

# Scottish Parliamentary Corporate Body

2020/21 Annual Audit Report



 AUDIT SCOTLAND

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

September 2021

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# Key messages

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## 2020/21 annual report and accounts

- 1 The Auditor General for Scotland has issued unmodified audit opinions on the annual report and accounts.
- 2 The financial statements of the Scottish Parliamentary Corporate Body (SPCB) give a true and fair view of the financial position as at 31 March 2021 and of its net operating expenditure.
- 3 The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.
- 4 The annual report and accounts have been properly prepared in accordance with the financial reporting framework.

## Financial management and sustainability

- 5 The SPCB had appropriate financial management arrangements in place.
- 6 The SPCB operated within its revised budgetary limits in 2020/21.
- 7 The SPCB has appropriately designed its systems of internal control and has maintained standards for the prevention and detection of fraud and error.
- 8 An operating budget of £124.5 million has been agreed for 2021/22 and an indicative budget of £122.6 million in 2022/23
- 9 Following the May 2021 election the SPCB is working to create a new Strategic Plan and a medium term financial plan which will be supported by a strategic resource review.

## Governance and transparency

- 10 Appropriate governance arrangements were in place during 2020/21 and continue to develop. Governance arrangements and controls operating throughout the Covid-19 pandemic were appropriate.
- 11 The SPCB has appropriate arrangements in place to demonstrate compliance with the Equality Act 2010 in line with applicable regulations.

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# Introduction

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1. This report summarises the findings from our 2020/21 audit of the Scottish Parliamentary Corporate Body (the SPCB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2021 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](#) with the exception of value for money which is excluded from the scope of our audit of the SPCB.
3. The main elements of our audit work in 2020/21 have been:
  - an audit of the SPCB's 2020/21 annual report and accounts including the issue of an independent auditor's report setting out our opinions
  - a review of the SPCB's key financial systems
  - consideration of financial management, financial sustainability and governance and transparency.
4. The global coronavirus pandemic has had a considerable impact on all public bodies during 2020/21 and the SPCB has adapted its processes to allow operations to continue. Risks related to the pandemic were included in our Annual Audit Plan (AAP).

## Adding value through the audit

5. We add value to the SPCB through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - 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.

## Responsibilities and reporting

6. The SPCB 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 the Scottish Ministers.

**7.** The SPCB is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**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. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the suitability and effectiveness of corporate governance arrangements, the financial position, and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**9.** This report raises matters from our audit. 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](#). It sets out specific recommendations, the responsible officers and dates for implementation. It also includes any outstanding actions from last year and progress against these.

## Auditor Independence

**11.** When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**12.** 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 2020/21 audit fee of £74,860 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**13.** 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.

**14.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

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# 1. Audit of 2020/21 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

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## Main judgements

The Auditor General for Scotland has issued unmodified audit opinions on the annual report and accounts.

The financial statements of the SPCB give a true and fair view of the financial position as at 31 March 2021 and of its net operating expenditure.

The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

The annual report and accounts have been properly prepared in accordance with the financial reporting framework.

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## Audit opinions on the annual report and accounts are unmodified

**15.** The annual report and accounts for the year ended 31 March 2021 were approved by the SPCB on 23 September 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were 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.

## The Covid-19 pandemic did not adversely impact our audit

**16.** The unaudited annual report and accounts were received on 16 July 2021 in line with our agreed audit timetable.

**17.** The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the Covid-19 outbreak.

**18.** The working papers provided to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly. We were able to obtain sufficient and appropriate audit evidence to support our audit opinions.

### Overall materiality was £1.09 million

**19.** Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

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#### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£1.09 million
Performance materiality	£0.82 million
Reporting threshold	£55 thousand

Source: Audit Scotland

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### Conclusions on audit work to address risks of material misstatement

**20.** Our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks identified in our Annual Audit Plan are included at [Appendix 2](#). These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

### Significant findings from the audit of the annual report and accounts

**21.** 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 SPCB's accounting practices.

**22.** The significant findings are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings from the audit of financial statements

Issue	Resolution
<p><b>1. Related party disclosures</b></p> <p>All members of the SPCB Leadership Group (LG) are required to disclose their interests in line with SPCB procedures. Accounting standards state that when identifying potential related parties, the interests of LG members close family should also be considered. There is no evidence from the register of interests that the SPCB considers the interests of LG members close family.</p>	<p>The SPCB has a range of controls which provide assurance over the completeness of related party disclosures including:</p> <ul style="list-style-type: none"> <li>• procurement policies which are available to all staff include Ethical Standards and Conflict of Interest Guidance for SPCB procurements.</li> <li>• the staff handbook clearly recognises that conflicts of interest may arise from family and other personal relationships.</li> </ul> <p>We are satisfied the risk of material undisclosed related parties is low, however, we would recommend the SPCB update guidance to require LG close family members interests to be included in the registers of interest.</p> <p><b>Recommendation 1</b> (refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

### Identified misstatements of £9.566 million were adjusted in the annual report and accounts

**23.** Total misstatements identified were £9.566 million.

**24.** The adjustment relates to the release of revaluation surplus from the revaluation reserve to the general fund. We have reviewed the nature and cause of this misstatement and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. We did not consider it necessary to conduct additional testing.

**25.** Adjustments made in the audited accounts decreased total comprehensive expenditure in the Statement of Comprehensive Net Expenditure by £2.936m, being the release of revaluation surplus from the revaluation reserve to the general fund, with no change to the net assets in the Statement of Financial Position. In addition, there was a prior year adjustment reflecting a movement from the revaluation reserve to the general fund of £6.630m.

**26.** 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 have adjusted all identified misstatements above our reporting threshold; there are no unadjusted errors to report.

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

**27.** In 2019/20 we highlighted that there was insufficient evidence that the Leadership Group had provided a complete register of interests in line with SPCB procedures. Our review in 2020/21 found that from a sample of three individuals within the Leadership Group, the register of interests was not held for one individual and there was no confirmation that they held no interests. There was insufficient evidence to conclude that registers of interests were being completed in line with SPCB procedures and the action raised in 2019/20 is outstanding.

**28.** Revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).

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## 2. Financial management

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

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### Main judgements

The SPCB had appropriate financial management arrangements in place.

The SPCB operated within its revised budgetary limits in 2020/21.

The SPCB has appropriately designed its systems of internal control and has maintained standards for the prevention and detection of fraud and error.

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### The SPCB operated within its revised budget in 2020/21

**29.** The main financial objective for the SPCB is to ensure that the financial outturn for the year is within resource and cash budgets. 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 £111.4 million against its overall budget for 2020/21 with an underspend of £0.5 million. The SPCB is also expected to operate within a cash budget and in 2020/21 an underspend of £0.6 million against a total budget of £95.5 million was reported.

**31.** The financial performance against budget is shown in [Exhibit 3](#).

**Exhibit 3****Performance against budget in 2020/21**

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource budget	106.3	111.0	109.1	(1.9)
Capital budget	0.9	0.9	2.3	1.4
<b>Total budget</b>	<b>107.2</b>	<b>111.9</b>	<b>111.4</b>	<b>(0.5)</b>
<b>Cash budget</b>	<b>94.6</b>	<b>95.5</b>	<b>94.9</b>	<b>(0.6)</b>

Source: 2020/21 Budget Bill, 2020/21 Spring Budget Revision, 2020/21 Annual report and accounts

**32.** The SPCB's budget was increased as part of the Spring Budget Revision and the majority of the £4.7 million increase related to non-cash items such as movement in actuarial assumptions. The increase relating to cash items £0.9 million was for budget transfers associated with additional responsibilities for Officeholders.

**33.** We reviewed the SPCB's budget setting and monitoring arrangements in 2020/21 and throughout the year the SPCB has forecast an underspend position which was within 2 per cent of the actual position at the year end.

**34.** The SPCB incurred increased costs due to additional expenditure as a result of Covid-19. The costs associated with Covid included broadcasting support for hybrid virtual parliamentary business and the creation of a digital voting system along with additional cleaning and catering costs. The increased costs were offset by savings in travel and expenses and corporate events expenditure. In addition, the SPCB utilised contingency funding to meet the costs of Covid-19.

**35.** The SPCB reported underspends on a range of areas including Members' costs and Commissioners' funding. The overspend on capital was due to planned capital expenditure on security of the service yard as well as bringing forward from 2021/22 planned capital expenditure on IT election kit.

**36.** 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. The SPCB has appropriate budget setting and monitoring arrangements.

**Financial systems of internal control are operating effectively**

**37.** Our management letter presented to the Advisory Audit Board in June 2021 concluded our findings from the review of systems of internal controls. We concluded that the system of controls was designed appropriately. 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

**38.** The SPCB's internal audit function is carried out by the SPCB Internal Audit team. The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to provide an annual internal audit opinion and report that can be used to inform the annual governance statement.

**39.** We reviewed the SPCB's internal audit function in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent to which we could use the work of internal audit. We have placed reliance on the work of internal audit on MSPs' expenses and payroll for our 2020/21 financial statements audit responsibilities.

## Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

**40.** The SPCB is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, the SPCB is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**41.** We have reviewed the arrangements in place to maintain standards of conduct including 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.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The SPCB has made good progress in its review of the matches identified by the NFI analysis. No instances of fraud or irregularity have been identified to date

**43.** We concluded that there are appropriate arrangements in place for the prevention and detection of fraud, error and irregularities. We are not aware of any specific issues that we need to bring to your attention.

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# 3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

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## Main judgements

An operating budget of £124.5 million has been agreed for 2021/22 and an indicative budget of £122.6 million in 2022/23

Following the May 2021 election, the SPCB is working to create a revised Strategy which will be supported by a strategic resource review and medium term financial plan.

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## Short term financial planning

**44.** The SPCB's 2021/22 budget was approved by the Finance and Constitution Committee in January 2021. The agreed budget for 2021/22 is £124.5 million, an increase of 11.3 per cent from the final 2020/21 budget.

**45.** The increase in budget reflects the increased costs associated with the May 2021 elections and £3 million was built into the budget to cover Members resettlement grants, winding up and start up costs. Members expenses were also forecast to increase due to recommendations arising from a review of the Staff Costs Provision to be implemented from the start of the new parliamentary session in 2021/22.

**46.** The SPCB identified that Covid-19 had a significant impact on service delivery and budget in 2020/21. The budget for 2021/22, although based on a normal year, has been adapted for the revised costs of running a hybrid Parliament. It also reflects the work conducted in 2020/21 to create a more sustainable operating model in light of the pandemic.

**47.** The impact of EU withdrawal has been considered when developing the budget but there was no increase to the forecast costs as a result. The SPCB considered that they had taken action to ensure the right level of skills and support to members to provide a stable platform from which to cope with the emerging legislative and scrutiny demands. There is an ongoing risk in this area and the SPCB continues to monitor issues through the Constitutional Issues Board, Brexit Legislation Working Group and through a strategic resource review to establish a sustainable staffing baseline.

**48.** The SPCB has built contingency into the budget to address any unforeseen financial pressures, including those arising from Covid-19 and EU withdrawal.

## Medium term financial planning

**49.** The approved 2021/22 budget included indicative figures for 2022/23. The 2022/23 forecast net expenditure had reduced to £122.6 million which is a decrease of 1.5 per cent compared to the approved 2021/22 budget. This reflects a return to normal business following the election year.

**50.** The SPCB focuses on a medium term financial strategy aligned to the parliamentary sessions. Following the election in May 2021 the sixth parliamentary session has commenced.

**51.** The SPCB is currently finalising its Session 6 Strategic Plan. The Leadership Group is working on a Delivery Plan and a strategic resource review to support the strategy and establish a sustainable staffing baseline for the remainder of the Session. The immediate priority is to prepare the submission for the 2022/23 budget bid including an indicative for 2023/24 budget bid alongside a medium term financial plan.

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# 4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

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## Main judgements

Appropriate governance arrangements are in place and continue to develop. Governance arrangements and controls operating throughout the Covid-19 pandemic were appropriate.

The SPCB has appropriate arrangements in place to demonstrate compliance with the Equality Act 2010 in line with applicable regulations.

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## The governance arrangements are appropriate and support effective oversight of its activities and finances

**52.** The SPCB was established in May 1999 under The Scotland Act 1998. 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.

**53.** The election in May 2021 has resulted in a change to the Presiding Officer, Deputy Presiding Officers and the SPCB membership.

**54.** The SPCB and the Principal Accountable Officer are supported in their role by the Advisory Audit Board and the Leadership Group.

**55.** Based on our attendance at Advisory Audit Board meetings and review of minutes, we have concluded that appropriate arrangements are in place to support good governance, accountability, and scrutiny of the SPCB's activities.

## The governance arrangements and controls operating throughout the Covid-19 pandemic were appropriate

**56.** The impact of Covid-19 on the SPCB has been detailed in the governance statement included in the annual report and accounts. We reported in last year's annual report on the revised governance arrangements introduced by the SPCB to respond to the pandemic. These included:

- an Incident Management Team and a Communications Team were established

- two assistant clerks were appointed to the Leadership Group with the power to undertake the statutory duty of the clerk in case of absence
- an additional Deputy Presiding Officer was elected for the duration of the parliamentary session.

**57.** The SPCB has made good use of technology to help support the schedule of parliamentary business and governance meetings to support their continuation during the pandemic.

**58.** The Covid-19 Working Group was formed to oversee a programme of workstreams developed to respond to the global pandemic and advise the SPCB.

### **The performance report was of a good standard**

**59.** In addition to the opinion on the performance report covered in Part 1 of our Annual Audit Report, we also consider the qualitative aspects of the performance report. The performance report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

**60.** 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.

**61.** We concluded that the SPCB's performance report is in line with the requirements of the FReM.

### **Reporting financial and performance information**

**62.** 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 performance reports are issued quarterly to the Leadership Group 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.

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

**64.** We concluded that the SPCB had appropriate mechanisms in place to monitor financial and operational performance in 2020/21.



## Equality and diversity

**65.** As part of the 2020/21 audit, we have carried out a review on the cross cutting theme of equality as part of our work on the wider audit dimensions as outlined by the Code of Audit Practice.

**66.** Public bodies have a range of legal duties and responsibilities with regard to equality. Our work considers whether there are appropriate arrangements in place to demonstrate compliance with the Equality Act 2010, the Equality Act 2010 (Specific Duties) Regulations 2011 (the 2011 Regulations) and the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 (the 2017 Regulations).

**67.** The SPCB has delegated oversight of the Diversity and Inclusion Strategy 2017-21 to a Diversity and Inclusion Board. This is chaired by the SPCB Group Head of Engagement and Communications and includes representatives from the Diversity and Inclusion Team, the Engagement Team, the Legislation Team, and external advisors.

**68.** The SPCB's strategy has been created in line with the requirements of the Equality Act 2010. The strategy sets out three outcomes:

- A diverse workforce that reflects modern Scottish society
- An inclusive working environment where all staff are valued and respected
- Meet the needs and expectations of the diverse groups who connect with the Parliament.

**69.** The SPCB prepare a delivery plan on an annual basis with specific objectives to support the delivery of the Diversity and Inclusion Strategy. Progress against the delivery plan is monitored by the Diversity and Inclusion Board.

**70.** The 2011 and 2017 Regulations require that the SPCB publishes information to demonstrate compliance with the Act on an annual basis. The most recent report is published on the SPCB website and provides progress against the strategic objectives, key equality data and pay gaps.

**71.** The SPCB seeks to advance equality and diversity internally and externally. Policies and procedures are key to maintaining internal equality and when they are established or there are significant changes, they should be subject to an Equality Impact Assessment (EIA) to ensure they are non-discriminatory. The SPCB has published guidance on the use of EIAs and we have sample tested EIAs as part of our review. The SPCB is not required to publish EIAs by the 2011 Regulations, and therefore the EIAs are not available to the public. The SPCB should consider whether there would be benefits in publishing EIAs which do not contain sensitive information.

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## Recommendation 2

The SPCB should consider publishing EIA's on its website to improve transparency.

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**72.** New staff are given a corporate induction which includes specific training on diversity and inclusion. The SPCB recognise that training on diversity and inclusion is beneficial for all staff on a periodic basis and an online training module has been produced for all staff to complete annually.

**73.** The SPCB uses staff surveys to assess the effectiveness of its diversity and inclusion policies and support arrangements. In 2021 there was a 68% response rate (410 employees responded). The survey results were generally positive but highlighted some areas for development. The SPCB's Leadership Group has considered the results and created a forward planning programme.

**74.** Information on diversity and inclusion issues is publicly available on the SPCB website under the "Work for Parliament" section. The website carries useful content including the Diversity and Inclusion Strategy, the monitoring reports and information on people and partners. It could be enhanced by featuring further information on EIAs.

**75.** The SPCB is currently revising its strategy following the May 2021 election. The Public Engagement Strategy will be reviewed as part of the session six strategy review. The aim of the review is to reduce barriers and increase diversity within the stakeholders. The SPCB is currently gaining an understanding of the barriers in place and working with partners to establish how it can achieve further reach within the community.

**76.** We have concluded that appropriate arrangements are in place to demonstrate compliance with the specific duties in the 2011 and 2017 Regulations.

# Appendix 1. Action plan 2020/21

## 2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Register of interests</b></p> <p>Registers of interest maintained by the SPCB do not include the interests of close family members as required by IAS 24.</p> <p><b>Risk</b> –The SPCB do not have a complete record of members interest and is therefore unable to identify any potential related parties.</p>	<p>The SPCB should update guidance to require close family members interests to be disclosed</p> <p><a href="#">Paragraph 22.</a></p>	<p><b>Agreed action:</b> The SPCB’s Leadership Group will be asked as part of their annual register of interests declaration to provide any information on close family members with relevant interests to the SPCB</p> <p><b>Responsible officer:</b> People Operations Manager &amp; Financial Controller</p> <p><b>Agreed date:</b> For 2022 circulation exercise</p>
<p><b>2. Equality and Diversity</b></p> <p>The SPCB comply with the 2011 and 2017 Regulations in relation to the Equality Act 2010. The website contains a good range of information but could be improved by publishing EIAs where possible.</p> <p>Risk- The SPCB may not be seen to be giving due attention to equality and diversity.</p>	<p>The SPCB should consider publishing EIA’s on its website to improve transparency and ensure Equality and Diversity issues are covered in staff training programmes outwith the induction.</p> <p><a href="#">Paragraph 71.</a></p>	<p><b>Agreed action:</b> All completed EQIAs will be attached to SPCB’s Leadership Group papers, as required,</p> <p>The SPCB proactively publishes Leadership Group papers on its website in line with the SPCB’s Publication Scheme,.</p> <p><b>Responsible officer:</b> Diversity and Inclusion Adviser, Secretary to the SPCB, and Senior Digital Communications and Content Manager.</p> <p><b>Agreed date:</b> January 2022.</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3. Leadership Group registers of interest</b></p> <p>While an e-mail was issued to the Leadership Group asking for members to provide details of any interests they hold, there was insufficient evidence to show that responses had been received from all members.</p>	<p>We recommend that the SCPB review the controls in place over maintaining the Leadership Group register of interests and ensure that appropriate evidence is maintained.</p>	<p>Outstanding</p> <p>We tested a sample of 3 members of the Leadership Group in 2020/21 and of the sample one member had not provided details of any interests to be declared, or provided a nil return.</p> <p><b>Revised action:</b> The outstanding response has subsequently been confirmed as a nil return. People and Culture Office to be proactive in ensuring returns are received from all Leadership Group members, including nil returns</p> <p><b>Responsible officer:</b> People Operations Manager</p> <p><b>Revised date:</b> Retrospectively completed for 2021 exercise, to be actioned for 2022 round.</p>

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# Appendix 2. Significant audit risks

The table below sets out the audit risks we identified on the 2020/21 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 financial statements and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

## Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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><b>Results:</b> Audit testing of journal entries, accruals and prepayments was completed. We also reviewed accounting estimates and transactions for appropriateness. We did not identify any incidents of management override of controls.</p> <p><b>Conclusion:</b> Satisfactory.</p>
<p><b>2. Risk of material misstatement caused by fraud in expenditure</b></p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>We consider this risk to be the most prevalent where there is incentive and</p>	<p>Assessment of the design of controls over non-pay expenditure</p> <p>Analytical procedures over expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on areas of greatest risk.</p> <p>Review and reperformance of internal audit work on members' expenses.</p>	<p><b>Results:</b> We gained appropriate assurance over the completeness and occurrence of non-pay expenditure and MSPs expenses and we are satisfied that the likelihood of material misstatement through fraud in the annual accounts is low.</p> <p><b>Conclusion:</b> Satisfactory</p>

Audit risk	Assurance procedure	Results and conclusions
<p>opportunity for fraudulent manipulation. We therefore focus on MSPs expenses and non-pay expenditure.</p>		
<p><b>3. Risk of material misstatement caused by estimation and valuation</b></p> <p>There is a degree of subjectivity in the measurement and valuation of the material account areas of pensions and non-current assets.</p> <p>The subjectivity in the measurement and valuation continues to represent an increased risk of misstatement in the financial statements.</p>	<p>Review of accounting policies to ensure that they are reasonable and appropriately applied.</p> <p>Completion of 'review of the work of an expert' audit programme for the relevant professional valuer and actuary.</p> <p>Review of SPCB's procedures for the review of the valuer's work.</p> <p>Review of the SPCB's accounting for revaluations to ensure compliance with accounting standards.</p> <p>Review of responses to the audit questionnaire issued to the pension fund auditors.</p>	<p><b>Results:</b> The SPCB conducted a desk top valuation in year. We consider the valuation in year to be appropriate.</p> <p>We reviewed estimates and judgments in other areas including impairments, asset life assumptions and did not identify any issues.</p> <p>We gained appropriate assurance over the competence, capability, and objectivity of the Government Actuary Department.</p> <p>The assumptions used by the actuary were compared to benchmark information and we concluded that these were reasonable.</p> <p><b>Conclusion:</b> Satisfactory.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>4. Ongoing implications of Covid-19 and EU Withdrawal</b></p> <p>In 2020/21 the SPCB had to react quickly to events outwith its control. Covid-19 and EU withdrawal had a significant impact on the operations of the SPCB and how it uses resources.</p> <p>It is likely these events will have ongoing implications over the medium term. During periods of uncertainty, it is important to ensure that</p>	<p>Consideration of the SPCBs response to Covid-19 and EU withdrawal in 2020/21.</p> <p>Consideration of medium term plans and any additional plans in relation to Covid-19 and EU withdrawal.</p>	<p><b>Results:</b> The SPCB are developing a strategy for session 6 of the Scottish Parliament and this will be supported by a Strategic Resourcing Plan, including a medium term financial plan.</p> <p>We are satisfied that the impact of Covid-19 and EU withdrawal has been considered when developing the strategic plans and in the strategic resourcing review.</p> <p><b>Conclusion:</b> Satisfactory</p>

Audit risk	Assurance procedure	Results and conclusions
<p>arrangements in place are adequate and appropriate.</p> <p>There is a risk that the SPCB is not prepared for the medium term implications arising from EU withdrawal and Covid-19.</p>		

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# Appendix 3. Summary of 2020/21 national performance reports

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## April

[Affordable housing](#)

## June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

## July

[The National Fraud Initiative in Scotland 2018/19](#)

## January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

## February

[NHS in Scotland 2020](#)

## March

[Improving outcomes for young people through school education](#)



# Scottish Parliamentary Corporate Body

## 2020/21 Annual Audit Report

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