

Crown Office and Procurator Fiscal Service

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for Crown Office and Procurator Fiscal Service

3 March 2022

Contents

Introduction	3
Financial statements audit planning	5
Audit dimensions and Best Value	9
Reporting arrangements, timetable, and audit fee	12
Other matters	15

Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2021/22 external audit of Crown Office and Procurator Fiscal Service (COPFS). The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of, and provision of an Independent Auditor's Report
- an audit opinion on regularity and other statutory information published within the annual report and accounts including the Performance Report, the Governance Statement and the Remuneration and Staff Report
- consideration of arrangements in relation to the audit dimensions: financial management, financial sustainability, governance and transparency and value for money that frame the wider scope of public sector audit
- consideration of Best Value arrangements
- review COPFS' participation in the National Fraud Initiative.

Impact of Covid-19

2. The coronavirus disease (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

3. The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required.

Adding value

4. We aim to add value to COPFS through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we will help COPFS promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Audit and Risk Committee and actively participate in discussions.

Respective responsibilities of the auditor and COPFS

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and COPFS. Key responsibilities are summarised below.

Auditor responsibilities

6. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

7. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

COPFS responsibilities

8. COPFS is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

9. Also, COPFS has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

Managing the transition to 2022/23 audits

10. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

Financial statements audit planning

Materiality

11. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2021/22 audit

12. We assess materiality at different levels. The materiality values for COPFS are set out in [Exhibit 1](#).

Exhibit 1

2021/22 Materiality levels for COPFS

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 2022 based on the latest audited financial statements for 2020/21.	£2.5 million
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 assessed performance materiality at 65% of planning materiality.	£1.6 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£125,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. Our risk assessment draws on our cumulative knowledge of COPFS, its major transaction streams, key systems of internal control and risk management

processes. Also, it is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

14. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2021/22 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Source(s) of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Consider the need to test journal entries and other adjustments during the period.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting</p>

Significant risk of material misstatement	Source(s) of assurance	Planned audit response
		<p>estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>
<p>2. Estimation and judgements over provisions and contingent liabilities</p> <p>There is a significant degree of subjectivity in the measurement of material account areas of provisions and contingent liabilities.</p> <p>COPFS is required to evaluate whether any legal cases against it require disclosure by the time the annual accounts are signed by the Accountable Officer.</p> <p>It is essential that each disclosure is based on sound professional judgement.</p> <p>There is a risk of misstatement in the accounts over the completeness, presentation, and disclosure of these items.</p>	<p>Assessment of all potential provisions together with assessing potential liability and likelihood of settlement.</p> <p>Information and supporting evidence for provisions are provided to finance by COPFS functions.</p> <p>Finance staff receive regular training to ensure knowledge of accounting standards is maintained.</p>	<p>Review the information provided by legal counsel to assess for completeness.</p> <p>Obtain an understanding of management's involvement in the estimation process to assess if appropriate oversight has occurred.</p> <p>Critically assess the adequacy of the COPFS disclosures regarding the assumptions in relation to contingent liabilities.</p>

Source: Audit Scotland

15. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for COPFS because while the possibility of fraud exists, we do not judge it to be significant risk because 99% of COPFS' income comes directly from the Scottish Government as grant in aid funding with the remaining income coming through predictable income streams such as the

LINETs subscriptions and the annual recharge to the Queen's and Lord Treasurer's Remembrancer.

16. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this risk for COPFS because there are limited opportunities to manipulate the way expenditure is incurred, with 60% of expenditure processed through the payroll system and 40% processed through the purchase to pay system. We also separately audit the provision in relation to ongoing litigation which is noted in [Exhibit 2](#) above.

17. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

18. As part of our assessment of audit risks, we have identified one other area where we consider there is risk of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider this to represent significant risk. We will keep this area under review as our audit progresses. If our assessment of risk changes and we consider this risk to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly. The area of specific audit focus is:

- **Property, Plant and Equipment** - COPFS held land and buildings with a NBV in excess of £21 million as at 31 March 2021, with land and buildings revalued on a three-year rolling basis. An external valuer carries out valuations of land and buildings. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. There is also the risk, for those assets that have not been subject to revaluation in year, that the carrying value does not reflect current value.

Audit risk assessment process

19. The audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and, where relevant, report them to those charged with governance.

Audit dimensions and Best Value

Introduction

20. The [Code of Audit Practice](#) sets out the four dimensions that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the audit dimensions in audited bodies.

Audit dimensions

21. The four dimensions that frame our audit work are shown in [Exhibit 3](#).

Exhibit 3

Audit dimensions



Source: Code of Audit Practice

22. In summary, the four dimensions cover the following:

- **Financial management** – financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual

audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years).

- **Governance and transparency** – 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.
- **Value for money** – value for money refers to using resources effectively and continually improving services.

Duty of Best Value

23. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within COPFS.

Audit dimension risks

24. We have identified audit risks in the areas set out in [Exhibit 4](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 4

2021/22 Audit dimension risks

Description of risk	Sources of assurance	Planned audit response
<p>1. Procurement contract for morbid toxicology and post mortem</p> <p>The pathology and toxicology contract remains the largest and most significant procurement exercise in COPFS and has been ongoing for several years.</p> <p>Discussions with officers indicate approximately 20% increase in volume of cases but the backlog is being addressed.</p> <p>There remains an overall risk to continuity of the service and wider reputational and operational</p>	<p>Appropriate external expertise has been sourced and dedicated to negotiating and delivering a revised contractual structure for all Pathology services.</p> <p>A Pathology Programme Board made up of key internal and external stakeholders is in place and managing the delivery of the revised service structure.</p> <p>Regular updates are provided to the Senior Executive Team and Executive Board. The necessary action plans are in place to manage and mitigate risk with appropriate</p>	<p>Review and comment in the annual audit report on the pace and progress in implementing the contract.</p>

Description of risk	Sources of assurance	Planned audit response
risks specifically for the investigation of deaths and resultant KPIs.	updates provided to the Pathology Programme Board and Risk Management Group.	

Source: Audit Scotland

Reporting arrangements, timetable, and audit fee

Reporting arrangements

25. Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 5](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

26. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

27. We will provide an independent auditor's report to COPFS, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide COPFS and the Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

28. [Exhibit 5](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by 31 August 2022, consistent with the date set by the Scottish Government. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19.

Exhibit 5 2020/21 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	3 March 2022	3 March 2022
Independent Auditor's Report	24 August 2022	24 August 2022
Annual Audit Report	24 August 2022	24 August 2022

Source: Audit Scotland

Timetable

29. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 6](#) that has been discussed with management.

30. Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. To this end, 2021/22 is a transition year with the reporting deadline brought forward by one month relative to the two prior years. We are identifying ways to work more efficiently to expedite the 2021/22 audits whilst at the same time maintaining high standards of quality.

31. We will continue to work in close partnership with management with clarity over timescales and the requirement for high quality unaudited accounts and supporting working papers. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 6

Proposed annual report and accounts timetable

Key stage	Provisional Date
Consideration of the unaudited annual report and accounts by those charged with governance	25 May 2022
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	30 May 2022
Latest date for final clearance meeting with the Director of Finance and Procurement	1 August 2022
Issue of Letter of Representation and proposed Independent Auditor's Report	8 August 2022
Agreement of audited and unsigned annual report and accounts	8 August 2022
Issue of Annual Audit Report to those charged with governance.	24 August 2022
Signed Independent Auditor's Report	24 August 2022
Latest date for signing of SG Consolidation return	31 August 2022

Source: Audit Scotland

Audit fee

32. The proposed audit fee for the 2021/22 audit of COPFS is £108,800 (2020/21: £106,630). In determining the audit fee, we have taken account of the risk exposure of COPFS, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

33. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and accounts, the absence of adequate supporting working papers or being unable to take planned reliance from the work of internal

audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Other matters

Internal audit

34. International standards on Auditing (UK) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect on external audit procedures;
- obtain an understanding of internal audit activities to inform our planning and develop an effective audit approach that avoids duplication of effort;
- perform a preliminary assessment of the internal audit function when there is scope for relying on internal audit work which is relevant to our financial statements' responsibilities; and
- evaluate and test the work of internal audit, where use is made of that work for our financial statements responsibilities to confirm its adequacy for our purposes.

35. From our initial review of the internal audit plans, we do not plan to place formal reliance on internal audit's work for our financial statements' responsibilities. We do however consider the findings of Internal Audit to inform our wider dimension audit responsibilities.

Independence and objectivity

36. Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

37. The engagement lead (i.e. appointed auditor) for COPFS is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of COPFS.

Quality control

38. International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

39. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

40. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Crown Office and Procurator Fiscal Service Annual Audit Plan 2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk