

# Scottish Parliamentary Corporate Body

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Parliamentary Corporate Body and the Auditor General for Scotland

11 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

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## 2018/19 annual report and accounts

- 1** The financial statements of the SPCB give a true and fair view of the state of affairs of the SPCB as at 31 March 2019 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.
- 2** The Auditor General for Scotland has issued an unqualified Independent Auditor's Report on the SPCB Annual Report and Accounts for 2018/19.
- 3** 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.
- 4** 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.

## Financial management

- 5** The SPCB has appropriate and effective arrangements in place for financial management.
- 6** Systems of internal control operated appropriately and effectively in 2018/19.

## Financial sustainability

- 7** The SPCB has appropriate and effective financial planning arrangements in place.
- 8** We have no concerns about the overall financial position of the SPCB.

## Governance and transparency

- 9** The SPCB has effective governance arrangements in place that support the scrutiny of decisions.
- 10** The SPCB is open and transparent in the way it conducts its business.

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# Introduction

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1. This report summarises the findings from our 2018/19 audit of The Scottish Parliamentary Corporate Body (SPCB).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 19 December 2018 meeting of the Advisory Audit Board. This report comprises the findings from:

- an audit of the SPCB's annual report and accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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3. The main elements of our audit work in 2018/19 have been:

- a review of the SPCB's main financial systems
- an audit of SPCB's 2018/19 annual report and accounts including the issue of an independent auditor's report setting out my opinions
- consideration of the value for money audit dimension of public audit is excluded from the scope of our audit of the Scottish Parliamentary Corporate Body.

## Adding value through the audit

4. We add value to the SPCB through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. In so doing, we aim to help the SPCB promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

6. The SPCB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers. The SPCB annual report and accounts includes the following:

- Performance Report
- Accountability Report (which includes the Corporate Governance Report, Remuneration and Staff Report and Parliamentary and Accountability Report)
- Financial statements and supporting notes.

7. The SPCB is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable the SPCB to successfully deliver its objectives.

8. 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 .

9. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

10. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

11. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. 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.

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

**13.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £71,610 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**14.** This report is addressed to both the SPCB and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

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

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# Part 1

## Audit of 2018/19 annual report and accounts

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### Main judgements

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**The financial statements of the SPCB give a true and fair view of the state of affairs of the SPCB as at 31 March 2019 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.**

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**The Auditor General for Scotland has issued an unqualified Independent Auditor's Report on the SPCB Annual Report and Accounts for 2018/19.**

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**The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.**

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**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.**

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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

**16.** The annual report and accounts for the year ended 31 March 2019 were approved by the Scottish Parliamentary Corporate Body on 26 September 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 were regular and in accordance with applicable enactments and guidance issued by Scottish Ministers
- 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.

**17.** Additionally, 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

**18.** We received the unaudited annual report and accounts on 05 July 2019 in line with our agreed audit timetable.



19. 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

20. 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.

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

### Materiality

22. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

23. 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 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively. [Exhibit 2](#)

24. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and and revised to reflect the out-turn.

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## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£1.031 million
Performance materiality	£0.773 million
Reporting threshold	£0.060 million

Source: Audit Scotland

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### Significant findings from the audit in accordance with ISA 260

25. 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.

### Qualitative aspects of the audit

26. We have no significant findings to report around the qualitative aspects (e.g. accounting policies, accounting estimates/judgements, significant financial statements disclosures, impact of uncertainties etc) of the 2018/19 accounting practices.

### **How we evaluate misstatements**

**27.** There were no material adjustments to the unaudited annual report and accounts arising from our audit.

### **Follow up of prior year recommendations**

**28.** The SPCB has fully implemented our prior year audit recommendation.

# Part 2

## Financial management



### Main judgements

The SPCB has appropriate and effective arrangements in place for financial management

Systems of internal control operated appropriately and effectively in 2018/19.

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

### Financial performance in 2018/19

**29.** The main financial objective for the SPCB is to ensure that the financial outturn for the year is within budget. The SPCB is funded directly from the Scottish Consolidated Fund with its budget approved by the Finance and Constitution Committee of the Scottish Parliament and netted off against the Scottish Block grant. This is then included in the annual Budget Bill figures presented by the Scottish Government.

**30.** The SPCB has reported an outturn of £103.2 million remaining within its overall budget for 2018/19 with an underspend of £1.9 million. The financial performance against budget is shown in [Exhibit 3](#).

### Exhibit 3

#### Performance against budget in 2018/19

Performance	Initial budget £m	Final budget £m	Outturn £m	Over (under) spend £m
Revenue budget	101.1	103.8	101.2	(2.6)
Capital budget	1.3	1.3	2.0	0.7
<b>Total budget</b>	102.4	105.1	103.2	(1.9)

Source: 2018/19 Budget Bill, 2018/19 Spring Budget Revision, 2018/19 Annual Report and Accounts

**31.** The SPCB underspent by £1.9 million in 2018/19. As with previous years, the variance in revenue expenditure was attributable to underspends on a range of areas including members' costs, Commissioners funding and Parliamentary services. The overspend on capital was primarily due to the Security Systems Replacement project.

## 2018/19 financial position

**32.** The Statement of Financial Position summarises what is owned and owed by the SPCB. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of physical assets.

**33.** The financial statements show that the SPCB:

- has net assets of £276 million, a decrease of £4 million from 2017/18, largely attributable to an increase in the valuation of pension fund liabilities.
- pension scheme remains in a deficit position with liabilities exceeding assets by £29.7 million representing 80% of the total liabilities of the SPCB at 31 March 2019 (2017/18 £24.7 million, 75%).

**34.** In accordance with the Scotland Act 1998 all expenses of the SPCB, including those relating to pension fund liabilities, are payable out of the Scottish Consolidated Fund.

## Budgetary processes

**35.** We reviewed the SPCB's budget setting and monitoring arrangements. From our review of budget monitoring reports and committee papers, and attendance at committees, we confirmed that senior management and members receive regular, timely and up to date financial information on the SPCB's financial position.

**36.** We concluded that the SPCB has effective budgetary processes that allow members and officers to carry out effective scrutiny of its finances.

## Systems of internal control

**37.** As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the SPCB has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**38.** Our findings from the review of systems of internal controls were included in the management report/letter presented to the Advisory Audit Board on 19 June 2019. We concluded that the controls tested were operating effectively. No significant internal control weaknesses were identified during the audit which could affect the SPCB's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

## Internal audit

**39.** We reviewed the SPCB's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit. We have placed reliance on the work of internal audit on MSPs' expenses for our 2018/19 financial statements audit responsibilities.

## Standards of conduct for prevention and detection of fraud and error

**40.** Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

**41.** We have reviewed the arrangements in place to maintain standards of conduct including the Staff and MSPs' Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

**42.** We have concluded that the SPCB has appropriate arrangements in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

## National Fraud Initiative

**43.** 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 irregularity.

**44.** NFI activity is summarised in [Exhibit 4](#). NFI data provided to the SPCB highlighted 387 matches for follow-up of which 63 were in respect of payroll and 324 in respect of creditor payments. The summary below details the progress made on payroll matches as at 30 June 2019. The review and clearance of creditor matches is in progress and details have not yet been uploaded to the NFI system. The exercise does not require to be completed until Spring 2020.

### Exhibit 4 NFI activity



63

Matches



2

Recommended for  
investigation

62

Completed/closed  
investigations

Source: NFI secure website: [www.nfi.gov.uk](http://www.nfi.gov.uk)

**45.** The SPCB check all high risk matches as well as all matches in reports where there are less than 40 matches. The balance of matches is checked on a sample basis, ensuring that at least 25% of these are investigated. No fraud has been identified on the matches investigated so far. The SPCB report the outcomes of the NFI exercise to the Advisory Audit Board and this is planned for December 2019.

**46.** Overall the SPCB continues to engage positively with the NFI process.

## ICT controls

**47.** As part of our overall audit work during 2018/19, we reviewed the SPCB's data protection and cyber resilience arrangements. We concluded that processes and policies in place were satisfactory.

# Part 3

## Financial sustainability



### Main judgements

**The SPCB has appropriate and effective financial planning arrangements in place**

**We have no concerns about the overall financial position of the SPCB**

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 planning

**48.** The SPCB submitted its 2019/20 draft budget to the Finance and Constitution Committee in December 2018 with a total budget requirement of £102.9 million which is £0.6 million (0.59 %) higher than the initial 2018/19 budget allocation.

**49.** The total 2019/20 SPCB budget includes £9.9 million of Commissioners and Ombudsman costs for which SPCB approves the annual budgets.

**50.** The SPCB's 2019/20 budget submission has remained in line with 2018/19 levels. The assumed revenue and capital expenditure has increased by £0.6 million (0.7%) and capital charges and non-cash funding has remained fairly static. There are no anticipated funding gaps.

**51.** The net increase in the budget submission is attributed to the result of inflation, offset by a one-off Officeholder relocation contingency in 2018-19 of £1.75m. If this one-off cost is excluded, the 2019-20 budget is £2.3m (2.7%) higher than the equivalent 2018/19 year budget.

**52.** The Budget was prepared amidst the uncertainty surrounding the UK's withdrawal from the European Union. In proposing its budgets for 2018/19 and 2019/20 the SPCB has identified to the Finance and Constitution Committee that EU withdrawal could further increase the powers of the Scottish Parliament.

**53.** The SPCB is taking steps to identify the impact of EU withdrawal on the Scottish Parliament and to ensure that it has the right level of skills and support available to cope with additional legislative and scrutiny demands. However, the uncertainty around the UK's withdrawal from the EU means that the full financial impact is not yet clear.

### Changing landscape for public financial management and medium to long term financial planning

**54.** Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity.

**55.** We reviewed the financial planning systems of the SPCB and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

**56.** The SPCB focuses on a medium term financial strategy with a plan in place to the end of the current parliamentary session with budget estimates up to 2020/21. The medium term financial plan addresses known pressures, anticipated risks and opportunities to improve the Parliament's performance in a planned and proportionate manner until the end of the session.

## EU withdrawal

**57.** 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.

**58.** During 2018/19 the SPCB budget included additional funding of £1.2m for staff costs to finance the appointment of 26 new FTE posts which included 13 posts at a cost of £0.64m to fulfil increasing scrutiny, legal, research and enquiry responsibilities from constitutional change and EU withdrawal. The Constitutional Issues Board (CIB) monitors EU withdrawal related matters and their potential impacts. The CIB has identified and considered a number of scenarios, including considerations of a “no-deal” withdrawal scenario.

**59.** The risk of insufficient capacity to keep pace with changes to the Parliament's powers has been included within the SPCB's corporate risk register. A suite of planning and detailed analysis documentation is subject to regular update and review by the CIB.

**60.** The SPCB is confident that the planned 2019/20 budget has given sufficient consideration to the implications of EU withdrawal, however, contingency funding has been set aside to deal with any unanticipated issues.

**61.** The SPCB has been proactive in recognising and considering issues relating to EU withdrawal. Exercises have been undertaken to assess the capacity of parliament to carry out its scrutiny role in relation to EU withdrawal and to assess the implications of changes to the Parliament's powers post withdrawal. Consideration has also been given to the impact of EU withdrawal on the SPCB's staff, in particular those from other EU member states.

# Part 4

## Governance and transparency



### Main judgements

The SPCB has effective governance arrangements in place that support the scrutiny of decisions

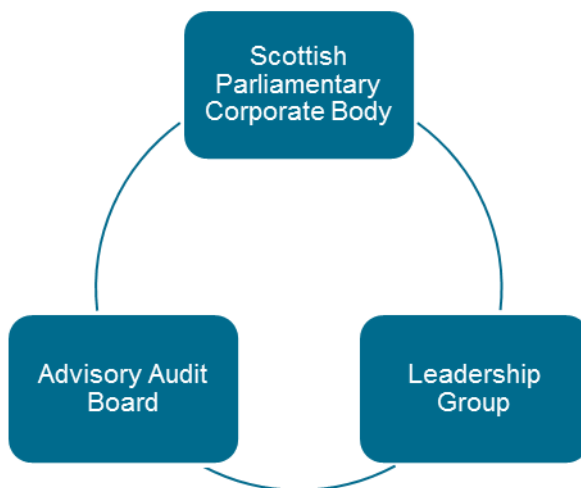
The SPCB is open and transparent in the way it conducts its business

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.

### Governance arrangements

62. The SPCB was established in May 1999 under The Scotland Act 1998. Its governance structure is shown in Exhibit 5.

### Exhibit 5 SPCB governance structure



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.

63. The SPCB comprises the Presiding Officer, and five other members of the Scottish Parliament elected by the Parliament. It is primarily concerned with ensuring that the Parliament is provided, with the property, staff and services required to fulfil its purposes.

64. The SPCB and the Principal Accountable Officer are supported in their role by the Advisory Audit Board (AAB). The Advisory Audit Board considers all matters of governance, audit, internal control, the assessment and management of risk, the planned activity of internal and external audit and the results of their work.



**65.** The AAB met four times in 2018/19. Agendas follow a standard format and papers are circulated to members in advance, allowing adequate time for members to review. From attendance at the AAB, we are satisfied that members provide appropriate scrutiny and challenge of officers in order to support the Principal Accountable Officer.

**66.** The Leadership Group (LG) is the SPCB's main management forum. The SPCB is responsible for setting the overall strategic direction and the Leadership Group is responsible for ensuring that the aims and objectives set by the members of the Corporate Body are achieved.

**67.** The role of the LG includes monitoring performance against agreed objectives and ensuring that the statutory requirements for the use of public funds are complied with. The Leadership Group is supported in its work by a number of advisory boards.

**68.** Our review of SPCBs' governance and accountability arrangements included reviewing a range of governance documents, minutes and agenda papers as well as attendance at Advisory Audit Board meetings.

**69.** We concluded that SPCB has appropriate governance arrangements which provide an effective framework for organisational decision making.

**70.** The Chief Executive, who has led the Corporate Body since its inception, will depart on 30 September 2019. The SPCB will need to ensure that all necessary arrangements continue to operate until a successor is in post. This will ensure that the incoming Chief Executive and Principal Accountable Officer inherits a robust and stable governance framework.

## Openness and transparency

**71.** There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

**72.** There is evidence from a number of sources which demonstrates the SPCB's commitment to transparency including:

- SPCB and LG papers and minutes being available for review on its website
- performance information is made available to the public
- useful guidance on how to access information about the Parliament's activities on its website
- details of the Parliament's members, information on their reimbursement of expenses claims and copy of their register of interest on its website.
- the financial statements providing an analysis of the categories of costs included within members expenses
- AAB minutes and agendas being included on SPCB website.

**73.** We concluded that the SPCB conducts its business in an open and transparent manner.

## Performance report

**74.** In addition to the opinion on the performance report covered in Part 1 of this report, we also consider the qualitative aspects of the performance report included in the annual report and accounts. The purpose of a performance report is to

provide information on a body, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and understandable analysis of a body's performance and, is essential in helping stakeholders understand the financial statements.

**75.** The SPCB's performance report clearly and concisely sets out in-year performance against high-level key performance indicators and provides details of progress and key achievements for each of the key activities in the Delivery Plan.

**76.** There are a number of characteristics of financial reporting which make for a high quality performance report. Audit Scotland has prepared good practice notes on improving the quality of accounts including the performance report and governance statement ([\*Good Practice Note: Improving the quality of central government annual report and accounts – performance reports\*](#), February 2019). This was shared with management.

**77.** We concluded that the SPCBs' performance report is in line with the requirements of the FReM.

### **Transparent reporting of financial and performance information**

**78.** The SPCB's Strategic Plan is supplemented by a Delivery Plan which underpins the purposes, vision, strategic goals and aims of the Scottish Parliament. It is designed to link these features with performance and risk management. Each of the priorities for change within the Strategic Plan has been assigned to an individual Leadership Group member who has delegated responsibility for appropriate governance arrangements.

**79.** Monitoring and reporting of performance measurement of the aims set out in the Delivery Plan is by a quarterly reporting mechanism, the Scottish Parliament Performance Report. The report measures performance against the SPCB's Aims and Priorities for Change using a red, amber, green (RAG) status and comprises of high-level strategic performance indicators to improve accountability and performance. The report also takes account of feedback from Members of the Parliament and reports the overall status for compliance in respect of Health and Safety; Fire Safety; Environment; Equalities and Freedom of Information; and strategic risk management. The performance reports are issued quarterly to the LG and the SPCB (as part of the Chief Executive's report). The reports provide clear information on performance against targets, which supports effective scrutiny and challenge.

**80.** In addition, regular finance reports are provided to LG and the SPCB (as part of the Chief Executive's report) to support effective scrutiny and challenge of the organisation's financial management.

# Appendix 1

## Follow up of prior year recommendations



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Buildings and fixed plant indexation</b></p> <p>An independent professional company revalued SPCB's land, buildings and fixed plant in 2014/15. The next valuation is scheduled for 2019/20 and appropriate indices are used in the intervening years to revalue those assets. The indices are used to calculate the indexation on cost or valuation and on depreciation in Note 7 Property Plant and Equipment in order to determine the estimated fair value at the year end.</p> <p>In the three year period following the 2014/15 valuation, the SPCB updated the cost or valuation indexation with the indices at the end of the financial year.</p> <p>However, in the same period, the SPCB updated the depreciation indexation with the indices at the start of the financial year.</p> <p>Due to the inconsistent application of indices, the net book value of the property plant and equipment and the revaluation reserve at 31 March 2018 in the unaudited financial statements were overstated by £1.086 million.</p> <p>We requested that the depreciation indexation for 2017/18 be amended to include the increase calculated at the end of the financial year.</p> <p>There was no need to correct the prior year balance as it</p>	<p>The SPCB has agreed to correct this timing difference and amended the 2017/18 financial statements accordingly. We examined the adjustment and concluded that it was correct.</p>	<p>No errors were identified in the 2018/19 testing of buildings and fixed plants indexation.</p> <p>No further action required: Closed.</p>



**No. Issue/risk**

was valued below our materiality level.



**Recommendation**



**Agreed management action/timing**

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<b>No.</b>	<b>Issue/risk</b>	<b>Recommendation</b>	<b>Agreed management action/timing</b>
	was valued below our materiality level.		

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# 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
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></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>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>	<p>Detailed testing of journal entries did not identify any inappropriate or unusual transactions.</p> <p>The review of accounting estimates did not identify any area of possible management bias.</p> <p>The focused testing of accruals and prepayments found no errors.</p> <p>No significant transactions outside the normal course of business were identified.</p> <p>We concluded that there was no indication of management override of controls.</p>
<p><b>2 Risk of fraud over expenditure</b></p> <p>The Code of Audit Practice and Practice Note 10 extend the assumptions within ISA240 to the risk of fraud over expenditure.</p> <p>The risk of fraud over expenditure applies to the SPCB due to the nature and extent of expenditure incurred in supporting members.</p>	<ul style="list-style-type: none"> <li>• Analytical procedures on expenditure streams.</li> <li>• Detailed testing of expenditure transactions.</li> <li>• Review and reperformance of internal audit work on members' expenses.</li> </ul>	<p>Analytical procedures on expenditure streams did not identify any unusual transactions.</p> <p>Detailed testing of expenditure transactions did not identify any fraudulent transactions.</p>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>3 New powers and EU withdrawal</b></p> <p>The Scottish Parliament's powers are changing substantially as a result of both the Scotland Act 2012 and the Scotland Act 2016.</p>	<ul style="list-style-type: none"> <li>• Review the work of the Constitutional Issues Board in managing the impact and preparedness for the implementation of the new powers.</li> <li>• Continuing review of the reports to the SPCB on the</li> </ul>	<p>Review of the work of the Constitutional Issues Board shows that SPCB continues to make arrangements to manage the impact of EU withdrawal.</p>

<b>Audit Risk</b>	<b>Assurance procedure</b>	<b>Results and conclusions</b>
<p>Further new powers may follow, as a consequence of the UK's withdrawal from the European Union. As well as increasing responsibility for raising revenues and social security, these new powers will also bring new opportunities and challenges.</p> <p>Future changes in the Parliament's powers may place additional pressures on the parliamentary service and there is a risk that the service lacks the capacity to ensure the provision of high quality support and resources to Members.</p>	<p>effectiveness of the mitigating actions aimed at managing the risk of the lack of capacity of the parliamentary service.</p>	

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# Appendix 3

## Summary of national performance reports 2018/19

		 <b>2018/19 Reports</b>	
Local government in Scotland: Challenges and performance 2018		<b>Apr</b>	
Councils' use of arm's-length organisations		<b>May</b>	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		<b>Jun</b>	
		<b>Jul</b>	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		<b>Aug</b>	 Major project and procurement lessons
Children and young people's mental health		<b>Sept</b>	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		<b>Oct</b>	
Health and social care integration: update on progress		<b>Nov</b>	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		<b>Mar</b>	 Local government in Scotland: Challenges and performance 2019

### Central Government relevant reports

[Scottish Fire and Rescue Service: an update](#) – May 2018

[Scotland's colleges 2018](#) – June 2018

[The National Fraud Initiative in Scotland 2016/17](#) – July 2018

[Forth Replacement Crossing](#) – August 2018

[Major project and procurement lessons](#) – August 2018

[Superfast broadband for Scotland: further progress update](#) – September 2018

# Scottish Parliamentary Corporate Body

## 2018/19 Annual Audit Report

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