Student Awards Agency Scotland (SAAS)

Financial year ended 31 March 2022

Prepared for the Audit and Risk Assurance Committee, the Board, and the Auditor General for Scotland

Final External Audit Report for the Audit and Risk Assurance Committee

on 11 August 2022

Contents

Your key Grant Thornton team members are:

John Boyd
Audit Director
T 0141 223 0899
E john.p.boyd@uk.gt.com

Rachel Gilchrist
Audit Associate
T 0141 223 0765
E Rachel.k.Gilchrist@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Student Awards Agency Scotland or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key messages

This is our final report to the Student Awards Agency Scotland ("SAAS") Audit and Risk Assurance Committee, Board, and the Auditor General For Scotland and concludes our audit on the financial year ended 31 March 2022. We have issued an unmodified audit opinion on the annual report and accounts, including an unmodified opinion on regularity and the Remuneration Report. We thank management for all their assistance during the audit process.

01 Materiality

We re-calculated our materiality based on the unaudited annual report and accounts. The benchmark of 2% of gross expenditure remained the same. This resulted in:

- Materiality of £260,200 and a performance materiality (75% of materiality) of £195,150.
- All audit adjustments above £13,000 were reported to management and captured in this report.
- Lower materiality of banding on Staff Remuneration Report (being £5,000)

02 Financial statement audit risks

At planning, in accordance with the ISAs (UK) and FRC Practice Note 10 we have identified the following significant financial statement audit risks:

- Management override of controls (ISA UK 240)
- Risk of fraud in expenditure (around the year end) (FRC PN10)

We have no matters to bring to your attention arising from our work over these significant audit risks.

03 Other audit matters

Our final report summarises a number of other audit matters, including:

- We have concluded that SAAS meets the definition of a going concern, reflecting on FRC Practice Note 10 considerations.
- We set out our roles and responsibilities on fraud. During the course of our work we did not identify fraud and/or material error.

We identified four adjusted misstatements to the draft accounts as well as a number of disclosure adjustments. These are detailed in Appendix 1 and not considered material to the accounts.

04 Wider Scope Audit

In accordance with the Code we determined that Student Awards Agency Scotland ("SAAS") meet the definition of a smaller body. This is based on SAAS's expenditure transactions and balances held being relatively smaller than other public bodies and the financial statements are considered less complex.

In accordance with the Code we have concluded in this report on your governance statement and SAAS's financial sustainability arrangements. During our audit we did not identify any further areas of wider scope risk.

05 Our Audit Fee

Our audit fee, set out in our audit plan, of £24,290 was our final audit fee. There were no non-audit services (fees) during the year and we did not need to vary our agreed fee.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2022 at SAAS. The scope of our audit was set out in our External Audit Plan communicated to the Audit and Risk Committee in February 2022.

The main elements of our audit work in 2021/22 have been:

- An audit of SAAS's annual report and accounts for the financial year ended 31 March 2022; and
- Consideration of SAAS' financial sustainability and Governance Statement disclosures, as required under the smaller body classification, within the Audit Scotland Code of Practice (2016).

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

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

Responsibilities

SAAS is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. SAAS is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to SAAS throughout our audit work. In delivering our audit we use a dedicated public sector audit team. This ensures our team have a comprehensive understanding of SAAS and the wider public sector to focus on key areas of risk relevant to your financial statements.

As a result of the social distancing and travel restrictions implemented in response to the Covid-19 pandemic our audit work was delivered remotely. We continue to share recommended practices with management, where relevant, and contribute to wider discussions at the Audit and Risk Committee during the year.

Audit of the annual report and accounts

Key messages and judgements

We have issued an unmodified audit opinion on the annual report and accounts.

There were four adjusted differences to the financial statements. These were in relation to errors identified by Management during the course of the audit. We did not identify any reportable unadjusted differences to the financial statements. We raised a number of disclosure adjustments identified from our review of the annual report and accounts. Further details are provided in ***Appendix 1.***

We would like to thank management for all their assistance during the year in ensuring the delivery of the audit, to the timescales agreed at the start of the financial year.

Our audit opinion

For the financial year ended 31 March 2022 we [plan to] issue an unmodified opinion on the annual report and accounts. 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; and,
- 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 audit process

In accordance with our annual external audit plan, our audit work commenced in June 2022. We received the draft primary financial statements in line with our agreed timetable. There were four adjusted differences to the primary financial statements. These related to errors identified during our audit by Management. There were no unadjusted misstatements to the primary financial statements. However, there were a number of disclosure adjustments in respect of the draft financial statements to ensure compliance with the FReM.   A full listing of disclosure misstatements is detailed in Appendix 1.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our audit approach was set out in our audit plan communicated to the Audit and Risk Committee in February 2022. We updated our audit materiality to reflect the 2021/22 draft financial statements. It is set at £260,200, representing 2% of gross expenditure. Performance materiality was set at £195,150, representing 75% of our calculated materiality.   We report to management any difference identified over £13,000 (Being 5% of overall materiality).

We applied a lower materiality threshold for Directors Remuneration disclosures (salary) within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £5,000).

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override SAAS's controls for specific transactions. Our work focuses on critical estimates and judgements as set out within the financial statements, including accounting policies. In addition, we specifically consider cut-off (expenditure) and the use of manual journals during the year, and in creating the financial statements where controls may be overridden by management.	• We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures. • We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. We note that there is limited areas of areas of significant estimation and judgement in the accounts or areas of significant estimation uncertainty. Through our review of depreciation of property, plant and equipment and amortisation of intangible assets we did not identify any indication of management bias or error. Journals testing including: • Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger; • We reviewed the journals population to identify any large or unusual items that may be indicative of fraud or error. This includes consideration of journals during the year and journals to create the year end accounts; • Reviewed the journals population, identifying those where there may be increased risk of fraud, including any prepared by senior management, and selected these for target testing. • Ran journals routines to identify journals with increased risk profile for specific target testing. **Conclusion** Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions tested. We did not identify indications of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement. SAAS have limited accounting estimates and we are satisfied that there is no indication of inappropriate management bias in the estimates made.

Risks identified in our Audit Plan	Commentary
Risk of fraud in expenditure recognition (completeness) As set out in Practice note 10 (revised) which applies to public sector entities we consider there to be an inherent risk of fraud in expenditure recognition. As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of misstatement in this expenditure stream. In addition, depreciation and amortisation represents the allocation of the cost of an asset over its useful economic life. These costs are well forecast and stable based on assets useful economic lives and therefore not considered at risk of material misstatement. We therefore focus on other administrative costs. We consider the risk to be particularly prevalent around the year end and therefore focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of the need to achieve the financial targets set. .	• We performed walkthroughs of the controls and procedures over non-pay expenditure streams including programme expenditure, project expenditure and other operating costs; • Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording; • Focused substantive testing of non-pay expenditure recognised post year end to identify if there is any potential understatement to address the risk of cut-off; and • Review of accruals and payables, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates. **Conclusion** Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals or payables balances at year end. Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with applicable legislation and guidance (regularity testing).

Significant estimates and judgements

SAAS's annual report and accounts contain limited areas of estimation and judgement and the Annual Report and accounts are considered straightforward and non-complex. There are no significant judgements or estimates. The only material accounting estimate relates to amortisation of intangible assets.

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Amortisation of intangible assets	In accordance with the FReM, SAAS amortise intangible assets of their useful economic lives. Management's assessment of useful economic lives (and subsequent amortisation charges) is informed through Scottish Government guidance and Management's assessment of the expected useful economic life of each asset.	We have reviewed the amortisation policy applied by SAAS and are satisfied that these are reasonable given the nature of the assets held. We have performed analytical procedures to confirm that the charge in the year is in line with our audit expectation. We did not identify any indication of management bias in the underlying assumptions applied in the estimate. Given the value we do not consider this to be an estimate where there would be a high degree of estimation uncertainty.	We consider Management's process to be appropriate and key assumptions are reasonable.

Internal control environment

In accordance with ISA requirements we have developed an understanding of the control environment in place within SAAS. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We did this through a walkthrough of key controls within SAAS including payroll, expenditure, and journals.

We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

The Scottish Government provide key finance systems and processes on behalf of SAAS. This includes the financial ledger system, SEAS. The Scottish Government is undertaking a project to replace SEAS with a targeted implementation date of 2023. The transition to a new finance system could have a significant impact on SEAS financial processes, in particular arrangements for support systems. Management are working closely with the Scottish Government to understand the impact of the new system, and the arrangements in place to support the effective and smooth transaction of SAAS from SEAS to the new system.

Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to SAAS and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2021/22 HM Treasury Financial Reporting Manual (FReM).
- We enquired of management and the Audit and Risk Committee, concerning SAAS's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of SAAS's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered SAAS's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 6.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in expenditure recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - SAAS's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - SAAS's control environment, including the policies and procedures implemented to ensure compliance with the requirements of the financial reporting framework.

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

Issue	Commentary
Matters in relation to fraud and irregularity	It is SAAS's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of SAAS's accounting policies, accounting estimates and financial statement disclosures. Disclosures and accounting policies are in line with the FReM and we have no matters to report.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.
Opinion on other aspects of the annual report and accounts	We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the FReM, and the Accounts directions thereunder. We have audited the elements of the Remuneration Report and Staff Report , as required and are satisfied that these have been properly prepared in accordance with applicable legislation. The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the FReM and directions made thereunder by the Scottish Ministers. The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the directions made thereunder by the Scottish Ministers.

Issue	Commentary
Matters on which we report by exception	We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Governance statement	The governance statement is included within the Accountability Report. The report outlines the governance framework in place at SAAS. The Report includes the Statement of the Accountable Officer's responsibilities and had been prepared in accordance with the FReM. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value and this is confirmed in the narrative in the annual report and accounts. There was no matters arising from our review of the governance statement that we want to draw attention to.
Written representations	A letter of representation has been requested from the Accountable Officer, including specific representations, which is included in the Audit and Risk Committee papers. Specific representations have been requested from management in line with prior years and confirms as auditors all records have been made available to us.
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by SAAS meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management's assessment of the appropriateness of the going concern basis of accounting and conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Regularity	The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our opinion in all material respects 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.

Wider scope audit – Smaller body

As set out in our Audit Plan, SAAS meets the definition of a smaller body in accordance with the Audit Scotland Code of Practice (2016). Therefore, as auditors we are required to include in our annual report commentary on arrangements as they relate to financial sustainability and the Governance Statement. Our work on the governance statement, and conclusions are set out on page 11 of this report. Below we have captured our commentary and conclusions on financial sustainability and other matters of interest during the year.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Governance arrangements (Audit Scotland planning guidance consideration)	**No significant risks identified within our audit planning.**	**Governance** During 2022/22 SAAS's governance arrangements continued to operate as intended, and as in prior year. In response to the Covid-19 pandemic, SAAS continued with existing governance arrangements, working remotely through holding Board and supporting Committees via video conferencing. The organisation has transitioned to hybrid working arrangements combining remote and office based working to support the delivery of a business as usual operating model. SAAS' Interim Chief Executive is supported by the Executive Management Team (EMT) who are responsible for strategic decision making and operational delivery. The EMT consists of the Interim Chief Executive and Directors. The Chief Executive position has been filled on an interim basis . While we did not identify any concerns around SAAS' governance arrangements, it is important that SAAS look to ensure stability within its strategic leadership to support the delivery of the organisation's strategic aims.	We are satisfied that SAAS's Governance Statement disclosures represents the governance arrangements in place during 2021/22.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Financial Sustainability, (as applicable to a smaller body)	No significant risks identified within our audit planning.	**2021/22 Financial performance and sustainability** For 2021/22 SAAS reported total comprehensive net expenditure of £12.557 million. The outturn position was an underspend of £601,000 against budget. The underspend in the year is due to lower than forecast staffing costs due to a high number of vacancies and delays in onboarding staff. The challenges in filling vacancies did not appear to adversely impact SAAS' performance during the year, with the Board reporting positive performance against the majority of key outcomes. The SAAS Corporate Plan (2020-2025) outlines the Agency's ambitions over the five year period with a focus on three strategic themes: informing choices; funding futures; and, supporting success. Underpinning the delivery of the Corporate Plan is the annual budgeting process. SAAS activity is fully financed through Scottish Government annual funding allocations and therefore the budget process is predominantly annual. As part of the Scottish Government's spending review process, Management estimate costs to 2026/27. While this predominantly focuses on the levels of student awards in future years, it does incorporate resource funding to the agency. SAAS has projected operating costs to rise to over £16 million by 2026/27. However, the organisation recognise that it will face increasing cost pressures through inflationary pressures on staff and non-staffing costs.	During 2021/22 SAAS did not fully utilise its budget allocation from Scottish Government. This was predominantly through underspends on staffing costs as a result of unfilled vacancies. *While in recent years SAAS have operated within the funding recourses provided by Scottish Government, Management recognise the need to continue to reform its services, including digitalisation of service delivery to continue to meet the needs of service users in a sustainable way.*

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were four adjustments to the draft financial statements. These were adjustments identified by Management during the course of the audit and have been reflected in the updated accounts. We are pleased to report there were no unadjusted misstatements.

Impact of adjusted misstatements

Detail	Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
Being adjustments to recognise asset additions incorrectly included in prepayments and prepayments within in year expenditure.		
Dr Intangible assets		40
Cr Prepayments		(34)
Cr Expenditure	(6)	
Being recognition of expenditure incorrectly capitalised		
Dr Expenditure – admin costs	18	
Dr Expenditure – Staff costs	20	
Cr Intangible assets		(38)
Reallocation adjustment between assets under construction to in-house developed software to reflect assets completed		
Dr Intangibles – Software		527
Cr Intangibles – Assets under construction		(527)
Being recognition of additional depreciation charge as a result of adjustments		
Dr Expenditure – Amortisation / Depreciation	28	
Cr Intangible assets		(23)
Cr PPE		(5)
Overall impact	**60**	**(60)**

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Auditor recommendations	Adjusted?
Annual Report	In accordance with the FReM a number of presentational adjustments were required to the Annal Report including the Performance Report and Accountability Report. These were primarily presentational updates.	✓
Remuneration and Staff Report	Disclosure of pension Cash Equivalent Transfer Values (CETV) within the Remuneration and Staff Report required to be included in the accounts.	✓
Accounting policies	Updates required to the accounting policies within the draft accounts to ensure consistent with the requirements of the FReM and the policies adopted by SAAS.	✓

There were minor presentational (rounding / formatting) changes recommended to Management. These are not considered material to the accounts.

2. Follow up of 2020/21 recommendations

We set out below our follow up of our 2020/21 recommendations and these are reflected below for information.

1. Board and committee effectiveness self-assessment

Through our review of Board and committee minutes during the year we noted that there was no formal review of effectiveness or self assessment of the performance of the Board / committee. The Scottish Government's On Board: A guidance for members of statutory boards, including recommended guidance around board self-assessment to ensure they continue to look at opportunities to operate as efficiently and effectively as possible. We recommend that SAAS consider undertaking regular self-assessment of the Board and committees to look at opportunities for continuous improvement in the functioning of governance arrangements.

Responsible office: Head of Strategic Development

Follow up: Ongoing

2021/22 Management update: This self assessment will take place during 2022/23.

2. Payroll (initially raised in 2019/20)

SAAS use the Scottish Government Payroll shared service. At the year end, and as part of our interim testing, we encountered difficulties in testing payroll information back to underlying records. Given SAAS payroll costs are circa 75% of expenditure, this is a key area of substantive testing. Whilst we recognise the challenges through remote working and Covid-19, an alternative solution needs to be agreed between SAAS and the payroll team to support the audit process. Otherwise audit delays will be experienced.

Responsible Officer: Director of Finance

Follow up: Closed

As part of our audit planning for 2021/22 audit there was early engagement between Management, the Scottish Government payroll team and external audit to ensure there was a clear understanding of the information required during the course of the audit. Information was provided to support the audit testing in a timely manner. We note that there was an error in initial CETV calculations continued within the Remuneration and Staff Report. While there were some delays in receiving updated calculations we are satisfied this did not significantly impact on the completion of the audit.

3. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	18,640
Pooled costs	4,860
Contribution to Audit Scotland costs	790
Contribution to Performance Audit and Best Value	Nil
2021/22 Fee	**24,290**

Fees for other services

Service	Fees £
We confirm that for 2021/22 we did not receive any fees for non-audit services	Nil

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact John Boyd, Audit Director in the first instance who is Engagement Lead for SAAS (john.p.boyd@uk.gt.com) or Joanne Brown, Head of Public Sector Assurance Scotland, who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2021 (grantthornton.co.uk)

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

4. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of SAAS's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•