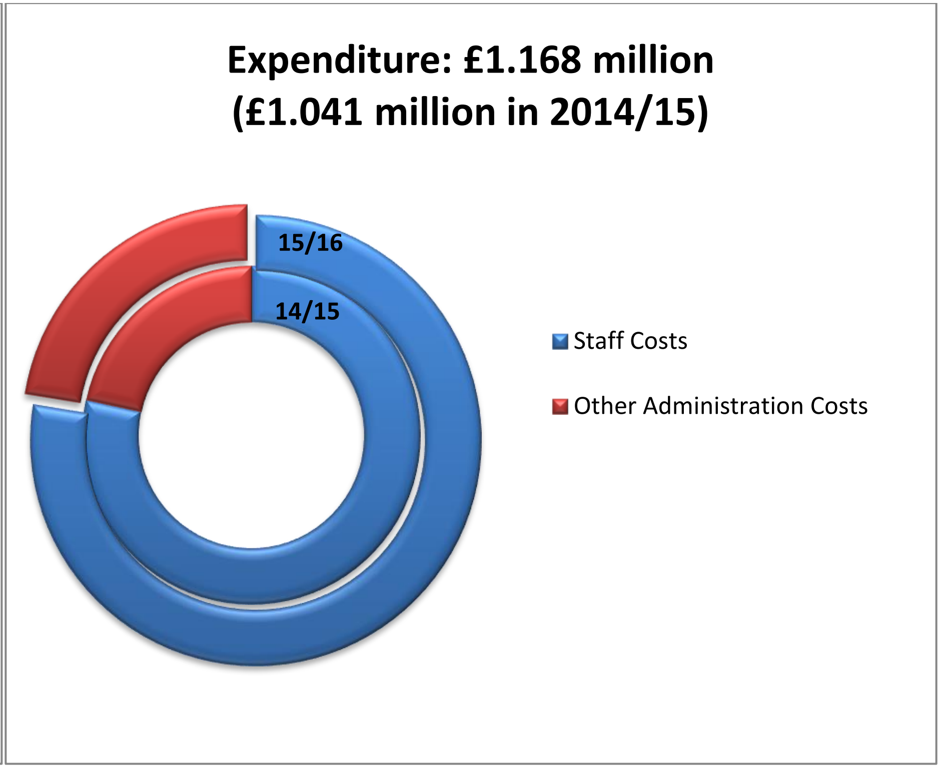
7. Appendix 4 is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action / response". We recognise that not all risks can be eliminated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

8. 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.

9. 2015/16 is the final year of the current five year audit appointment. Audit Scotland have again been appointed as the Authority’s external auditors for the next five year appointment. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming audit team as part of this transition.

Audit of the 2015/16 financial statements





The financial statements show that the Authority drew down all of their £0.985 million Scottish Government grant in-aid allocation for the year. They also received additional Scottish Government funding of £0.117 million for the Moving Forward Making Changes (MFMC) programme and £0.091 million to meet the costs of designing and delivering the Risk Practice Course. Overall expenditure increased from £1.041 million in 2014/15 to £1.168 million in 2015/16 with staff Costs (£0.906 million in 2015/16) accounting for the majority (around 78%) of the Authority's expenditure in both years.

Audit Opinions

Financial Statements	• The financial statements of the Authority for 2015/16 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 2015/16 FReM and the requirements of the Criminal Procedure (Scotland) Act 2003 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 any applicable enactments and guidance issued by the Scottish Ministers
Other prescribed matters	• The part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Criminal Procedure (Scotland) Act 2003 and directions made thereunder by the Scottish Ministers. • The information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Submission of financial statements for audit

10. The 2015/16 audit fieldwork commenced on 23 May 2016. This was scheduled for a week later than the 2014/15 audit timetable (i.e. 12 weeks after the year end rather than 11 weeks in prior years) at the request of the Director of Business Performance.

11. Despite the later start date we were only provided with the financial statements (i.e. not the Performance Report and Accountability Report) on the first day of the audit and did not receive a full set of unaudited accounts until close of business on 25 May. This placed additional pressure on the audit team who only had four days on site to complete the audit fieldwork.

12. The working papers in support of the financial statements were of an acceptable standard and staff provided good support to the audit team. In spite of the delays in the provision of the unaudited accounts we managed to complete our on-site fieldwork by the planned target date of 27 May 2016 so did not have to impose an additional audit fee in this instance. However, the Authority may incur an additional audit fee in future years if they fail to provide the unaudited Annual Report and Accounts in accordance with the agreed timetable

Appendix 4 – Action Plan No. 1

Overview of the scope of the audit of the financial statements

13. 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 which was issued on 9 December 2015 and presented to the audit committee on 15 February 2016.

14. 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 any non-audit related services. The 2015/16 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.

15. 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.

16. 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

17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting

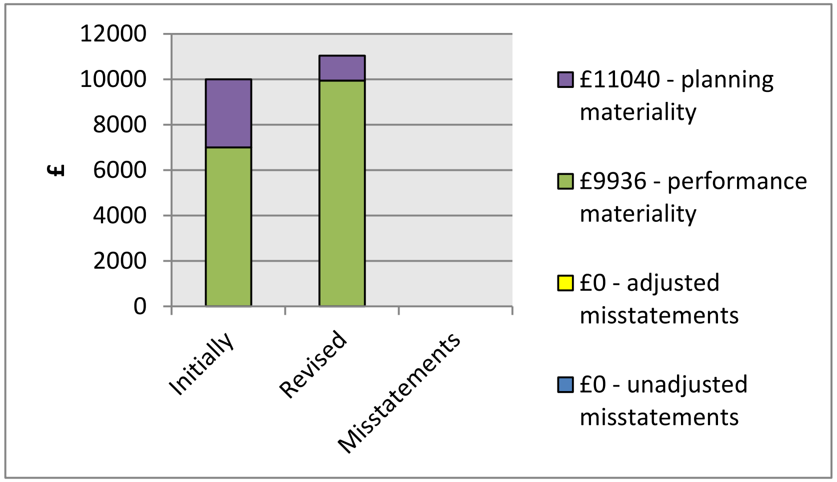
our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

18. We summarised our approach to materiality in our Annual Audit Plan. On receipt of the unaudited financial statements, we revised materiality for 2015/16 to £11,040 based on actual expenditure for the year.

19. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £9,936 (i.e. 90% of materiality).

20. We report all misstatements greater than £1,000.

Exhibit 1: Overall materiality misstatements



Evaluation of audit adjustments

21. No monetary adjustments to the unaudited financial statements were identified and there are no unadjusted errors to report.

Significant findings from the audit

22. International Standard on Auditing 260 (ISA 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 in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

23. A number of presentational and disclosure adjustments were identified during the course of the audit. These were discussed with management who agreed to amend the financial statements. We do not deem any of those amendments significant enough to report separately.

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

Table 1: Significant findings from the audit in accordance with ISA260

For consideration by those charged with governance
Moving Forward Making Changes Funding **25.** During 2014/15 the Authority drew down £150,000 of Scottish Government funding for the Moving Forward Making Changes (MFMC) programme but only incurred related costs of £130,000. The Authority obtained approval from the Scottish Government to carry forward the £20,000 MFMC funding drawn down but not utilised to use to cover MFMC costs in 2015/16. **26.** During 2015/16 the Authority incurred expenditure of £124,000 for the MFMC programme and applied the £20,000 carried forward from 2014/15 towards these costs. However, they also drew down an additional £117,500 of MFMC funding for 2015/16 resulting in the Authority having £13,500 of unutilised MFMC funding at the 31 March 2016. **27.** Management advised that the costs associated with the MFMC project are demand led and so it is difficult to accurately forecast their actual funding requirements in advance. However, given the Authority's large cash reserves we do not believe there is any justification for this funding being drawn down in advance. Therefore in future, ring fenced funding (i.e. for specific projects or programmes) should only be drawn down once the actual costs have been incurred. **Appendix 4 – Action Plan No. 2**

For consideration by those charged with governance

Enhancing Effective Practice in Community Supervision (EEPICS) Funding

28. The unaudited accounts showed a proportion of the General Fund balance at 31 March 2016 earmarked for use on the EEPICS project. This project was originally scheduled to begin in 2013/14 and the funding was drawn down during at that point. The Authority has advised that this project has still not progressed and may no longer be taken forward. We therefore requested that the £65,000 earmarked for this project be released back to the unallocated General Fund balance at 31 March 2016. This has been corrected in the audited accounts.

29. The Authority is awaiting confirmation as to the whether any further work will be undertaken on the EEPICS project. However, if the project does not commence in 2016/17 this funding should be returned to the Scottish Government.

Appendix 4 – Action Plan No. 3

Pension information

30. Pension information for the remuneration report was not included in the unaudited financial statements as it had not been provided by MyCSP, via the Scottish Government, who administer the Civil Service Pension scheme. This information was not provided and included in the accounts until 31 May 2016. As this information is required to enable the appointed auditor to certify the accounts, and similar issues have been encountered with the provision of the information in prior years, management should liaise with both MyCSP and the Scottish Government to ensure no similar delays are encountered obtaining the pension information in 2016/17.

Appendix 4 – Action Plan No. 4

Future accounting and auditing developments

31. HM Treasury has issued the 2016/17 Government Financial Reporting Manual (FReM). This applies EU adopted IFRS and Interpretations in effect for accounting periods commencing on or after 1 January 2016 (i.e. the Authority's 2016/17 accounts).

32. We have reviewed the 2016/17 FReM and there are no significant changes from the 2015/16 FReM.

Financial management and sustainability

33. The main financial objective for the Authority is to ensure that the financial outturn for the year on a cash basis is within the budget allocated by Scottish Ministers, taking one year with another.

Financial Planning

34. The Risk Management Authority, as a Non-Departmental Public Body (NDPB) of the Scottish Government, receives almost all of its funding directly from the Scottish Government.

35. As funding from the Scottish Government is the Authority's primary source of income there is a greater degree of certainty over future funding streams than for some other public sector organisations who have more reliance on income generating activities. Therefore, the main focus for the Risk Management Authority is achieving a balanced financial plan to remain within their annual allocation.

36. For planning purposes, the Authority has used the assumption that grant-in-aid funding will remain constant over the next 3 years, adjusting for inflationary pressures. Actual funding is only confirmed by Scottish Government on an annual basis in advance of the start of the new financial year.

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 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 and timeously to budget holders,
- monitoring reports do not just contain financial data but are linked to information about performance, and
- board members provide a good level of challenge and question budget holders on significant variances.

38. Based on our accumulated knowledge, our review of board papers and through our attendance at the audit committee we conclude that the Risk Management Authority has sufficient financial management arrangements in place.

2015/16 financial position

39. The Authority's Resource Departmental Expenditure Limit (DEL) allocation for 2015/16 was £0.985 million. They also received additional Scottish Government funding of £0.117 million for the Moving Forward Making Changes (MFMC) programme and £0.091

million to meet the costs of designing and delivering the Risk Practice Course.

40. During 2015/16 the Authority's outturn on a cash basis was £1.132 million which was £0.050 million within their total Scottish Government funding for the year of £1.182 million.

41. On an income and expenditure basis, the financial statements show a surplus of £0.082 million. This is the difference between the net operating cost of £1.100 million shown in the Statement of Comprehensive Net Expenditure and the annual funding received from the Scottish Government of £1.182 million.

42. The Authority's Statement of Financial Position shows a net asset position at 31 March 2016 of £0.414 million.

Table 2: Scottish Government funding 2014/15 – 2016/17

	2014/15 (£m)	2015/16 (£m)	2016/17 (proposed) (£m)
Resource DEL	0.971	0.985	1.005
MFMC Funding	0.150	0.117	-
Risk Practice Course Funding	-	0.080	0.080
Total	**1.121**	**1.182**	**1.085**

Source: Scottish Government grant-in-aid allocation letters

2016/17 budget

43. The Authority's proposed Scottish Government core grant-in-aid allocation for 2016/17 £1.005 million. This in line with prior years, as shown in Table 2, and the Authority believe this will be sufficient to meet their resource requirements for the coming year.

Outlook

44. In 2014/15 we reported that the Authority held cash and cash equivalents of £0.560 million at 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 was required.

45. We were advised by management that there were some outstanding liabilities relating to the office relocation and ongoing projects that required them to hold a large cash balance but that they would review the cash reserves position during 2015/16 to identify whether any money could be released back to the Scottish Government.

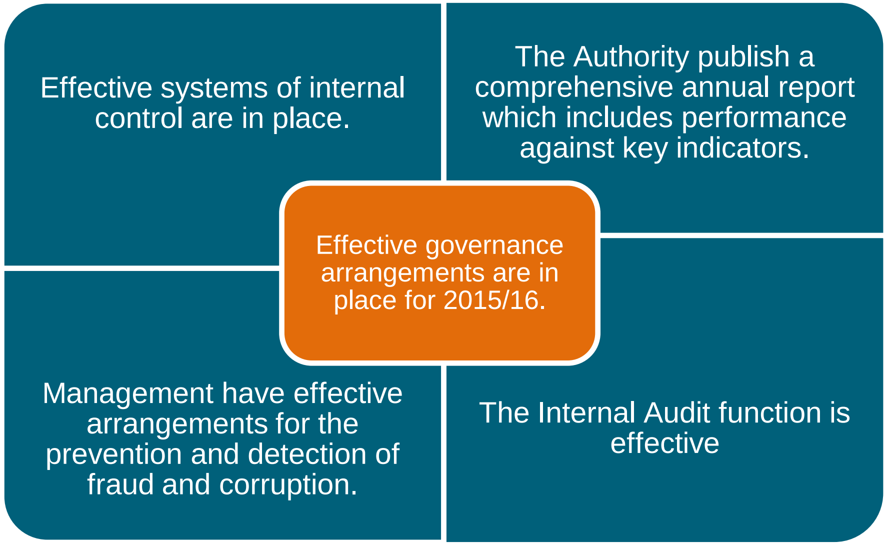
46. During 2015/16 the cash and cash equivalents balance has increased further to £0.610 million at 31 March 2016 (i.e. 54% of annual expenditure) due to £0.050 million of funding being drawn down and not utilised during the year. Given the current financial constraints on the Scottish public sector we do not feel that it is

acceptable for the Authority to be sitting on such large cash reserves, and to be continually drawing down funding that is not required, that could be used elsewhere. We therefore expect management to identify what level of cash reserves the Authority actually require to meet relevant liabilities and to release the remainder of the balance back to the Scottish Government as a matter of priority.

47. Management have advised that, as part of the 2016/17 budget setting process, discussions have been held with the Authority's Scottish Government sponsor division over proposals to utilise the cash reserves over the next three years.

Appendix 4 – Action Plan No. 5

Governance and transparency



Corporate governance

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

49. The members of the Authority are appointed by Her Majesty the Queen on the recommendation of Scottish Ministers. Mr Peter Johnson has served as the Convener of the Board 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.

50. The Board is supported in its role by six standing committees as illustrated in Exhibit 2.

Exhibit 2: Risk Management Authority committee structure 2015/16

51. The committees meet on a regular basis throughout the year to consider relevant matters. We concluded that the Authority has effective overarching and supporting governance arrangements

which provide an appropriate framework for organisational decision making.

Audit committee

52. The audit committee has direct responsibility for overseeing the Authority's arrangements 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

53. 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, and
- making corporate plans and the annual report widely available.

54. 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, and
- identification of, and explanation of, any significant movements in budget during the year.

55. Overall we concluded that the Risk Management Authority is open and transparent. Due to the the confidential and sensitive nature of their business, board and committee meetings are held in private, however minutes are made available to the public via the Authority's website.

Internal control

56. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit which could have adversely affected 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

57. Internal audit provides the audit committee and the 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 internal audit work where possible.

58. 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 have 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

59. The Risk Management Authority is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We reviewed and reported on these arrangements and have concluded that there are effective arrangements for the prevention and detection of fraud.

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

60. 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. We consider whether bodies have adequate arrangements in place and have concluded that appropriate arrangements exist within the Authority.

Outlook

61. The Convener of the Board, Mr Peter Johnson, is due to leave the Authority during 2016/17 after serving as a member for eight years. Management should ensure that the new Convener is provided with adequate support to allow them to undertake their role effectively.

Best Value

Arrangements for securing Best Value

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

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

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

65. 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.

66. 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.

67. During 2015/16 a further review on the five distinct and two cross-cutting themes was undertaken. The results of the review were reported to the audit committee in December 2015 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 2016/17 audit activity.

Workforce Management

68. As part of our 2015/16 audit activity we conducted a review of workforce management arrangements across all our audited bodies. This work was a follow-up to the *Scotland's Public Sector Workforce* report published by Audit Scotland in November 2013.

69. During February 2016 we met with the Director of Business Performance to discuss the Authority's workforce management arrangements. Through these discussions we established that the Authority do not have a formal workforce plan. However, they do monitor their staffing requirements and provide half-yearly reports to the board on any unfilled vacancies and a range of other HR and staffing issues including:

- Split of permanent and fixed term posts,
- Recruitment,
- Absenteeism,
- Use of training budget,
- Gender and Age analysis,
- Projections of future costs based on existing workforce (i.e. impact of increments on staff not already at top of the scale),
- Staff policies and procedures, and
- Performance management.

70. These half-yearly reports are used to inform discussion of any potential resource needs and also to identify any other workforce planning issues that need to be addressed.

71. Though no formal workforce plan is in place, we are satisfied that arrangements are in place that are proportionate for a small audited body to ensure due consideration is given to staffing and recruitment issues.

Acknowledgements

72. We would like to express our thanks to the staff and members of the Risk Management Authority for their help and assistance during the audit of this year's financial statements, and throughout the course of the five year audit appointment.

Appendix 1: Financial statements risks

The table below sets out the financial statements risks identified in our 2015/16 Annual Audit Plan, how we addressed each risk and our judgement in arriving at our opinion on the financial statements.

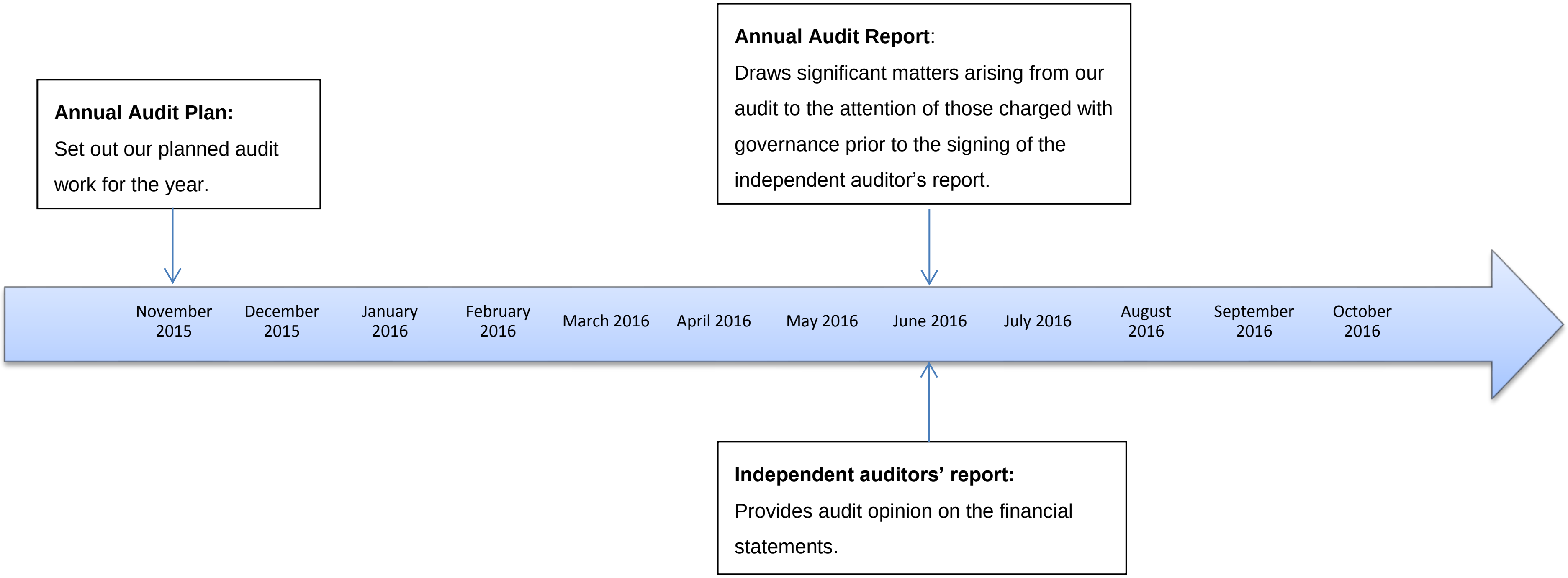
Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement / opinion risk		
Changes to Annual Report disclosure requirements The 2015/16 Government Financial Reporting Manual (FReM) has been extensively rewritten to revise the layout and content of the Annual Report. *There is a risk that the new requirements will not be reflected in the Authority's 2015/16 Annual Report and Accounts.*	• We met with management in February 2016 to discuss the required changes and their proposals for the revised Annual Report layout and content. • We reviewed the Annual Report included within the unaudited financial statements against the requirements of the 2015/16 FReM as part of the financial statements audit.	Our review did not identify any significant departures from the requirements of the 2015/16 FReM. However, a number of presentational and disclosure adjustments to the Annual Report were identified to ensure this reflected the disclosure requirements set out for the new Performance Report and Accountability Report sections. Management reflected the required changes in the final version of the accounts. **Satisfactory**

Audit Risk	Assurance procedure	Results and conclusions
Use of ring-fenced funding The Authority has received approval for additional funding for 2015/16 for the LSCMI post and the MFMC programme *There is a risk that this funding will not be applied for the purposes intended.*	• We reviewed expenditure for these projects as part of the financial statements audit.	No issues were identified with the funding being applied for other purposes. However, we noted that £13,500 of MFMC funding drawn down during 2015/16 was not utilised during the year as reported at paragraphs 25-27. **To be followed up as part of 2016/17 audit, see Appendix 4 – Action Plan No. 2**
Year-end accruals During prior years' 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 2015/16 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 2015/16 and 2016/17 to confirm the related income and expenditure had been posted to the correct financial period.	Our testing did not identify any issues with income or expenditure relating to 2016/17 being recognised in 2015/16. **Satisfactory**

Audit Risk	Assurance procedure	Results and conclusions
EEPICS project The Authority has a General Fund balance which is earmarked for use on the EEPICS project. This project was originally scheduled to begin in 2013/14 but has not yet started. *There is a risk that the Authority are retaining project funding which should be returned to the Scottish Government.*	• We reviewed the year-end position as part of our 2015/16 financial statements audit to identify whether any of this money had been utilised during the year. • We discussed the project with management to establish whether the funding would be returned to the Scottish Government.	During the audit management confirmed that the EEPICS project had not progressed in 2015/16. As a result the ring fenced funding for the project was released back to the Unallocated Genera Fund. The Authority is awaiting confirmation as to the future of the EEPICS project but if the project does not commence in 2016/17 this funding should be returned to the Scottish Government as reported at paragraphs 28 and 29. **To be followed up as part of 2016/17 audit, see Appendix 4 – Action Plan No. 3**

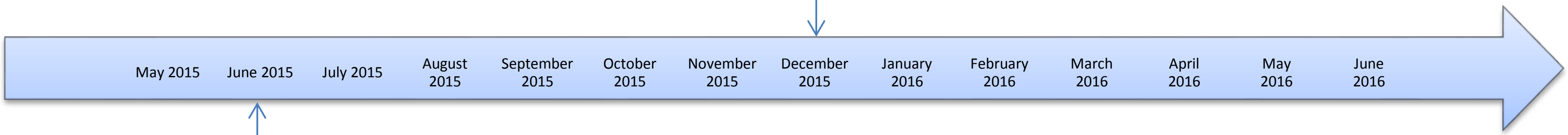
Audit Risk	Assurance procedure	Results and conclusions
Cash balance The Authority held significant cash reserves at 31 March 2015. *There is a risk that the Authority is not complying with the requirements of their framework agreement with the Scottish Government by retaining funds in excess of the level required to for operational purposes and to cover known liabilities.*	• We reviewed the year end position as part of the 2015/16 financial statements audit to assess the appropriateness of the cash balance.	At 31 March 2016, the Authority held cash and cash equivalents of £0.610 million. This was an increase of £0.050 million on the balance held at 31 March 2015 (£0.560 million). We expect the Authority to identify what level of cash reserves they actually require to meet relevant liabilities and to release the remainder back to the Scottish Government as a matter of priority as reported at paragraphs 44-47. Management have advised that, as part of the 2016/17 budget setting process, discussions have been held with the Authority's Scottish Government sponsor division over proposals to utilise the cash reserves over the next three years. **To be followed up as part of 2016/17 audit, see Appendix 4 – Action Plan No. 5**

Appendix 2: Summary of local audit reports



Appendix 3: Summary of national reports

Implementing the Scotland Act 2012 – an update:
This report assessed how effectively Revenue Scotland implemented, and is collecting, the two devolved taxes introduced in April 2015. It also examined how the Scottish Government is working with HM Revenue and Customs to prepare to introduce the Scottish rate of income tax in April 2016, and looked at how the Scottish Government is developing its financial management and reporting.



Managing ICT contracts in central government: an update
This report reviewed the progress that the Scottish Government and central government bodies had made against the recommendations in our previous report on managing ICT contracts.

Appendix 4: Action plan

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	10-12	**Issue:** A full set of unaudited accounts was not provided at the outset of the audit fieldwork. **Recommendation:** Management should ensure that they provide the unaudited Annual Report and Accounts in accordance with the agreed timetable.	The audit schedule requires the annual report and accounts to be produced to tight timeframe. Management will review this matter at audit planning for 2016-17 giving consideration to moving the audit fieldwork from the fourth week of May to the third week in June.	Director of Business Performance Sept 2016
2.	25-27	**Issue:** The Authority drew down £13,500 of MFMC funding during 2015/16 that was not utilised during the year. **Recommendation:** In future ring fenced funding (i.e. for specific projects or programmes) should only be drawn down once the actual costs have been incurred.	The excess drawdown was incurred as final costs were based on best known estimates. The recommendation to drawdown once costs are incurred is not a realistic option for programmes where both access to funding and project deliverables conclude on the 31 March as this would result in post year funding request.	Director of Business Performance

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3.	28-29	**Issue:** The Authority is holding £65,000 of EEPICS project funding despite the project now being unlikely to be taken forward. **Recommendation:** If the project does not commence in 2016/17 this funding should be returned to the Scottish Government.	The RMA has informed the Sponsor Department the EEPICS fund is no longer required and awaits confirmation regarding how this fund is to be accounted for.	Director of Business Performance June 2016
4.	30	**Issue:** There was a significant delay obtaining the pension information from MyCSP, via the Scottish Government, for inclusion in the 2015/16 accounts. **Recommendation:** Management should liaise with both MyCSP and the Scottish Government to ensure no similar delays are encountered obtaining the pension information in 2016/17.	Management is aware of the delay in obtaining information from MyCSP, this however is a national problem and not peculiar to the RMA. Regular communication was maintained between the RMA and SG and all documentation was submitted in advance of required deadlines, however both parties were let down by the performance of MyCSP	Director of Business Performance
5.	44-47	**Issue:** The Authority held cash reserves of £0.610 million at 31 March 2016. **Recommendation:** Management should identify what level of cash reserves the Authority actually require to meet relevant liabilities and release the remainder of the balance back to the Scottish Government during 2016/17.	The RMA has informed the Sponsor Department of the level of reserves held by the RMA and awaits a response in relation to proposed options which will reduce this balance to an appropriate level.	Director of Business Performance June 2016