

# Scottish Biometrics Commissioner

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for the Scottish Biometrics Commissioner

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# Introduction

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## Summary of planned audit work

**1.** This document summarises the work plan for our 2021/22 external audit of the Scottish Biometrics Commissioner (SBC). The main elements of our work include:

- an audit of the annual accounts, and provision of an Independent Auditor's Report
- an audit opinion on regularity of expenditure and income
- forming an opinion on other statutory information published within the annual report and accounts, including the Remuneration Report, the Governance Statement and the Remuneration and Staff Report
- consideration of arrangements in relation to the audit dimensions: financial sustainability, and governance and transparency arrangements in place.

## Impact of Covid-19

**2.** The 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 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 the Scottish Biometrics Commissioner 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 the SBC promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Audit Advisory Board and actively participate in discussions.

## Respective responsibilities of the auditor and the Scottish Biometrics Commissioner

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

### Auditor responsibilities

6. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 (CG bodies) 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.

### The Scottish Biometrics Commissioner responsibilities

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

9. In addition, the SBC 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.

# Financial statements audit planning

## Materiality

**10.** 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

**11.** We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for the SBC are set out in [Exhibit 1](#).

## Exhibit 1

### 2021/22 Materiality levels for the Scottish Biometrics Commissioner

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 2% of budgeted expenditure for the year ended 31 March 2022 based on the Financial Memorandum.	£10,820
<b>Performance materiality</b> – 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 50% of planning materiality.	£5,410
<b>Reporting threshold (ie clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£270

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**12.** Our risk assessment draws on our cumulative knowledge of the SBC, its major transaction streams, key systems of internal control and risk management processes. Also, it is informed by our discussions with management, attendance at the Audit Advisory Board meetings and a review of supporting information.

**13.** 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	Sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></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>	<ul style="list-style-type: none"> <li>• Detailed testing of journals.</li> <li>• Testing to supporting documentation for a sample of transactions</li> <li>• Review of accounting estimates</li> <li>• Evaluation of significant transactions that are outside the normal course of business</li> <li>• Substantive testing of transactions after the year end to confirm transactions have been accounted for in the correct financial year</li> <li>• Testing of accounting adjustments at the year-end.</li> </ul>
<p><b>2. Risk of material misstatement caused by fraud in expenditure</b></p> <p>As set out in Practice Note 10 (revised), issued by the Financial Reporting Council, most public sector bodies are net expenditure bodies and the risk of fraud is</p>	<p>Regular budget monitoring reports are prepared by the Scottish Parliamentary Corporate Body (SPCB) on behalf of SBC</p>	<ul style="list-style-type: none"> <li>• Review budget monitoring reports</li> <li>• Review expenditure cut-off procedures and substantive testing of pre and post year end balances.</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
more likely to occur in expenditure.		

Source: Audit Scotland

**14.** 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. The SBC does not generate any income and therefore we have not incorporated specific work into our audit plan over and above our standard audit procedures.

### Other areas of audit focus

**15.** As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses. If our assessment of risk changes and we consider these risks to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

**16.** The area of specific audit focus is:

- **Accounts Preparation**

This is the first year the SBC will prepare their annual report and accounts. There is a risk that the financial statements and relevant disclosures are not prepared in line with the appropriate guidance and requirements or in accordance with the statutory timetable. The accounts will be prepared by the SPCB and reporting requirements have been discussed with the AAB. We will continue to have ongoing discussions with SBC over accounts preparation.

### Audit risk assessment process

**17.** 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.

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# Audit dimensions and Best Value

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## Introduction

18. 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

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

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### Exhibit 3

#### Audit dimensions



Source: Code of Audit Practice

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20. 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. This is the first year of the SBC audit and the Accountable Officer should ensure he has suitable assurances over the systems of internal control to enable him to sign off the Governance Statement.
- **Value for money** – value for money refers to using resources effectively and continually improving services.

**21.** The Code of Audit Practice includes provisions relating to the audit of less complex bodies. Where the application of the fuller audit scope is judged by auditors not to be appropriate to an audited body then the audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. We plan to apply these provisions of the Code to the 2021/22 audit of SBC in light of the low volume and lack of complexity of the financial transactions.

## Duty of Best Value

**22.** [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 adequate arrangements are in place within the SBC.

## Audit dimension risks

**23.** We have identified one audit risk 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.

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### Exhibit 4

#### 2021/22 Audit dimension risks

Description of risk	Sources of assurance	Planned audit response
<p><b>1. Governance and Transparency</b></p> <p>An independent internal audit function has not been appointed and therefore there is a risk that governance,</p>	<ul style="list-style-type: none"> <li>• Commissioner in liaison with the SPCB</li> <li>• Ongoing discussions with SBC</li> </ul>	<p>We will review the procedures adopted by the Commissioner to obtain assurances for the Governance Statement.</p>

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Description of risk	Sources of assurance	Planned audit response
<p>decision-making and scrutiny arrangements are not robust.</p> <p>No internal audit function appointed this year as the Commissioner's office was not fully staffed until January 2022. The Commissioner should ensure that suitable assurances can be provided for the purposes of the requirements of the Governance Statement.</p>		

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Source: Audit Scotland

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# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**24.** 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](http://www.audit-scotland.gov.uk).

**25.** 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 SBC to confirm factual accuracy.

**26.** We will provide an independent auditor's report to the SBC, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide the SBC 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.

**27.** [Exhibit 5](#) outlines the target dates for our audit outputs. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19.

## Exhibit 5 2021/22 Audit outputs

Audit Output	Target date	Audit Advisory Board Date
Annual Audit Plan	30/04/2022	tbc
Independent Auditor's Report	September 2022 (tbc)	tbc
Annual Audit Report	September 2022 (tbc)	tbc

Source: Audit Scotland



## Timetable

**28.** 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 the SBC.

**29.** We will continue to work in close partnership with management over the course of the audit.

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### Exhibit 6 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	07 June 2022
Latest date for final clearance meeting with the Accountable Officer	21 June 2022
Issue of Letter of Representation and proposed Independent Auditor's Report	September 2022 (tbc)
Issue of Annual Audit Report to those charged with governance.	September 2022 (tbc)
Signed Independent Auditor's Report	September 2022 (tbc)

Source: Audit Scotland

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## Audit fee

**30.** The proposed audit fee for the 2021/22 audit of the SBC is £8,082. In determining the audit fee, we have taken account of the risk exposure of the SBC and the planned management assurances in place.

**31.** 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.

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# Other matters

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## Independence and objectivity

**32.** 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.

**33.** The engagement lead (i.e. appointed auditor) for the SBC is Tommy Yule, Senior Audit Manager. 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 the SBC.

## Quality control

**34.** 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.

**35.** 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.

**36.** 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.

# Scottish Biometrics Commissioner

## 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](http://www.audit-scotland.gov.uk/accessibility)

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