

Scottish Human Rights Commission

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for the Scottish Human Rights Commission

20 March 2023

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of the Scottish Human Rights Commission. The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual report and financial statements of the Scottish Human Rights Commission, and the issue of an Independent Auditor's Report setting out our audit opinions on the financial statements, regularity and other statutory information including the Performance Report, the Governance Statement and the Remuneration and Staff Report
- consideration of arrangements in relation to the wider scope areas considered for a less complex body: financial sustainability and vision, leadership and governance
- consideration of Best Value arrangements

Audit Appointment

2. We are pleased to be appointed as the external auditor of the Scottish Human Rights Commission for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at [Appendix 1](#).

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business to support our identification and assessment of audit risks. While we use our initial assessment of risk to inform our planned audit approach, we keep it under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

Adding value

5. We aim to add value to the Scottish Human Rights Commission by being constructive and forward looking, by attending meetings of the Audit and Risk Committee and by recommending and encouraging good practice. In so doing, we will help the Scottish Human Rights Commission promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and the Scottish Human Rights Commission

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and the Scottish Human Rights Commission. Key responsibilities are summarised below.

Auditor responsibilities

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

8. 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 wider scope arrangements in place at the Scottish Human Rights Commission. In doing this, we aim to support improvement and accountability.

Scottish Human Rights Commission responsibilities

9. The Scottish Human Rights Commission is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. The Scottish Human Rights Commission 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 it to deliver its objectives.

Financial statements audit planning

Introduction

11. The annual report and financial statements are an essential part of demonstrating the Scottish Human Rights Commission's stewardship of resources and its performance in the use of those resources.

12. We focus our work on the areas of highest risk. As part of our planning process, we assess any audit risks in the main financial systems relevant to the production of the financial statements.

Materiality

13. The concept of materiality is applied by auditors in planning and performing the audit and in evaluating the effect of any uncorrected misstatements on the financial statements. 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 2022/23 audit

14. We assess materiality at different levels and the materiality values for the Scottish Human Rights Commission are set out in [Exhibit 1](#).

Exhibit 1

2022/23 Materiality levels for the Scottish Human Rights Commission

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality is based on our assessment of the needs of the users of the financial statements and the nature of the Scottish Human Rights Commission's operations. For the year ended 31 March 2023 we have set our materiality at 2 per cent of gross expenditure based on the audited financial statements for 2021/22.	£24,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 70 per cent of planning materiality.	£17,000

Reporting threshold (ie clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. £1,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. Our risk assessment draws on our knowledge of the Scottish Human Rights Commission, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, attendance at committees and a review of supporting information.

16. 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.

17. 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

2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud</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"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Test journals at the year-end and post-closing entries and focus on significant risk areas. Evaluate significant transactions outside the normal course of business.

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>because of management's ability to override controls that otherwise appear to be operating effectively.</p> <p>This is presumed to be a significant risk in every audit.</p>		<ul style="list-style-type: none"> • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.

Source: Audit Scotland

18. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for the Scottish Human Rights Commission due to the nature of the funding received from the Scottish Parliamentary Corporate Body and the remaining income being below our materiality level. We have not, therefore, incorporated specific work into our audit plan over and above our standard audit procedures.

19. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this risk as the main expenditure stream of the Scottish Human Rights Commission is staff costs and this can be readily forecast based on a predictable pattern of spend. We also consider there to be limited incentive for the manipulation of expenditure recognition in the financial statements. We will undertake substantive testing of this expenditure but will not incorporate additional work into our audit plan.

Wider Scope and Best Value

Introduction

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

Wider scope audit focus

21. The [Code of Audit Practice](#) includes provisions relating to the audit of less complex bodies. Where the application of the full wider scope audit is judged by auditors not to be appropriate to an audited body then an alternative audit approach may be permitted.

22. Due to the nature of the Scottish Human Rights Commission, including the low volume and lack of complexity of financial transactions, we plan to apply the less complex bodies provision to the 2022/23 audit of the Scottish Human Rights Commission.

23. Under the less complex bodies provision our wider scope work will be limited to:

- **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 medium term (two to five years) and longer term (longer than five years).
- **Vision, leadership and governance** – we conclude on the arrangements in place to deliver the vision, strategy and priorities adopted by the Scottish Human Rights Commission. We also consider the effectiveness of the governance arrangements to support delivery.
- **Cyber security** – there continues to be a significant risk of cyber-attacks to public bodies and a number of recent incidents have demonstrated the significant impact they can have on both the finances and operation of an organisation. In 2022/23, we will consider the Scottish Human Rights Commission's arrangements for managing and mitigating cyber security risks.

24. We have not identified any risks in relation to the wider scope.

Duty of Best Value

25. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure

Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within the Scottish Human Rights Commission.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

26. Audit reporting is the visible output for the annual audit. All audit outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

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

28. We will provide an independent auditor's report to the Scottish Human Rights Commission, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide the Scottish Human Rights Commission 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.

29. [Exhibit 3](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 October 2023.

Exhibit 3 2022/23 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31/03/2023	20/03/2023
Independent Auditor's Report	31/10/2023*	18/09/2023
Annual Audit Report	31/10/2023*	18/09/2023

Source: Audit Scotland

*These dates represent the date for the independent auditor's report to be signed and the final annual audit report issued. We will provide copies to those charged with governance in advance of the September committee to enable them to be considered.



Timetable

30. 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 4](#).

31. The Covid-19 pandemic has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. We are identifying ways to work more efficiently to expedite the 2022/23 audits whilst at the same time maintaining high standards of quality.

32. We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management over the course of the audit.

Exhibit 4 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual report and accounts by those charged with governance	19 June 2023
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	3 July 2023
Latest date for final clearance meeting with the Head of Commission Secretariat & Business Support	1 September 2023
Issue of draft Letter of Representation and proposed Independent Auditor's Report	8 September 2023
Agreement of audited and unsigned annual report and accounts	8 September 2023
Issue of Annual Audit Report to those charged with governance.	11 September 2023
Signed Independent Auditor's Report	18 September 2023

Source: Audit Scotland

Audit fee

33. In determining the audit fee, we have taken account of the risk exposure of the Scottish Human Rights Commission and the planned management assurances in place. The agreed audit fee for 2022/23 is £18,930.

34. Our fees have increased in 2022/23 and this is a reflection of the current audit market and the rising costs in delivering high quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

35. In setting the fee for 2022/23 we have assumed that the Scottish Human Rights Commission has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

36. It is the responsibility of the audited body to establish adequate internal audit arrangements. There are currently no internal audit arrangements in place for the Scottish Human Rights Commission but this will be addressed in 2023/24.

Independence and objectivity

37. 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.

38. 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 Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

39. The appointed auditor for the Scottish Human Rights Commission is Liz Maconachie, 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 Scottish Human Rights Commission.

Audit Quality

40. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

41. Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

42. ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

43. Audit Scotland is committed to delivering high quality audits. 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 supplementary 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 England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

44. 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.

Appendix 1. Your audit team

The audit team involved in the audit of the Scottish Human Rights Commission have significant experience in public sector audit.

Liz Maconachie

Senior Audit Manager

Imaconachie@audit-scotland.gov.uk

Liz has over 25 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Zoe Headridge

Senior Auditor

zheadridge@audit-scotland.gov.uk

Zoe has considerable experience in planning and delivering audits. Zoe will manage the team and work alongside Liz to deliver the audit.

Matthew Cronin

Trainee Auditor

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Matthew is a professional trainee and is currently studying for his ICAS qualification. Matthew has worked on health and central government audits.

The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

Scottish Human Rights Commission

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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

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