

Risk Management Authority

2016/17 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Risk Management Authority and the Auditor General for Scotland

August 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

Audit of the 2016/17 financial statements

- 1 The financial statements of Risk Management Authority (RMA) for 2016/17 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.
- 2 We have issued an unqualified independent auditor's report on the RMA's annual report and accounts for 2016/17.
- 3 No material misstatements were identified during our audit.

Financial management

- 4 RMA had effective overall management of the 2016/17 budget.
- 5 Budget setting and monitoring processes allow the members to receive regular and up-to-date information on the financial position.

Financial sustainability

- 6 The RMA has adequate short term financial planning arrangements in place based on the 2017/18 Business Plan.
- 7 Medium to long term prospects are challenging and could potentially impact on RMA's ability to deliver its statutory duties beyond 2018/19. We note that RMA is proactive in their efforts to secure future funding.

Governance and transparency

- 8 The RMA has effective governance arrangements in place and is transparent in the way it conducts its business.
- 9 Internal audit operates in accordance with the Public Sector Internal Audit Standards.

Value for money

- 10 The RMA has a performance management framework in place.
- 11 Performance against the RMA's four key indicators is in the main improving.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of the Risk Management Authority.
2. The scope of our audit was set out in our Annual Audit Plan presented to the February 2017 meeting of the Audit Committee. This report comprises:
 - an audit of the annual report and accounts
 - consideration of the wider dimensions set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
 - a review of the RMA's main financial systems and governance arrangements
 - an audit of the RMA's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions
 - a review of RMA's arrangements to manage performance, regularity and use of resources.
4. Risk Management Authority is responsible for preparing financial statements that give a true and fair view, for the accuracy of the other information in the annual report and accounts, and for establishing effective arrangements for

governance, propriety and regularity that enable the board to successfully deliver its objectives.

5. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), supplementary guidance and, guided by the auditing profession's ethical guidance.
6. These responsibilities include giving independent opinions on the financial statements, regularity, the remuneration and staff report, the performance report and the governance statement. We also review and report on the arrangements within the RMA to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
8. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 19\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
9. Communication in this report of matters arising from the audit of the annual report and accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
12. We would like to thank all management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2016/17 financial statements



Main judgements

The financial statements of Risk Management Authority for 2016/17 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

We have issued an unqualified independent auditor's report on the RMA's annual report and accounts for 2016/17.

No material misstatements were identified during our audit.

Unqualified audit opinions

13. The annual report and accounts for the year ended 31 March 2107 were approved by the Audit Committee on 21 August 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements;
 - an unqualified opinion on regularity of expenditure and income; and
 - an unqualified audit opinion on the remuneration and staff report, performance report and governance statement.
14. Additionally, we are satisfied that there are no matters which we are required by the Auditor General to report by exception.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

15. We received the unaudited financial statements on 23/05/2017, in line with our agreed audit timetable.
16. The working papers provided with the unaudited financial statements were of a good standard and finance staff provided support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risk of material misstatement

17. [Appendix 2 \(page 20\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what

is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
20. On receipt of the annual report and accounts we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£11,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of overall materiality.	£8,000
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality (rounded up to nearest 1,000).	£1,000

Source: Audit Scotland

Evaluation of misstatements

21. It is our responsibility to request that all misstatements are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officer and materiality levels
22. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings from the audit

23. International Standard on Auditing (UK and Ireland) 260 requires us to communicate significant findings from the audit to you. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1 \(page 19\)](#) has been included.

Exhibit 3

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Litigation claim</p> <p>In November 2016 the RMA received a legal claim for damages relating to, amongst other things, the content of its policies and guidelines.</p> <p>The RMA has taken legal advice and obtained Counsel's opinion on the matter.</p> <p>The potential costs to the RMA could be significant and have a considerable impact on its financial position.</p> <p>We have accepted management's evaluation of the contingent liability as reasonable at 31 March 2017.</p>	<p>The RMA will maintain regular contact with legal advisors on this matter.</p> <p>The next key stage is a legal Debate scheduled for 24 - 26 July 2017. The RMA will be available to support the legal advisors in preparing the Note of Argument.</p> <p>The RMA will review this matter upon conclusion of the Debate</p> <p>Action Plan (Appendix 1, point 1),</p>

Other findings

- 24.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

Part 2

Financial management



Main judgements

RMA had effective overall management of the 2016/17 budget.

Budget setting and monitoring processes allow members to receive regular and up-to-date information on the financial position.

Financial performance in 2016/17

25. The main financial objective for RMA is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.
26. RMA has reported an outturn of £1.071 million, within its overall budget for 2016/17 of £1.071m. Approval was gained from the Scottish Government to use £12,000 of reserves to fund on-going activities in 2016/17 rather than request further funding. The financial performance against Departmental Expenditure Limits (DEL) and other funding is shown in [Exhibit 4](#).

Exhibit 4

Performance against DEL and other funding in 2016/17

Performance	Initial budget £m	Final budget £m	Actual outturn £m	Overspend/ (underspend) £m
Resource DEL	0.985	0.985	0.985	0
Capital DEL	0	0	0	0
Total DEL	0.985	0.985	0.985	0
Risk Practice Course	0.079	0.086	0.075	(11)
Total Funding	1.064	1.071	1.060	(11)

Source: 2016/17 Grant-in-Aid letter and other correspondence

27. Total funding for RMA in 2016/17 was £1.071m made up from £0.985m DEL and £0.086m of Risk Practice Course (RPC) funding. The funds drawn down totalled £1.06m, made up from £0.985m DEL and £0.075m RPC funding. In addition, expenditure of £0.012m on staff costs was funded from reserves.

Internal controls

28. As part of our audit we identify and gain understanding of the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that RMA has systems for the recording and processing of transactions which provide a sound basis for the preparation of the financial statements. No material weaknesses in the internal control environment were identified in 2016/17.

Budgetary processes

29. We also reviewed RMA's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at committees we confirmed that senior management and members receive regular, timely and up to date financial information on the financial position.
30. We concluded that RMA has sound budget monitoring and control arrangements that allow both members and officers to carry out effective scrutiny of its finances.

Prevention and detection of fraud and irregularity

31. We assessed the RMA's arrangements for the prevention and detection of fraud. Our audit work covered a number of areas such as whistleblowing and review of the counter fraud policy.
32. We concluded that RMA had appropriate and adequate arrangements in place for fraud detection and prevention during 2016/17.

National Fraud Initiative

33. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.
34. The Risk Management Authority's NFI records for payroll and creditors are submitted by the Scottish Government (SG) and the SG follows up any matches on RMA's behalf. In our guidance sent out to RMA in July 2016 we advised RMA to contact Scottish Government to discuss any findings in relation to the RMA's NFI records.
35. The RMA has contacted the SG to establish the position on any NFI matches relating to the Authority. The SG does not provide a positive assurance on the results of their investigation to the Authority. The RMA would only get information from the SG in those cases where any issues had been identified with data matches. This does not provide sufficient assurances to RMA and the Authority is planning to raise that point with the SG.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

36. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and that there are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

- 37.** We have concluded that the RMA has appropriate arrangements in place and there are no issues that we need to bring to your attention.

Part 3

Financial sustainability



Main judgements

The RMA has adequate short term financial planning arrangements in place based on the 2017/18 Business Plan.

Medium to long term prospects are challenging and could impact on the RMA's ability to deliver its statutory duties beyond 2018/19.

2016/17 financial position

- 38. The Statement of Financial Position summarises what is owned and owed by the RMA. The Statement of Changes in Taxpayers' Equity shows how much of the reserves has arisen from the application of revenues and that, where relevant, has resulted through changes over time in the value of physical assets.
- 39. The RMA's financial position remained relatively static in 2016/17, with net assets reducing from the balance at 31.3.16 by only £0.012m (3%).

Medium to long term financial planning

- 40. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.
- 41. The RMA published its 2017/18 draft budget in April 2017 with a resource allocation, excluding funding from reserves, of £1.085m. This represents an increase of £0.080m or 8% from the initial 2016/17 budget allocation of £1.005 m
- 42. The 2017/18 budget shows a challenging position, reflecting the impact of financial pressures in relation to increasing number of Orders for Life Restriction monitored by the RMA. The RMA has received approval from the Scottish Government to utilise £0.143m of reserves in 2017/18 to fund the payroll costs of for fixed term members of staff. Based on future projections, continuing to finance these payroll costs from reserves will result in reserves being fully depleted by the end of 2018/19.
- 43. A 5 year financial position has been prepared and a paper was put to the board in November 2016 highlighting the risks facing the RMA should funding levels remain unchanged. This outlined the costs associated with the different scenarios of maintaining the existing staff structure (19 Full Time Equivalent employees), the optimum staff structure (21 Full Time Equivalent employees) and what could be provided with the current funding arrangements. The estimates show that the RMA will face significant resourcing pressures from 2019/12 onwards and to continue to operate within current funding levels, there

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

would have to be reductions in expenditure, most likely within the payroll budget. Any reductions in staffing levels is likely to impact on the capacity of the RMA to fulfill its legislative function and in areas of activity such as Policy and Research.

44. The RMA is mainly funded by the Scottish Government through Grant-in-aid and that this is set on a year-on-year basis by the SG. The RMA is in communication with their sponsoring department and proactive in considering the future issues and different scenarios in relation to their funding.
45. The increasing workloads of the RMA along with potentially reducing funding levels pose a significant risk to ongoing activities of the RMA and it will be essential going forward that financial budgets continue to be closely monitored and dialogue continues with the sponsorship department on future funding plans and pressures.

[Action Plan \(Appendix 1, point 2\)](#)

Part 4

Governance and transparency



Main judgements

The RMA has effective governance arrangements in place and is transparent in the way it conducts its business

Internal audit operates accordance with the Public Sector Internal Audit Standards.

Governance arrangements

46. The RMA's Board is responsible for setting the strategic direction of the RMA and, together with the Executive team for providing strong leadership in achieving its strategic goals and objectives. A key document for any organisation is its Corporate or Strategic plan which clearly sets out its vision, outcomes and targets.
47. The RMA does not currently have an approved Corporate Plan. A draft plan has been issued to the Scottish Government who have requested that it be re-drafted based on the fact the Board composition is significantly changed since original submission. This also means the current Corporate Plan available on the RMA website is out of date (2013-2016).

[Action Plan \(Appendix 1, point 3\)](#)

48. During 2016/17, the RMA took the positive step of reviewing its approach to declaring members' interest. In addition, the board undertake an annual review of the Members' Code of Conduct and conducted a survey on the Board's performance.

The Annual Governance Statement

49. Under the Treasury's Financial Reporting Manual (FRoM), the RMA must prepare an annual governance statement within the Annual Report and Accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the statement and provides assurances around the achievement of the organisation's strategic objectives.
50. The SPFM does not prescribe a format for the annual governance statement, but sets out minimum requirements for central government bodies. We concluded that the annual governance statement 2016/17 complies with the guidance issued by the Scottish Ministers and based on our knowledge and work performed presents a comprehensive picture of governance arrangements and matters.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Internal audit

51. Internal audit provides RMA and the Chief Executive with independent assurance on RMA's overall risk management, internal control and corporate governance processes.
52. The internal audit function is carried out by the Scottish Government's Internal Audit Service. The external auditors of the SG, namely Audit Scotland carried out a review of the adequacy of the SG's Internal Audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
53. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In respect of our wider dimension audit responsibilities we have taken assurance from the results of the review by Internal Audit on the Risk Management Authority's Board and Committee Structure.

Risk management

54. As part of our consideration of the risk management procedures in place we reviewed the arrangements for identifying and managing risks. From our review of the Corporate Risk Register, Audit Committee papers and the Governance Statement we can conclude that a sound approach is followed by the RMA for managing risk.

Transparency

55. Transparency means that all stakeholders have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources.
56. Overall we concluded that the RMA is open and transparent. Due to the confidential and sensitive nature of their business, board and committee meetings are held in private, however minutes of the board and Audit Committee are publicly available on the RMA's website.
57. It is noted however that there are a number of improvement actions included in Internal Audit's report on the Board and Committee Structure, including the development of succession planning for board members, the proper evidencing the review of Committee and ensuring minutes are promptly added to RMA's website. We will review the action taken to improve these aspects of governance through Internal Audit's follow up work.

Part 5

Value for money



Main judgements

RMA has a performance management framework in place.

Performance against the RMA's four key indicators overall is in the main improving .

Performance management

58. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where such requirements are not specified we may, in conjunction with RMA agree to undertake local work in this area.
59. The RMA has developed a self-evaluation system to monitor continuous improvement in the area of Best Value. In December 2017 the Audit Committee considered a report on Best Value around five generic and two cross-cutting themes
60. The five generic themes were: Vision & Leadership; Effective Partnerships; Governance & Accountability; Use of Resources; and Performance Management. The cross-cutting themes are Equality and Sustainability. During 2016/17 the RMA completed self-evaluations for all of the themes apart from Equality and parts of Effective Partnerships. The Equality Impact Assessments are encompassed into Business Plan objectives and work on that will commence in the second half of 2017/18. RMA plans to complete the remaining work on Effective Partnerships in the third quarter of the 2017/18 financial year.
61. The performance of RMA is monitored by the board against a number of performance targets which support the delivery of the Scottish Government's national outcomes and priorities. These targets are set out in the RMA's annual Business Plan.
62. Each quarter the Board receives a Financial Performance report where forecast performance against budget is reported with key issues and risks identified. In addition, quarterly performance monitoring reports are put to the Board on key indicators included in the Business Plan.

Value for money is concerned with using resources effectively and continually improving services.

Performance trends

63. In 2016/17 RMA has reduced the number of their performance indicators to four to focus on the key areas of their work. We reviewed these over the 3 year period and have summarised these in [Exhibit 5](#). The position on the main targets is steady with some improvements noted in the indicators number 3 and 4 when compared to 2015/16. There is scope to further improve the time taken to provide Annual Implementation Report feedback letters to lead authorities.

Exhibit 5

Key performance indicators trends

No	Description	2014/15	2015/16	2016/17
1	To maintain a minimum availability of two Accredited Assessors for Court selection, the RMA will ensure an appropriate number of assessors are accredited to meet High Court requirements (target 15-20)	● 17	● 15	● 15
2	Risk Management Plans approved in accordance of the statutory timeframe of 9 months	● 100%	● 100%	● 100%
3	Annual Implementation Report feedback letters to Lead Authorities (target 6 weeks)	No comparator	● 61%	● 66%
4	Training & Learning Events : Delegate satisfaction survey rating Rating (target at least 85%)	No comparator	● 93%	● 96%

National performance audit reports

64. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports, some of which may be of particular interest to the board. These are outlined in [Appendix 4](#) accompanying this report. To ensure continuous improvement, national reports of particular relevance, should be considered by members in the light of the RMA's position.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement



Page no.	Issue/risk	Recommendation	Agreed management action/timing
9	<p>1. Litigation claim</p> <p>The RMA has received a legal claim for damages and are defending the case.</p> <p>This is potentially a significant liability for the RMA which carries with it reputational risk.</p> <p>Risk</p> <p>There is a risk that this legal claim results in a significant financial liability to the RMA</p>	<p>Developments in this legal case continue to be closely monitored and careful consideration be given to any future cost implications.</p>	<p>The RMA will maintain regular contact with legal advisors on this matter.</p> <p>The next key stage is a legal Debate scheduled for 24 - 26 July 2017. The RMA will be support legal advisors where required in the preparation of the Note of Argument.</p> <p>The RMA will review this matter upon conclusion of the Debate</p> <p>Director Business Performance August 2017</p>
14	<p>2. Financial Pressures.</p> <p>The potential of future reductions in funding and increasing workloads places significant pressures on the future finances of the RMA. The use of reserve balances has been included in the RMA's 2017/18 and 2018/19 budgets to fund fixed term staffing costs.</p> <p>It is forecast that by the end of 2018/19, the reserve balance at 31 March 2017 of £ 0.402m will be fully depleted.</p> <p>Risk</p> <p>There is a risk that RMA will not have sufficient funds to continue delivery of services beyond 2018/19.</p>	<p>The board should continue to closely monitor performance against financial budgets and forecasts used in future financial plans. Progress against the financial risks included in the corporate risk register should be actively managed and reported to members.</p>	<p>The RMA will appraise new Board Members and Convener of financial pressures.</p> <p>The RMA will maintain regular communications with Scottish Government and monitor the risks posed by financial pressures</p> <p>The RMA will submit a revised business case to Scottish Government for baseline funding increase - September 2017</p> <p>Revised baseline funding to be agreed with SG – December 2017</p> <p>Board to be updated at key phases</p> <p>Director Business Performance December 2017</p>



Page
no.

Issue/risk

Recommendation

Agreed management
action/timing

15

3. Corporate plan

The RMA does not currently have an approved Corporate Plan. A draft plan has been issued to the Scottish Government who have requested that it be re-drafted based on the fact the Board composition is significantly changed since original submission. This also means the current Corporate Plan available on the RMA website is out of date (2013-2016).

Risk

A Corporate Plan is needed to direct the actions of the organisation and as a tool to evaluate performance.

A Corporate Plan should be agreed with the Scottish Government as soon as possible. It should include clear goals and timelines and how RMA will go about achieving them.

The RMA will engage with Sponsor Department to review the original plan; agree amendments and resubmit for approval.

Director of Business
Performance

August 2017

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).





















Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Accounting for litigation claims</p> <p>The RMA has received a legal claim for damages and are planning to defend the case. The amount involved is likely to be material to the 2016/17 financial statements.</p> <p>There is a risk that there is insufficient audit evidence to confirm the proper accounting and disclosure of the potential liability in the financial statements.</p>	<ul style="list-style-type: none"> • Focused detailed testing of provisions and contingent liabilities • Review of accounting estimates for reasonableness. 	<p>We discussed this matter with management and examined an opinion from RMA's legal counsel detailing the likelihood of the claim being dismissed.</p> <p>We have accepted management's evaluation of the contingent liability as reasonable at 31 March 2017.</p> <p>This is included as an action point in Appendix 1</p>
<p>2 Management override of controls</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.</p> <p>This includes the risk of management override of controls in order to change the financial position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> • Detailed testing of journals • Focused testing of accruals and prepayments • Review of significant management estimates and evaluation of the impact of any variability in key assumptions • Substantive testing of transactions after the year end to confirm expenditure and income has been accounted for in the correct financial year. 	<p>Testing was completed as planned.</p> <p>We have not identified any instances of management override of controls.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Financial sustainability</p> <p>There are pressures on the RMA's financial resources and workforce capacity from increasing workloads. This</p>	<ul style="list-style-type: none"> • Review of the arrangements for longer term financial planning. • Monitoring the effectiveness of actions identified by 	<p>We have reviewed the 5 year financial forecast and discussed with management. This is included as an action point in Appendix 1.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>includes the increasing Order for Lifelong Restriction (OLR) caseloads and pressures on the completion of the research and training programme.</p> <p>There is a risk that the RMA does not have adequate resources and capacity to fulfil its statutory duties.</p>	<p>management to mitigate this risk.</p>	
<p>4 2016/17 Financial Statements process</p> <p>The completion of the financial statements audit takes place within a tight timeframe and there were delays in completing a full set of unaudited accounts in 2015/16.</p> <p>In addition there can be delays by MyCSP, the body responsible for administering the Civil Service pensions arrangements, in providing the pension information necessary for inclusion in the Remuneration Report disclosures.</p> <p>There is risk that a full set of 2016/17 financial statements is not available for audit in line with the agreed timetable.</p>	<ul style="list-style-type: none"> • We will keep in close contact with officers to monitor progress. • We will provide a financial statements evidence checklist. 	<p>We provided RMA with the financial statements evidence checklist prior to the commencement of the annual accounts audit.</p> <p>RMA submitted the unaudited financial statements before the agreed deadline and the key working papers were also provided on time.</p> <p>There were no delays in providing the audit team with the pension information from MyCSP.</p>

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update  Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review  Managing new financial powers: an update

Central Government relevant reports

[Common Agricultural Policy Futures programme: an update](#) – May 2016

[The National Fraud Initiative in Scotland](#) – June 2016

[Audit of higher education in Scottish universities](#) – July 2016

[Supporting Scotland's economic growth](#) – July 2016

[Maintaining Scotland's roads: a follow-up report](#) – August 2016

[Superfast broadband for Scotland: a progress update](#) – August 2016

[Scotland's colleges 2016](#) – August 2016

[Social work in Scotland](#) – September 2016

[Scotland's new financial powers](#) – September 2016

[i6: a review](#) – March 2017

[Managing new financial powers: an update](#) – March 2017

Risk Management Authority

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