

Scottish Biometrics Commissioner

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for the Scottish Biometrics Commissioner

31 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 Scottish Biometrics Commissioner (SBC). The main elements of our work include:

- an audit of the annual report and accounts, leading to an independent audit opinion
- independent audit opinions on regularity and other statutory information published within the annual report and accounts including the Performance Report, the Governance Statement and the Remuneration and Staff Report
- consideration of arrangements in relation to wider scope area: financial sustainability
- consideration of Best Value arrangements

Audit Appointment

2. We are pleased to be appointed as the external auditor of SBC for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at Appendix 1.

3. 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 SBC through our external audit work by being constructive and forward looking, by identifying and encouraging good practice and making recommendations for improvement. In so doing, we will help SBC promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and the Scottish Biometrics Commissioner

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

The Scottish Biometrics Commissioner responsibilities

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

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

Financial statements audit planning

Introduction

11. The annual report and accounts are an essential part of demonstrating SBC'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 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

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 as described in [Exhibit 1](#). The materiality values for SBC are set out in [Exhibit 1](#).

Exhibit 1

2022/23 Materiality levels for SBC

| 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 SBC's operations. For the year ended 31 March 2023 we have set our materiality at 1.8% of the approved budget for 2022/23. | £7,500 |
| 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 73% of planning materiality. | £5,400 |

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.

£375

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. Our risk assessment draws on our cumulative knowledge of SBC, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, attendance at the Advisory Audit Board meetings 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 because of</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"> • 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. • Detailed testing of journal entries. • Evaluate significant transactions outside the normal course of business. • 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. |

| Significant risk of material misstatement | Sources of assurance | Planned audit response |
|--|----------------------|------------------------|
| management's ability to override controls that otherwise appear to be operating effectively. | | |

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 as funding received from the Scottish Parliament is clearly communicated and can be readily agreed to third party confirmations. In addition, SBC does not generate any income therefore we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

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.

20. We have rebutted this risk as the main expenditure streams of SBC can be readily forecast based on a predictable pattern of spend and mainly comprise a high volume of relatively low value non-complex items. We also consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements.

21. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Wider Scope and Best Value

Introduction

22. 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.

23. However, paragraphs 83 and 85 to 86 of the [Code of Audit Practice](#) address a more limited audit of wider-scope areas for any public bodies that are less complex owing to their size and limited financial activity (referred to as Less Complex Bodies).

24. Paragraph 27 of the [Supplementary Guidance](#) sets out the quantitative criteria that defines a less complex body. SBC's gross revenue, gross assets and gross liabilities do not breach the criteria level (£10.2m). In addition, there are no qualitative reasons that would preclude the less complex approach to be taken. In light of this we plan to apply the Less Complex Body approach of the Code to the 2022/23 audit of SBC.

25. In summary, the wider scope areas for less complex bodies cover the following:

- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years).
- **Governance Statement Review** - this will be carried out as part of our audit of the financial statements. We will express our opinion in the Independent Auditors Report.

Wider scope risks

26. We have not identified any wider scope audit risks as part of our planning work.

27. Our planned work on our wider scope responsibilities is risk based and proportionate. In addition to local risks we consider challenges which are impacting the public sector as a whole. In 2022/23 we will consider responding to cyber security threats.

Cyber Security

28. There continues to be a significant risk of cyber-attacks to public bodies. As such it is important to have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23 we will consider SBC's arrangements for managing and mitigating cyber security risks.

Duty of Best Value

29. [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 SBC.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

30. Audit reporting is the visible output for the annual audit. All Annual Audit Plans 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. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

32. We will provide an independent auditor's report to SBC, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide SBC and the Auditor General for Scotland with an annual report 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 31 August 2023.

Exhibit 3 2022/23 Audit outputs

| Audit Output | Target date | Advisory Audit Board Date |
|------------------------------|-------------|---------------------------|
| Annual Audit Plan | 31/03/2023 | 26/04/2023 |
| Independent Auditor's Report | 29/08/2023 | 05/09/2023 |
| Annual Audit Report | 29/08/2023 | 05/09/2023 |

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.

35. 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.

Exhibit 4

Proposed annual report and accounts timetable

|  Key stage |  Provisional Date |
|--|--|
| Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package. | 3 rd July 2023 |
| Latest date for final clearance meeting with the Accountable Officer | 27 th July 2023 |
| Issue of draft Letter of Representation and proposed Independent Auditor's Report | 29 th August 2023 |
| Agreement of audited and unsigned annual report and accounts | 5 th September 2023 |
| Issue of Annual Audit Report to those charged with governance. | 5 th September 2023 |
| Signed Independent Auditor's Report | 5 th September 2023 |

Source: Audit Scotland

Audit fee

36. In determining the audit fee we have taken account of the risk exposure of SBC and the planned management assurances in place. The agreed audit fee for 2022/23 is £10,550 as set out in Exhibit 5.

37. 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.

Exhibit 5**Audit fees (including VAT)**

| Fee component | Fees (£) |
|--------------------------------------|-----------------|
| External Auditor Remuneration | 16,460 |
| Pooled costs | -260 |
| Contribution to Audit Scotland costs | 470 |
| Sectoral Cap Adjustment | -6,120 |
| Total 2022/23 fee | 10,550 |

Source: Audit Scotland

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

Other matters

Internal audit

39. It is the responsibility of SBC to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work as part of our risk assessment procedures.

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 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.

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. The appointed auditor for SBC is Tommy Yule, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of SBC.

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.

46. 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.

47. 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.

48. 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

49. The audit team involved in the audit of the SBC have significant experience in public sector audit.

Tommy Yule
Senior Audit Manager
tyule@audit-scotland.gov.uk

Tommy has over 22 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. He is a Fellow of the Chartered Institute of Public Finance and Accountancy

Neil Maclean
Senior Auditor
nmaclean@audit-scotland.gov.uk

Neil has considerable experience in planning and delivering audits. Neil will manage the team and work alongside the Senior Audit Manager to deliver the audit. He is a member of the Institute of Chartered Accountants of Scotland.

Maria Niaz
Graduate Trainee Auditor
mniaz@audit-scotland.gov.uk

Maria joined Audit Scotland in 2020 having previously worked as a temporary auditor at Audit Scotland for one year. She has been involved in a range of Central Government audits and is working towards her CA qualification with the Institute of Chartered Accountants of Scotland.

50. 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.

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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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