

Crown Office and Procurator Fiscal Service

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Crown Office and Procurator Fiscal Service

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 Crown Office and Procurator Fiscal Service (COPFS). The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual report and accounts, and provision of an Independent Auditor's Report
- an audit opinion on regularity and other statutory information published within the annual report and accounts including the Performance Report, Governance Statement and the audited part of the Remuneration and Staff Report
- consideration of arrangements in relation to wider scope areas
- consideration of Best Value arrangements.

Audit Appointment

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

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks 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 COPFS through our external audit work 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 COPFS promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and COPFS

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and COPFS. 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 COPFS. In doing this, we aim to support improvement and accountability.

COPFS responsibilities

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

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

Communication of fraud or suspected fraud

11. In line with ISA 240, in presenting this plan to the Audit and Risk Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members of the committee have any such knowledge or concerns relating to the risk of fraud within COPFS, we invite them to communicate this to the appointed auditor for consideration. Similar assurances will be sought as part of the audit completion process.

Financial statements audit planning

Introduction

12. The annual report and accounts are an essential part of COPFS demonstrating stewardship of resources and its performance in the use of those resources.

13. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

14. 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

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

Exhibit 1

2022/23 Materiality levels for COPFS

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the COPFS operations. For the year ended 31 March 2023 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.	£3.5 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 60% of planning materiality.	£2.1 million

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. £175,000

Source: Audit Scotland

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

16. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

17. Our risk assessment draws on our cumulative knowledge of COPFS, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

18. 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 because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> 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. Use data analytics to consider, identify and test journals at the year-end and post-closing entries and focus on significant risk areas. Consider the need to test journal entries and other adjustments during the period.

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>2. Estimation and judgement in the valuation of provisions and contingent liabilities</p> <p>There is a significant degree of subjectivity in the measurement of material account areas of provisions and contingent liabilities.</p> <p>COPFS is required to assess and evaluate any legal cases against it at the time the annual accounts are signed by the Accountable Officer.</p> <p>It is essential that this is based on sound professional judgement and estimation.</p> <p>There is a risk of misstatement in the accounts over the completeness, accuracy, presentation, and disclosure of these items.</p>	<p>Assessment of all potential provisions together with assessing potential liability and likelihood of settlement. Information and supporting evidence for provisions are provided to finance by COPFS functions.</p> <p>Finance staff receive regular training to ensure knowledge of accounting standards is maintained.</p>	<ul style="list-style-type: none"> • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess any changes to the methods and underlying assumptions used to prepare significant accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focused testing of accounting accruals and prepayments. <hr/> <ul style="list-style-type: none"> • Review the information provided by legal counsel to assess for completeness. • Obtain an understanding of management's involvement in the estimation process to assess if appropriate oversight has occurred. • Critically assess the adequacy of the COPFS disclosures regarding the assumptions in relation to contingent liabilities.

19. We did not identify any non-significant risks of material misstatement that require a specific audit response over and above our standard audit procedures.

20. 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.

21. We have rebutted this risk as 95% of COPFS' income comes directly from the Scottish Government and can be readily agreed to third party confirmations. Other income streams are predictable such as the Legal Information Network for Scotland (LINETS) subscriptions and the annual recharge to the King's and Lord Treasurer's Remembrancer. As a result, there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

22. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this risk for COPFS because there are limited opportunities or incentives to manipulate the way expenditure is incurred, with approximately 65% of expenditure is processed through the payroll system. We also separately audit the provision in relation to ongoing litigation which is noted in [Exhibit 2](#) above. There are no significant welfare or grant payments made by COPFS.

23. Our audit testing is directed towards testing significant and unusual transactions and towards assessing accounting estimates to address any residual risk, as part of our standard fraud procedures. We have not, therefore, incorporated specific work into our audit plan in these areas in addition to our standard audit procedures.

Revisions to ISA (UK) 315 on auditors' responsibility to identify and assess the risks of material misstatement

24. Revised ISA 315 requires auditors to have a greater understanding of the IT systems bodies use to prepare their financial statements and the risks that arise from the use of these systems. Our work in this area is ongoing. As part of our 2022/23 audit planning work, we will undertake an assessment of COPFS IT systems to obtain an understanding of the use of IT in financial reporting. This will consider the nature and characteristics of the COPFS IT applications and IT infrastructure. It will include consideration of any risks related to service provider IT systems, and assurances over the operation and reliability of these systems during the year.

25. If we identify any risks of material misstatement from this work, we will report these, along with our audit response and the results of any testing, in our annual audit report

Wider Scope and Best Value

Introduction

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

27. In summary, the four wider scope areas cover the following:

- **Financial management** means having sound financial processes. We will consider these arrangements and comment on financial management in our Annual Audit Report
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit and comment on the 2022/23 financial position and financial sustainability in our Annual Audit Report.
- **Vision, leadership, and governance** – we consider the effectiveness of the governance arrangements
- **Use of resources to improve outcomes** – [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within COPFS.

Wider scope risks

28. Our planned work on our wider scope responsibilities is risk based and proportionate. We have not identified any local wider scope audit risks for the 2022/23 audit of COPFS. Progress on previous years' recommendations that progress needs to be made to secure continuity of provision for pathology, toxicology and mortuary services will be followed-up with management during the course of the 2022/23 audit. This will include reviewing the findings from the Gateway Review of pathology services.

Cyber Security

29. As noted in paragraph 24, we are undertaking a wider review of ICT systems and in 2022/23, we will consider COPFS' arrangements for managing and mitigating cyber security risks.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

30. Audit reporting is the visible output for the annual audit. This Annual Audit Plan and the outputs, as detailed in [Exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

31. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Our draft annual audit report will be issued to the relevant officers to confirm factual accuracy.

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

33. [Exhibit 3](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the target date of 31 August 2023 for central government agencies defined in Audit Scotland's planning guidance for 2022/23.

Exhibit 3

2020/21 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31 March 2023	31 March 2023 (agreed via correspondence)
Independent Auditor's Report	31 August 2023	6 September 2023 (TBC)
Annual Audit Report	31 August 2023	6 September 2023 (TBC)

Source: Audit Scotland

Timetable

34. 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](#) that has been discussed with management.

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	24 May 2023
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	29 May 2023
Latest date for final clearance meeting with the Director of Finance and Procurement	7 August 2023
Agreement of audited unsigned annual accounts Issue of Annual Audit Report including ISA260 report to those charged with governance	14 August 2023
Signed Independent Auditor's Report	By 31 August 2023

Source: Audit Scotland

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

36. 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 and finance officers over the course of the audit.

Audit fee

37. In determining the audit fee, we have taken account of the risk exposure of COPFS and the planned management assurances in place. The agreed audit fee for 2022/23 is £109,190 (2021/22: £108,800), an increase of 0.3 per cent.

38. In setting the fee for 2022/23 we have assumed that COPFS has effective governance arrangements in place 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

39. It is the responsibility of the COPFS to establish adequate internal audit arrangements. The internal audit function at COPFS is provided by the Scottish Government's Directorate of Internal Audit and Assurance. We have reviewed internal audit's plan as part of our planning process.

40. While we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

41. Auditors appointed by the Auditor General for Scotland 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.

42. 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.

43. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. The appointed auditor for COPFS is Brian Howarth, Audit Director. We are not aware of any such relationships pertaining to the audit of COPFS.

Audit quality

44. 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.

45. 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. 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.

46. 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) has been commissioned to carry out external quality reviews.

47. 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 appointed auditor.

Appendix. Your audit team

48. The senior team involved in the audit of COPFS have significant experience in public sector audit as detailed below.



Brian Howarth, Audit Director

Brian is the appointed auditor for a portfolio of health, local government, and central government bodies, including the Crown Office and Procurator Fiscal Service, Scotrail Holdings and Scottish Canals. He has previously managed Scottish Courts Service and a number of other central government bodies and has 30 years' experience of public sector audit with Audit Scotland and is a member of the Chartered Institute of Management Accountants.



Maggie Bruce, Senior Audit Manager

Maggie Bruce has over 30 years of public sector audit experience and is a member of the Institute of Chartered Accountants in Scotland. She has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.



Zahrah Mahmood, Audit Manager

Zahrah is a member of the Institute of Chartered Accountants in Scotland and has over 10 years' experience in public sector audit in Audit Scotland. Zahrah will manage the team and work alongside the Senior Audit Manager and Audit Director to deliver the audit.

49. 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.

50. Where possible and appropriate, we use our data analytics team to enable us to analyse your financial data. This analysis allows us to consider all transactions and identify specific exceptions and anomalies to enhance the focus of audit testing and support efficiency.

Crown Office and Procurator Fiscal Service

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www.audit-scotland.gov.uk/accessibility

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