

Scottish Children's Reporter Administration

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Children's Reporter Administration and the Auditor General for Scotland

29 September 2019

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

2018/19 annual report and accounts

- 1** The Scottish Children's Reporter Administration's financial statements give a true and fair view and were properly prepared.
- 2** Expenditure and income was in accordance with applicable enactments and guidance.
- 3** The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Financial sustainability

- 4** The balance on SCRA's general fund has reduced significantly in recent years and now stands at a deficit position of £3.9 million in 2018/19.
- 5** SCRA are aware of the relevant issues with regard to financial sustainability challenges, and have adequate medium to long term financial planning arrangements in place.

Introduction

1. This report summarises the findings from our 2018/19 audit of the Scottish Children's Reporter's Administration (SCRA).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 28 February 2019 meeting of the Audit and Risk Committee. This report comprises the findings from:
 - an audit of the SCRA's annual report and accounts
 - our consideration of the financial sustainability of the SCRA

Adding value through the audit

3. We add value to the SCRA through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
 - reporting our findings and conclusions in public
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - Providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
4. In so doing, we aim to help SCRA promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. The SCRA has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. The SCRA is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016 and](#) supplementary guidance and International Standards on Auditing in the UK.
7. As public-sector auditors we give independent opinions on the annual report and accounts and conclude on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.
8. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. As highlighted in our

2018/19 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2018/19 audit.

9. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £32,430 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to the SCRA and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual report and accounts



Main judgements

The SCRA's financial statements give a true and fair view and were properly prepared.

Expenditure and income was incurred in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

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.

Audit opinions on the annual report and accounts

14. The annual report and accounts for the year ended 31 March 2019 were approved by the board on 26 09 2019. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- Expenditure and income are regular and in accordance with applicable enactments and guidance
- The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.
- We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual report and accounts for audit

15. We received the unaudited annual report and accounts on 31 May 2019 in line with our agreed audit timetable.

16. The unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Whole of Government Accounts

17. In accordance with the WGA guidance we completed the required assurance statement and submitted to the National Audit Office (NAO) by the 30 September 2019 deadline.

Risks of material misstatement

18. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual report and accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

19. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

Materiality

20. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

21. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

22. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£366,000
Performance materiality	£274,000
Reporting threshold	£20,000

Source: Annual Audit Plan 2018/19

Significant findings from the audit (ISA 260)

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.



24. The significant findings are summarised in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Qualitative aspects of the audit

25. The findings include our views about significant qualitative aspects of the 2018/19 accounting practices including: accounting policies, accounting estimates/judgements, significant f/s disclosures, impact of uncertainties etc.

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Reconciliation between Fixed Asset Register (FAR) and asset spreadsheets</p> <p>During our testing of IT disposals, we identified some instances where no supporting documentation for the disposals could be found, This made it unclear if the disposal was implemented on a timely basis. A full reconciliation between the FAR and the 'IT asset master spreadsheet' is required to ensure a correct record of current assets is maintained. A full reconciliation between the FAR and asset spreadsheets for other categories (Other equipment, plant and machinery, fixtures and fittings) should also be performed.</p>	<p>Sufficient evidence was obtained to confirm there being no material inaccuracies in the FAR/Statement of Financial Position for the 2018/19 financial statements.</p> <p>SCRA has agreed to perform full reconciliations between the FAR and the records pertaining to all asset categories going forward.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>
<p>2. Formal impairment review</p> <p>The SCRA do sufficiently consider impairment of land and building assets through their property strategy work. For other non-current assets, there is no formal asset impairment review in place. Impairments are currently identified in an informal and ad hoc manner. With the material value of the non-current assets and the level of annual spend on creating new assets (digital project) we recommend that SCRA formalise annual impairment reviews across all categories of non current assets (including assets under construction).</p>	<p>SCRA has agreed to perform annual impairment reviews across all categories of non-current assets (including assets under construction) going forward.</p> <p> Recommendation 2 (refer appendix 1, action plan)</p>
<p>3. Adjustment to Assets Under Construction</p> <p>During our audit, it was brought to our attention by SCRA management that some costs which had been classified as expenditure in the draft accounts in fact related to development costs for the Case Management System (CMS) and should have been classified as assets under construction. The total amount was for £518k</p>	<p>The invoices were checked and were found to be satisfactory and capital in nature. Amendments were made to reduce the running costs in note 4 by £518k and increase the value of additions in intangible AUC (note 7) by £518k – bringing the total additions to intangible AUC up to £2,105k.</p>
<p>4. Performance Report Issues</p> <p>The performance report could be better aligned to best practice in some areas:</p> <ul style="list-style-type: none"> • Statement from Chief Executive –This section should be used to set the scene and for the Chief Executive to outline from their perspective how the organisation has performed during the last year. It should also be used to look to the future. • Performance Summary – It would be expected to see the information included within the Chief Executive's statement included here, used to help tell a story. • Performance Analysis – An update on the progress of the three core strategies implemented in 2017/18 	<p>SCRA has agreed to work with the Audit & Risk Committee to resolve these issues by aligning their performance report with best practice models in advance of the 2019/20 annual accounts.</p> <p> Recommendation 3 (refer appendix 1, action plan)</p>

Finding	Resolution
<p>should be provided. This section should be considered alongside the performance measures and information about business plan actions, showing the link between strategy/plan/output/outcomes and impact.</p> <ul style="list-style-type: none"> • Performance measures – The reader is referred to further information about progress on KPIs in the published Annual Report for 2018/19. Detailed information about progress against the KPIs should be included in the performance report itself. The performance measures themselves should be linked to key aims. <p>The Performance Report complies with the FReM but it would be more informative and effective if it included much of the information held in the separate Annual Report.</p>	

Source: Audit Scotland

How we evaluate misstatements

26. During our audit, it was brought to our attention by SCRA management that some costs which had been classified as expenditure in the draft accounts in fact related to development costs for the Case Management System (CMS) and should have been classified as assets under construction. The total amount was for £518k. The invoices were checked and were found to be satisfactory and capital in nature. Amendments were made to reduce the running costs in note 4 by £518k and increase the value of additions in intangible AUC (note 7) by £518k – bringing the total additions to intangible AUC up to £2,105k.

27. Other than the above, there were no other material adjustments to the unaudited annual report and accounts arising from our audit.

28. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management adjusted for all immaterial errors identified during the audit.

Follow up of prior year recommendations

29. SCRA has made good progress, in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial sustainability



Main judgements

The balance on SCRA's general fund has reduced significantly in recent years and now stands at a deficit position of £3.9 million in 2018/19. SCRA has a relatively high net liabilities position, due to the pension liability.

SCRA are aware of the relevant issues with regard to financial sustainability challenges, and have adequate medium to long term financial planning arrangements in place.

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.

Financial performance in 2018/19

30. The main financial objective for the SCRA is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government. The SCRA's net expenditure was £26.95m, and the funding from Scottish Government was £25.82m (£23.21m resource, £2.61m capital). The net excess of expenditure over income after grant in aid was £3.74m. This is mainly attributable to depreciation and amortisation costs of £0.98m, and an increase in IAS 19 adjustment to pension scheme contributions of £2.38m and pension net interest cost of £0.98m, which is not funded from grant in aid.

Short term financial planning

31. The SCRA is funded directly by Grant in Aid received from the Scottish Government. The SCRA also has other income streams (£391k in 2018/19) comprised mainly of shared services income (including rents) from Children's Hearings Scotland.

32. The SCRA submitted its 2019/20 draft budget to the sponsor department in March 2019 with a resource allocation of £24.3m which is £1.1m (4.7%) more than the 2018/19 budget allocation (£23.2m). The 2019/20 budget allocation was approved by the Scottish Government on 11 March 2019.

33. Funding from the SG is the SCRA's primary source of income and there is a greater degree of certainty over future funding streams than for some other public-sector organisations who are involved in income generating activities. Therefore, the main focus for the SCRA is achieving a balanced financial plan to remain within their annual allocation.

34. The financial statements show that in recent years the balance on SCRA's general fund has reduced significantly falling from deficit position of £0.4 million at 31 March 2017, to a deficit position of £3.9 million 31 March 2019.

35. The decrease is largely due to two areas of expenditure: depreciation and amortisation and pension scheme costs. These amounts are not funded through GiA, having a direct impact upon the general fund balance each year. The SCRA has received comfort from the SG in the form of a letter dated June 2013 which

allays their concerns in this area. Although the letter provides adequate comfort on the SCRA continuing as a going concern noting that there is a statutory ongoing obligation to provide the services that the SCRA delivers, we would recommend that the SCRA confirm that these assurances made from the SG remain current and appropriate, given the continual falling position of the general fund. This would be beneficial considering the recent McCloud pension rulings which have the potential to increase the deficit position further..



[Recommendation 4](#) (refer appendix 1, action plan)

Medium to long term financial planning

36. We reviewed the financial planning processes and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

37. The SCRA has a Strategic Plan covering 2017-2020 which includes a high level financial plan covering the period based on the assumed level of funding and estimated costs against each of its strategic objectives until 2021. Work is currently underway on the new Corporate plan 2020-2023.

38. The SCRA has recently produced an updated financial strategy 2020-2025 which essentially is a 5 year Financial Plan based on funding requirements and includes a number of funding scenarios with potential options to address funding gaps.

39. The plans include strategies to meet future savings targets, with a 1.5% per annum savings target built in over the period 2020/21 to 2024/25 which is estimated to deliver around £296-£331k of cost savings each year. The SCRA's strategies include making savings around staff vacancy management, reducing postage/printing and travel costs and reducing vacant space where possible. The SCRA also continues to scrutinise contracts to deliver better value while reducing costs, and create efficiencies by continuing to work closely with its partners.

40. We concluded that the SCRA is aware of the relevant issues with regard to financial sustainability challenges, and has adequate medium to long term financial planning arrangements in place.

EU Withdrawal

41. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

42. We considered the actions taken by the SCRA and any risks of EU withdrawal specific to them:

- Workforce – the SCRA responded to a survey sent out by the Scottish Government in February 2019. This specifically prompted the organisation to consider its workforce and any impact EU withdrawal could have. The SCRA employs fewer than five EU nationals from outside the UK, in two of the SCRA's core roles. It has concluded that EU withdrawal poses little risk to the organisation in respect of its workforce, due to the low numbers of staff affected.
- Funding – the SCRA does not anticipate that potential changes to EU funding streams will impact its ability to deliver services. The organisation does not receive any EU funding and is not reliant on EU funding.
- Regulation – the SCRA does not anticipate that potential changes to EU regulation will impact its ability to deliver services.

43. EU withdrawal is not considered a significant risk for the organisation and is not a standing item on the Board or Senior Management Team's Agendas. The SCRA will continue to monitor developments, be informed through their professional networks and Scottish Government colleagues and raise on an ad-hoc basis anything that meets the standard of needing a discussion or decision.

44. We have concluded that the SCRA has made sufficient preparations for EU withdrawal and that is is not currently a significant risk.

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Reconciliation between Fixed Asset Register (FAR) and all asset category records</p> <p>During our testing of IT disposals, we identified some instances where no supporting documentation for the disposals could be found. This makes it unclear if the disposal has been implemented on a timely basis. A full reconciliation between the FAR and the 'IT asset master spreadsheet' is required to ensure a correct record of current assets is maintained. A full reconciliation between the FAR and asset spreadsheets for other categories (Other equipment, plant and machinery, fixtures and fittings) should also be performed.</p> <p>Risk - Risk the FAR is inaccurate and creates potential for accounts to be mis-stated</p>	<p>The SCRA should ensure that full reconciliation between the FAR and the asset spreadsheets is performed on a regular basis.</p>	<p>Accepted. In addition to the current rolling programme of furniture and non-IT equipment asset verification office by office, SCRA will ensure a full annual reconciliation of IT assets is undertaken. SCRA will assess the current verification processes of other categories of asset and establish an appropriate timetable for periodic verification.</p> <p>Finance Manager January 2020</p>
2	<p>Formal impairment review</p> <p>The SCRA do sufficiently consider impairment of land and building assets through their property strategy work. For other non-current assets, there is no formal asset impairment review in place. Impairments are currently identified in an informal and ad hoc manner. With the material value of the non-current assets and the level of annual spend on creating new assets (digital project) we recommend that SCRA formalise annual impairment reviews across all categories of non current assets (including assets under construction).</p> <p>Risk - There is a risk that impairments in asset values are not appropriately identified, recorded and recorded</p>	<p>We recommend that the SCRA formalises annual impairment reviews across all categories of non current assets (including assets under construction)</p>	<p>Accepted. SCRA's EMT will agree and implement a policy of impairment reviews, based on the materiality of each asset class.</p> <p>Finance Manager January 2020</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p>Performance Report Issues</p> <p>The performance report could be better aligned to best practice in some areas:</p> <p>Statement from Chief Executive – This section should be used to set the scene and for the Chief Executive to outline from their perspective how the organisation has performed during the last year. It should also be used to look to the future.</p> <p>Performance Summary – It would be expected to see the information included within the Chief Executives statement included here, used to help tell a story.</p> <p>Performance Analysis – An update on the progress of the three core strategies implemented in 2017/18 should be provided. This section should be considered alongside the performance measures and information about business plan actions, showing the link between strategy/plan/output/ outcomes and impact.</p> <p>Performance measures – The reader is referred to further information about progress on KPIs in the published Annual Report for 2018/19. Detailed information about progress against the KPIs should be included in the performance report itself.</p> <p>In general, the Performance Report would be more informative and effective if it included much of the information held in the separate Annual Report.</p> <p>Risk - There is a risk that the Performance Report does not reflect the full picture of the SCRA's performance nor align with best practice.</p>	<p>We recommend that the SCRA reviews the Performance Report to better align with best practice.</p>	<p>SCRA management agreed with ARC to have a session in November 2019 looking at how we can align our Performance Report better with the best practice guide in advance of the 2019/20 accounts.</p> <p>Much of the work on the Annual Report information is scheduled to be undertaken after external audit, making it difficult to include in the audited Performance Report. For 2019/20 SCRA will consider options to address this point.</p> <p>Head of Finance and Resources</p> <p>December 2019</p>
4	<p>Assurances on falling general fund balance</p> <p>The balance on the SCRA's general fund has reduced significantly in recent years, falling to a deficit position of £3.9 million at 31 March 2019. This is largely due to two areas of expenditure: depreciation and</p>	<p>We recommend that the SCRA confirms that the assurances received from the SG remain current and appropriate, given the continual falling position of the general fund. This would be</p>	<p>Accepted. A new letter of reassurance will be obtained from Sponsor Team.</p> <p>Head of Finance and Resources</p> <p>December 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	amortisation and pension scheme costs. These amounts are not funded through GiA, having a direct impact upon the general fund balance each year. The SCRA has previously obtained assurances from the SG for this issue but these require review.	beneficial considering the recent McCloud pension rulings.	

Follow up of prior year recommendations

b/f	<p>Property rental write off</p> <p>A total of £20,969 has been written-off in 2016/17 & 2017/18 in relation to the entire rent due for these periods from an individual renting a SCRA-owned property.</p> <p>SCRA should consider what measures it could undertake to reduce the risk of similar circumstances arising in the future, as well as ensuring that where such circumstances do arise, they are highlighted and resolved swiftly to avoid further loss of income to the organisation.</p> <p>SCRA should also consider putting in place a bad debt provision to cover any such instances of irrecoverable debt that might arise in the future.</p> <p>Risk</p> <p>Risk of loss of income and bad debts not being accounted for in a timely manner.</p>	<p>SCRA should consider putting in place a bad debt provision to cover any such instances of irrecoverable debt that might arise in the future.</p>	<p>In response to a 2016/17 internal audit recommendation, SCRA implemented a system of actively following up overdue invoices on a monthly basis.</p> <p>The Executive Management Team (EMT) has considered a general bad debts provision and concluded this is not required not least as most of SCRA's income is received from other public bodies. Responsible officer: Head of Finance and Resources</p> <p>Agreed date: July 2018</p> <p>Closed</p>
b/f	<p>Savings target 2018/19</p> <p>The savings target for staff costs in 2018/19 which accounts for more than three quarters of the revenue budget has been set at 2.0% and SCRA plan to achieve this by non filling of vacant posts.</p> <p>Risk</p> <p>Given this target follows years successive years savings targets in this area, there is a risk that SCRA may find the savings target difficult to achieve.</p>	<p>SCRA should continue to review cost savings throughout 2018/19</p>	<p>The EMT and Board will continue to receive timely and robust forecasts from budget holders throughout 2018/19, assess the risks of failing to achieve savings targets, and respond appropriately. Responsible officer: Head of Finance and Resources</p> <p>Agreed date: March 2019</p> <p>In 2018/19 the total revenue savings target was 2%. SCRA achieved 4.4% partly due to the spend on voluntary severance being less than anticipated.</p> <p>Closed</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
b/f	<p>Committee information of SCRA website</p> <p>Regarding good practice in transparency and governance, we note that the level of information for Board and Audit Committee meetings published on the SCRA website could be improved.</p> <p>Risk</p> <p>Regarding good practice in transparency and governance, we note that the level of information for Board and Audit Committee meetings published on the SCRA website could be improved.</p>	<p>SCRA should consider publishing all agendas and papers for both the Board and Audit Committee, in a timely fashion following the meeting.</p>	<p>Board will consider current arrangements.</p> <p>Responsible officer: PR/CE</p> <p>Agreed date: December 2018</p> <p>Update from SCRA: Partially Implemented. Board minutes and Audit & Risk Committee agendas are published. The recommendation will be fully completed by November 2019.</p>
b/f	<p>West Lothian Civic Centre Lease</p> <p>The lease agreement for West Lothian Civic Centre has not been signed. This has been an ongoing issue for the Scottish Children's Reporter Administration for a number of years.</p> <p>Risk</p> <p>Without a formal lease agreement there is a risk that either party could terminate the agreement leading to operational instability and potential service disruption.</p>	<p>Management should ensure that the lease agreement is formally signed as soon as possible.</p>	<p>SCRA continues to press West Lothian Council for a signed lease and it is hoped that this will occur before the signing of the Accounts in September 2018.</p> <p>Responsible officer: Head of Finance & Resources</p> <p>Agreed date: 31 October 2017</p> <p>Update from SCRA: As at August 2019 the terms of the lease have been agreed, and the lease has been signed off.</p> <p>Closed</p>

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 Risk of 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. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries</p> <p>Review of accounting estimates</p> <p>Focused testing of accruals and prepayments</p> <p>Evaluation of significant transactions that are outside the normal course of business</p>	<p>We reviewed the appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements.</p> <p>We reviewed accounting estimates for biases and evaluated significant transactions that are outside the normal course of business.</p> <p>We carried out detailed testing of trade payable and trade receivable transactions to ensure that they were posted to the correct financial year.</p> <p>We performed substantive testing on a sample of transactions from each material category of expenditure with reference to supporting documentation to confirm that they were accounted for in the correct accounting period.</p> <p>Our conclusion is that there is no evidence of management override of controls at the SCRA.</p>
<p>2 Risk of fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.</p>	<p>Review work on National Fraud Initiative matches</p> <p>Assess high level key controls in relevant key financial systems</p> <p>Focussed substantive testing of expenditure</p>	<p>We reviewed work done by the SCRA on NFI matches.</p> <p>We assessed high level key controls within payroll, accounts payable and general ledger systems.</p> <p>We performed substantive testing on a sample of transactions from each material category of expenditure with reference to supporting documentation to confirm these were appropriately authorised and valid.</p>

Audit risk	Assurance procedure	Results and conclusions
		Our conclusion is that we found no evidence of fraud over expenditure from our testing.

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>3 Financial sustainability</p> <p>The financial statements show that in recent years there has been a significant reduction in the SCRA's General Fund, from £6.4million in 2014/15 to a negative position of £2.8million in 2017/18.</p> <p>There is a risk that any future deterioration in the financial position of the SCRA could reduce its ability to manage the impact of any further funding reductions from the Scottish Government.</p>	<p>Review financial planning arrangements.</p> <p>Review financial monitoring reports to confirm the expected final outturn position at the year end.</p>	<p>We reviewed the the SCRA's financial planning arrangements and financial monitoring reports.</p> <p>We found that the SCRA is aware of the relevant issues with regard to financial sustainability challenges, and have adequate medium to long term financial planning arrangements in place.</p> <p>Regarding the reduction in the General Fund, this is due to depreciation and amortisation and pension scheme costs, and the SCRA have received comfort from the Scottish Government in this area.</p>
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Appendix 3

Summary of national performance reports 2018/19

2018/19 Reports

Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Scottish Children's Reporter Administration

2018/19 Annual Audit Report

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