

Creative Scotland and Creative Scotland National Lottery Distribution Fund

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Creative Scotland, Creative Scotland National Lottery Distribution Fund
and the Auditor General for Scotland

December 2022

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Key messages

2021/22 annual report and accounts

- 1 The annual report and accounts for Creative Scotland and its group, and Creative Scotland National Lottery Distribution Fund, give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 Expenditure and income were incurred in accordance with applicable enactments and guidance.

Financial management

- 3 Creative Scotland has appropriate and effective financial management arrangements in place.
- 4 Internal audit recommendations have not been fully implemented in line with agreed timescales.
- 5 Creative Scotland has appropriate arrangements in place for the prevention and detection of fraud and corruption. However, some internal policies still require updating.
- 6 Financial systems of internal control are designed effectively, however, minor improvements could be implemented.

Financial sustainability

- 7 Financially, Creative Scotland and Creative Scotland National Lottery Distribution Fund performed well in 2021/22.
- 8 Creative Scotland operated within its grant-in-aid cash allocation, with a small net surplus of £10,000 for the year. Creative Scotland National Lottery Distribution Fund produced a £3,401,000 surplus on the Fund, taking its general reserve balance to £24,060,000 as at 31st March 2022.
- 9 Creative Scotland has a short to medium-term financial plan but has yet to develop a longer-term plan.

Governance and transparency

- 10** Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.
- 11** Creative Scotland's governance and transparency arrangements are appropriate.
- 12** The Board and the Audit and Risk Committee began to meet in person during 2021/22.

Value for money

- 13** Creative Scotland considers best value duties through its Annual Performance Review.
- 14** The Annual Performance Review for 2021/22 is due to be published early 2023.
- 15** To help individuals and organisations during the pandemic, Creative Scotland continued to provide significant levels of funding.

Introduction

1. This report summarises the findings from our 2021/22 audit of Creative Scotland and Creative Scotland National Lottery Distribution Fund.
2. The scope of our audit was set out in our 2021/22 Annual Audit Plan (AAP) presented to the 31/03/2022 meeting of the Audit and Risk Committee. This report comprises the findings from:
 - an audit of Creative Scotland and Creative Scotland National Lottery Distribution Fund annual report and accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The global coronavirus pandemic has continued to impact on Creative Scotland's focus during 2021/22. COVID-19 Emergency Response funds were re-established, with Creative Scotland providing £69.2 million in COVID-19 emergency programmes. The risk relating to these continuing high levels of grant expenditure was included in our AAP, and we have adapted our audit work to address any new emerging risks.

Adding value through the audit

4. We add value to Creative Scotland and Creative Scotland National Lottery Distribution Fund through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
5. We aim to help Creative Scotland promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. Creative Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers.

7. Creative Scotland is also responsible for compliance with legislation, putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
8. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK.
9. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position, and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
10. This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
11. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

12. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.
13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £47,830 for Creative Scotland and £24,990 for Creative Scotland National Lottery Distribution Fund as set out in our 2021/22 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
14. This report is addressed to Creative Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

15. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end

in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Audit Scotland will continue to be the appointed auditor for Creative Scotland and Creative Scotland National Lottery Distribution Fund. We are working closely with the new team to ensure a well-managed transition.

17. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

18. There are a number of significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work and the audit of Best Value across the Integration Joint Boards.

19. We would like to thank Board members, Audit and Risk Committee members, Executive Directors and other staff, particularly those in finance for their co-operation and assistance over the last six years.

Part 1. Audit of 2021/22 annual report and accounts

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

Main judgements

The annual report and accounts for Creative Scotland and its group, and Creative Scotland National Lottery Distribution Fund, give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Expenditure and income were incurred in accordance with applicable enactments and guidance.

Our audit opinions on the annual report and accounts are unmodified

20. The annual report and accounts for the year ended 31 March 2022 were approved by the board on 01/12/2022. 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 are regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Overall materiality is £690 thousand for Creative Scotland and £295 thousand for Creative Scotland National Lottery Distribution Fund

21. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). The revision did not have any impact on the audit approach.

Exhibit 1

Materiality values

Materiality level	Group	Creative Scotland	Creative Scotland NLDF
Overall materiality	£700 thousand	£690 thousand	£295 thousand
Performance materiality	£350 thousand	£345 thousand	£180 thousand
Reporting threshold	£25 thousand	£25 thousand	£15 thousand

22. In determining performance materiality, we considered the fact that both Creative Scotland's and Creative Scotland National Lottery Distribution Fund's primary role is to provide grants to the creative sector in Scotland. Gross expenditure is the appropriate measure for setting materiality to reflect the role and interest of the users of the financial statements. We factored in the continued high levels of emergency funding provided by Creative Scotland.

23. The overall scope of the audit was adapted to incorporate the significant assessed risks of material misstatement included within [Exhibit 3](#) and [4](#).

We have two significant findings to report on the annual report and accounts

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have reported two issues from the work done on the identified risks of material misstatement. They relate to performance reporting a grant withdrawal and is included in the action plan at [Appendix 1](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Performance Reporting</p> <p>In 2018/19 we recommended that officers enhance the reporting of performance within the annual report and accounts to comply with the reporting framework. This included identifying key performance indicators and ensuring these were measured against forward looking targets. Work in this area was understandably suspended while Creative Scotland dealt with the Covid 19 pandemic. An addendum to the Government Financial Reporting Manual (FReM) was issued in 2019/20 and 2020/21 which permitted bodies to omit the performance analysis section from the Performance Report.</p> <p>However, there is no such addendum this year and the FReM requires audited bodies to provide full disclosure within the annual report and accounts on its key performance measures and how it measures performance against those. The availability of data relating to the outcomes and performance measures that would be expected to be disclosed within the 2021/22 annual report and accounts have been impacted by COVID-19 and, although two performance measures were disclosed, significant improvement is required to allow for a clearer picture of the performance for the year.</p> <p>Creative Scotland discloses outcomes and performance measures in its Annual Review of Performance but this information is not included within the performance section of the annual report and accounts due to being collated later in the year.</p>	<p>Creative Scotland agreed to bring forward its information gathering exercise going forward, to allow the information disclosed in the Annual Review of Performance to be included within the Annual Report and Accounts from 2022/23 onwards.</p> <p>Creative Scotland should include a more detailed performance analysis and review against indicators in its Performance Report.</p> <p>Recommendation 1 (Appendix 1, action plan)</p>

Issue	Resolution
<p>2. Creative Scotland Grant Recipient Withdrawal</p> <p>As part of our grant's outstanding balance testing, we identified one award, totalling £350,000, whereby the recipient withdrew from the award in October 2021. However, the Funding and Finance teams were not made aware of this until July 2022, at which point the award was written back in 2022/23. Since the recipient withdrew from the award in 2021/22, the award should have been written back in 2021/22 and the £350,000 should not have been a payable (grant outstanding) as at 31st March 2022.</p>	<p>Creative Scotland did not adjust for this error. We undertook additional audit procedures in the form of additional sampling to gain assurance this was an isolated instance. No additional issues were identified.</p> <p>All departments should maintain good communication with the Funding and Finance team to allow all information regarding grants to be reflected timeously in the ledger and financial statements.</p> <p>Recommendation 2 (Appendix 1, action plan)</p>

Source: Audit Scotland

25. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan audit. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3 Significant risks from the audit of the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. 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 manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Detailed testing of journal entries.</p> <p>Detailed testing of grant income and expenditure to ensure this was accounted for appropriately.</p> <p>Reviewed the apportionment of costs and accounting estimates for reasonableness.</p> <p>Focussed testing of accruals and prepayments.</p> <p>Evaluated significant transactions that are outside</p>	<p>Results & Significant Judgements:</p> <p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>Grant testing of income and expenditure has not identified any accounting issues.</p> <p>Apportionment of costs were consistent with the recharge policy.</p> <p>Focussed testing on accruals and prepayments did not</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>the normal course of business.</p> <p>Cut off testing.</p>	<p>identify any instances of management override of controls.</p> <p>As part of our substantive testing, we considered whether transactions were within the normal course of business. When selecting samples, we reviewed ledger and transaction listings for any transactions that were outside the normal course of business. Our testing did not identify any issues.</p> <p>No issues were identified in our cut off testing samples.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
<p>2. Fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. Most of the expenditure within CS & CSNLDF relates to grants and the nature of this expenditure represents a risk of material misstatement in the financial statements.</p> <p>There is also an increased risk of fraud relating to the continued increase in grants to provide support due to the impact of Covid-19.</p>	<p>Walk through testing of controls in place within the grant management system.</p> <p>Detailed substantive testing of grant expenditure, including authorisation and approval.</p>	<p>Results & Significant Judgements:</p> <p>From our walkthrough of the grant management system, we found the controls in place to be robust and adequately designed.</p> <p>As part of our substantive testing, we reviewed the authorisation on each of the grants. No issues were identified.</p> <p>Conclusion: No issues have been identified and no instances of fraud in expenditure were identified.</p>

We identified a misstatement of £350 thousand for Creative Scotland. Additional testing was undertaken as it was above our performance materiality

26. We identified a total misstatement of £350,000 for Creative Scotland (Exhibit 2, Issue 2). There were no misstatements identified for Creative Scotland National Lottery Distribution Fund. The misstatement totalling £350 thousand has not been adjusted by management in the accounts, as they consider it not to

be material. This would have decreased net expenditure by £350 thousand (Appendix 2).

27. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. The identified misstatement was above our reporting threshold and performance materiality. The gross sum of the unadjusted error is below our overall materiality and has not affected our opinion.

28. We reviewed our audit approach to consider if additional testing was required. Additional audit procedures were carried out, in the form of additional sampling of de-commitment of grants. From this additional testing we obtained assurance that the misstatement was isolated.

29. From the work we carried out, we were able to confirm that the misstatement occurred due to the Funding and Finance teams not being made aware of the withdrawal. It is important that there are open communications with the Funding and Finance teams to ensure they are aware of all information affecting the grant award process.

Useful life of Creative Scotland's building

30. When reviewing the depreciation charge of Creative Scotland's building, the Fixed Asset Register calculates the depreciation as the gross cost (the amount valued by Creative Scotland's external valuer's) at the end of the year, divided by 35 (the useful life of the asset) to give the charge.

31. However, by doing this, the asset will then take 35 years from 2021/22 to be fully depreciated. Normally, the gross cost is depreciated over the remaining useful life of the asset. When this was discussed with Finance, they advised that each time the external valuer re-values the building (carried out every three years), the useful life returns to 35 years.

32. Management is required to re-assess the useful lives of their assets yearly. However, if the useful life of the asset is re-assessed to 35 years every three years, the asset will never be fully depreciated. In addition to this, if the life of the asset is re-assessed back to 35 years every valuation year, it would suggest a 35-year useful life is not appropriate. We recommend that Creative Scotland discuss and agree with the valuer the appropriate useful life of the asset.

Recommendation 3

Creative Scotland should discuss and agree the appropriate useful life for the building with the external valuer. This will allow depreciation to be charged appropriately over the useful life of the asset.

ICT Strategy

33. Creative Scotland does not currently have a formalised ICT strategy document. It does have policies in place to align with the broad aims of Scottish Government's overarching digital strategy and additionally, Creative Scotland follows the Scottish Government service standard (Digital Scotland Service Standard). This was not a priority for Creative Scotland during the pandemic whilst dealing with emergency funding, however, a formalised ICT Strategy would help ratify Creative Scotland's current ICT environment.

Recommendation 4

Creative Scotland should create a formalised ICT Strategy document.

Progress was made on prior year recommendations

34. Creative Scotland has made some progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2. Financial management

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

Main judgements

Creative Scotland has appropriate and effective financial management arrangements in place.

Internal audit recommendations have not been fully implemented in line with agreed timescales.

Creative Scotland has appropriate arrangements in place for the prevention and detection of fraud and corruption. However, some internal policies still require updating.

Financial systems of internal control are designed effectively, however, improvements could be implemented.

Creative Scotland and Creative Scotland National Lottery Distribution Fund operated within budget in 2021/22

35. Creative Scotland and Creative Scotland National Lottery Distribution Fund operated within budget in 2021/22.

36. Creative Scotland has reported a net expenditure of £133.408 million against its overall budget for 2021/22. The general fund reserve balance is a surplus of £2.952 million.

37. Creative Scotland National Lottery Distribution Fund has reported income of £32.709 million and expenditure of £29.308 million. This results in a surplus of £3.401 million for the year. The budgeted deficit was £5.044 million, which constitutes an £8.445 million variance. This variance is mainly attributable to additional National Lottery proceeds due to improved Lottery sales. In addition, there was an underspend in grants, mostly due to the deferral of some grant programmes until 2022-23 as Creative Scotland continued to focus on emergency COVID-19 response programmes.

Budget processes were appropriate

38. We reviewed Creative Scotland's budgetary processes and budget monitoring arrangements during 2021/22. The 2021/22 budget was initially scrutinised at the 3rd February 2021 Finance and General Purposes Committee

before being approved by the Board on 24th February 2021. Management accounts were prepared monthly and reviewed by the Senior Leadership Team. Budgetary updates were also taken to meetings of the Finance and General Purposes committee.

39. From our review of management account reports and committee papers, we have confirmed that senior management and members receive regular, timely and up to date information on the financial position of Creative Scotland and Creative Scotland National Lottery Distribution Fund. The reports provide detailed information including forecasts of expenditure, comparisons of budget against actual spend and high-level explanations of variances. Creative Scotland has appropriate budgetary monitoring and control arrangements in place that allow members and officers to carry out effective scrutiny of finances.

40. We observed that senior management and members receive regular and accurate financial information on the Creative Scotland and Creative Scotland National Lottery Distribution Fund financial position. We conclude that appropriate budget setting and monitoring arrangements are in place.

Financial systems of internal control are operating effectively, however improvements could be implemented

41. We undertook a review of systems of internal controls. We carried out Initial System Reviews of the key financial systems and concluded that the controls were designed effectively. No significant internal control weaknesses were identified during the audit which could affect Creative Scotland's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements. However, from our work we identified improvements that could be implemented to strengthen the controls already in place.

42. As part of our walkthrough of the general ledger key controls, there were two instances where there was no audit evidence to support the key control. Both were in relation to the evidencing of review being carried out. Journals and monthly ledger reconciliations are reviewed each month. However, for the months sampled the supporting documentation we received contained no sign off in the review column of the document. We were, however, subsequently provided with documentation of the check from another month which provided some evidence of the control in action. We therefore recommend, to ensure good audit evidence is retained, that all review undertaken is appropriately evidenced.

43. In addition, in 2020/21 we reported in our AAR four improvements to be made to the control processes to strengthen the control environment (Action Plan 1, outstanding prior year recommendation 14). These recommendations were not implemented in 2021/22. Evidence was provided to demonstrate the payroll improvements being implemented in 2022/23.

44. Please note these findings do not represent a risk of material misstatement and have been suggested as improvements to further strengthen the existing control environment at Creative Scotland.

Recommendation 5

Creative Scotland should maintain good audit evidence to demonstrate that review of journals and reconciliations has taken place.

Internal audit recommendations were not implemented in line with agreed timescales

45. In previous years we have raised the importance of addressing internal audit recommendations in a timely manner. For 2021/22, Internal Audit reported that little progress has been made in implementing the previous internal audit recommendations which have reached their target completion date. Two of the 25 (8%) recommendations which have passed their due past, were classified as fully implemented. Internal audit did note that this was mainly due to the impact of the COVID-19 pandemic. We will continue to monitor progress in this area in 2022/23.

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

46. Creative Scotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, the Board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

47. We have reviewed the arrangements in place to maintain standards of conduct including the Code of Conduct for Members, Fraud Management, Whistleblowing, Anti-bribery and Staff Gifts and Hospitality policies. There are established procedures in place for preventing and detecting any breaches of these standards including any instances of corruption.

48. We conclude that overall appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities. However, as reported in 2019/20 and 2020/21, neither the Fraud Management policy nor the Staff Gifts and Hospitality policy have been updated since 2017. The policies are currently tabled for review in November 2022 and are detailed in Appendix 1 Point 16. It is important that these reviews are carried out.

49. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. In 2020/21 we reported that Creative Scotland did not submit any information to the NFI by the due date. Payroll data was subsequently submitted after we requested this with officers, but we were advised that there were issues submitting the creditors information due to working from home. We recommended that Creative Scotland should take all possible steps to ensure that NFI data sets are submitted on time.

50. In 2021/22, we completed our review of the NFI exercise using red, amber or green indicators. We know from our audit work that Creative Scotland has robust controls in place for fraud, particularly for the awarding and providing grants. However, this NFI exercise has not been carried out effectively, resulting in a red conclusion. Creative Scotland is normally committed to this, but its priorities shifted due to the impact of the Covid-19 pandemic and the need to provide

emergency funding. Every aspect of the organisation refocussed its effort and attention to helping the creative sector stay afloat during these difficult times. We do, however, recommend that in future all information is submitted to the NFI before the due date and work is carried out on any identified matches.

Recommendation 6

Creative Scotland should take all possible steps to ensure that NFI data sets are submitted on time. Creative Scotland should then invest time in completing a review of any matches identified through the exercise.

Part 3. Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

Financially, Creative Scotland and Creative Scotland National Lottery Distribution Fund performed well in 2021/22.

Creative Scotland operated within its grant-in-aid cash allocation, with a small net surplus of £10,000 for the year. Creative Scotland National Lottery Distribution Fund produced a £3,401,000 surplus on the Fund, taking its general reserve balance to £24,060,000 as at 31st March 2022.

Creative Scotland has a short to medium-term financial plan but has yet to develop a longer-term plan.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

51. [Exhibit 4](#) sets out the significant risk of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. The risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 4

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

Audit risk	Assurance procedure	Results and conclusions
<p>Financial sustainability</p> <p>There is a risk that the National Lottery Funding received by CSNLDF will decrease in the long term. In the past, the Scottish Government increased grant in aid funding to offset any reduction in lottery funding. However, grant in aid funding</p>	<p>Monitored and reviewed CS & CSNLDF management accounts.</p> <p>Reviewed medium term financial and savings plans.</p>	<p>Results & Significant Judgements: Reviewed the management accounts prepared to the Finance and General Purposes committee on a regular basis to monitor the ongoing financial position.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>may decrease or additional funding may not always be available. Creative Scotland should ensure it has appropriate budget monitoring and longer-term planning arrangements in place to address this challenge.</p>		<p>Reviewed the financial plan for 2022/23 which includes projections to 2025/26.</p> <p>Conclusion: The annual budget for 2022/23 includes projections to 2025/26. This includes assumptions on medium term funding from the Scottish Government and from the National Lottery fund.</p> <p>Management accounts were found to be subject to regular review by the Senior Leadership Team and by the Finance and General Purposes committee.</p>

Creative Scotland prepares four-year budget forecasts but is yet to develop a longer-term financial

52. Creative Scotland prepares an annual financial plan and prepares four-year financial forecasts within budget setting papers. The financial budgets provide high level summaries of anticipated position including projections for income, grants and operating cost.

53. Creative Scotland's grant in aid budget is included within the Culture and Major Events portfolio. The majority of Creative Scotland's overall budget is authorised through the Budget Act and any subsequent revisions. As such, the budget is updated annually when funding is confirmed by the Scottish Government. This is one of the main constraints faced by Creative Scotland in preparing its longer-term financial planning documents. Creative Scotland also receives funding from the UK National lottery. The totals are aggregated, and budgets proposed for different streams of expenditure.

54. The 2022/23 budget position forecasts a balanced Creative Scotland grant-in-aid position. The following three year's (2023/24 to 2025/26) also project a balanced position. National Lottery Distribution Fund income is projected to increase by 1.6% to £31.5 million in 2022/23 and then remain static until 2025/26.

55. As reported in previous years, Creative Scotland may benefit from developing and implementing a longer-term financial plan, particularly given the forecasted reducing reserve position of the National Lottery Fund. In the absence of longer-term financial plans there is a risk that Creative Scotland may not be able to direct and control its finances efficiently. Against the backdrop of the cost-of-living crisis and the possibility of a reduction in grant-in-aid funding from the Scottish Government, good financial planning has never been more important.

Creative Scotland continues to be engaged in dealing with the financial impacts of Covid-19

56. During 2020/21, Creative Scotland distributed a total of £66.2 million in emergency funding in response to the COVID-19 pandemic. This figure rose to £69.2 million during 2021/22 and was distributed across a range of emergency programmes covering individuals and organisations.

57. At the start of 2021/22, restrictions across the UK started to ease, and the Coronavirus Job Retention Scheme (CJRS), which supported many cultural and artistic organisations, was scheduled to end on 30 September 2021. The Scottish Government provided £25 million in funding to Creative Scotland to help support cultural and artistic organisations avoid insolvency and job losses up to 30 September 2021 when it was expected that restrictions would be eased completely, and full trading could resume as normal. The Culture Organisations & Venue Recovery Fund (COVRF) and Performing Arts Venue Relief Fund (PAVRF) were launched by Creative Scotland for this purpose.

58. The COVID-19 Omicron variant spread rapidly throughout December 2021, leading to further restrictions on large venues. This resulted in a number of cancellations of key events over the Christmas and New Year period, and into the final quarter of 2021/22. A further £54 million of funding was provided by the Scottish Government (which also included utilising underspends in COVRF and PAVRF) to provide further support for organisations and individuals during this period.

59. The impact of COVID-19 on Creative Scotland's operating costs in the short term has been minimal. However, the arrangements put in place to support individuals and organisations through the emergency response and funding streams has been important to the sector. The medium to longer term financial impact of the pandemic is still developing.

The Future Funding Framework has been delayed until April 2025

60. Since 2019/20 Creative Scotland has been carrying out a comprehensive review of its funding arrangements for the award and distribution of funding, including extensive engagement with funding recipients and other stakeholders. This review has developed a Future Funding Framework (FFF) which will inform the majority of Creative Scotland's funding with particular focus on multi-year funding. It was initially hoped that guidance would be published early 2023 with applications starting in March 2023 and funding from April 24.

61. However, Creative Scotland has acknowledged that Scotland's culture and creative sector is facing significant challenges brought on by long-term budget pressures, increased operating costs, slow post-COVID recovery and falling income.

62. There are also uncertainties around Creative Scotland's budgets from the Scottish Government for this year and future years with the realistic prospect of serious budget reductions. This has significant implications for Creative Scotland's work to deliver the Future Funding Framework (FFF) according to the plan previously set out, including the delivery timescales for the Multi-Year Funding Programme.

63. The Multi-Year Funding Programme will be postponed by up to 12 months, with Creative Scotland working towards the new funding programme being in place from April 2025.

Part 4. Governance and Transparency

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Main judgements

Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.

Creative Scotland's governance and transparency arrangements are appropriate.

The Board and the Audit and Risk Committee began to meet in person during 2021/22.

Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance

64. Our review of the Annual Governance Statement found that it was consistent with the financial statements and the statement has been prepared in accordance with the FReM.

Overall governance and transparency arrangements were appropriate

65. The Creative Scotland Board is made up of members who are appointed by, and accountable to, the Scottish Government and have corporate responsibility for ensuring that Creative Scotland fulfils its aims and objectives, including delivery of its strategic objectives. The Board is required to meet at least four times a year in accordance with its Terms of Reference. The Board met on eight occasions during 2021/22. The Board is supported by four subcommittees: Audit and Risk Committee; Finance & General Purposes Committee; Nominations Committee and the Screen Committee.

66. In 2019/20 and 2020/21 we reported that we planned to attend the Board and Finance and General Purposes Committee as an observer. This would allow us to further assess the effectiveness of committee arrangements. Unfortunately, we were not invited to attend in either 2020/21 or 2021/22. We hope that our colleagues taking over the audit will be invited to observe in 2022/23.

67. We have reviewed the minutes and document packs submitted to the Board and Finance and General Purposes Committee throughout the year. The papers are detailed and comprehensive to allow for effective decision making and scrutiny of performance.

68. We attend the Audit and Risk Committee meetings and can conclude that papers presented are of sufficient detail to provide members with the necessary information to understand issues and support scrutiny. The reports are provided to members in a timely manner to enable review in advance of meetings. Furthermore, we conclude that members are sufficiently engaged during meetings and provide effective scrutiny and challenge.

69. The Chair of the Audit and Risk Committee provides a verbal update on key issues discussed at each meeting of the Board and these updates are recorded as part of the Board minutes.

70. Overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption have been concluded as appropriate. However, as detailed within the financial management section ([paragraph 48](#)) of this report, some policies require updating.

71. We conclude that overall governance arrangements are appropriate and effective in supporting governance and accountability.

The Board and the Audit and Risk Committee began to return to meetings in person

72. During 2021/22 the Board and the Audit and Risk Committee (ARC) meetings returned to in person meetings. On 18th of November 2021, we attended the first in person ARC since the COVID-19 pandemic began and have subsequently attended all other ARC meetings in person. The Board had its first in person meeting on the 1st of October 2021. Both have continued to have in person meetings since. The Finance and General Purposes Committee and the Screen Committee continue to meet virtually.

Openness and transparency

73. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

74. Creative Scotland produced an Annual Plan for 2021/22 and intend to publish their Annual Review of Performance in early 2023.

75. Board and other committee meetings are held in private. Creative Scotland publishes approved Board minutes on their website. Creative Scotland has commenced work to publish Audit and Risk Committee and Finance and General Purposes Committee minutes on its website and are currently in the process of approving publication of the most recent minutes, for each of the committees, on its website.

76. However, there is no publication of Board or other committee papers. With increasing expectations for openness in the conduct of public business, Creative Scotland should continue to regularly revisit this area to ensure the public has access to relevant information. This was recommended in 2019/20 and 2020/21 and has been detailed in Appendix 1 Point 17, outstanding prior year recommendations.

Certificates of Assurance

77. Each year, every member of the Senior Leadership Team completes a certificate of assurance, to provide assurance to the Accountable Officer (Iain Munro). The Scottish Public Finance Manual (SPFM) provides guidance on how to complete the assurance process and provides a template checklist (Annex 2 of the Certificates of Assurance section of the SPFM) that can be completed alongside the assurance certificate. The SPFM states *'Other organisations to which the SPFM is directly applicable – including separate accounting bodies sponsored by the SG – should arrange for appropriate assurance frameworks consistent with this guidance to be put in place'*. Creative Scotland does not currently complete the checklist, nor does it have evidence of alternative appropriate assurance that the checklist would provide.

Recommendation 7

Creative Scotland should, in line with the SPFM and good practice, implement supporting documentation in the form of a checklist to be completed by the Senior Leadership Team alongside their Certificates of Assurance.

Register of Interest Review

78. Annually, board members update their Declarations of Interest. We have carried out a review of the Register of Interest to ensure that all interests have been declared, and that all related parties are disclosed within the financial statements. We are content that our review found no issues. Creative Scotland currently carry out a reasonableness check on the declarations. However, Creative Scotland should carry out its own review of the Register of Interest to check the completeness of the disclosures made by the board members.

Recommendation 8

Creative Scotland should consider carrying out a completeness review of declarations of interest made by board members. This could include a Companies House check.

Senior Leadership Team Registration of Interest

79. The Senior Leadership Team at Creative Scotland should also update their registrations of interest each year. However, from our enquiries we established

that only four of the Senior Leadership Team completed the form. All Senior Leadership Team members should complete the form timeously when there is any update to their circumstances and, as a minimum, on an annual basis.

Recommendation 9

All members of the Creative Scotland Senior Leadership Team should complete their registration of interest each year.

Part 5. Value for money

Using resources effectively and continually improving services

Main judgements

Creative Scotland considers best value duties through its Annual Performance Review.

The Annual Performance Review for 2021/22 is due to be published early 2023.

To help individuals and organisations during the pandemic, Creative Scotland continued to provide significant levels of funding.

Creative Scotland consider best value through the Annual Performance Review

80. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

81. The main way in which Creative Scotland measures the achievement of its best value duties is through the Annual Performance Review. The review provides an assessment of performance during the year including an examination of funding; equalities, diversity and inclusion, environment, wellbeing and partnership working. Whilst the reviews do not specifically mention Best Value, they cover a wide range of areas that align with the SPFM's Best Value Characteristics of Vision and Leadership, Governance and Accountability, use of resources, Partnership and collaborative working, Working with Communities, Sustainability and Fairness.

82. Creative Scotland's 2021/22 Annual Performance Review is due to be published in early 2023, which will provide an overview of their activities during the year.

Performance Management

83. The performance of Creative Scotland is monitored by the Board and supporting committees. The Finance & General Purposes Committee assess financial performance through receipt of regular management reports and the Audit and Risk Committee receive reports from Internal Audit that evaluate the systems of internal control.

84. Creative Scotland has a 10-year plan ‘Unlocking Talent Embracing Ambition’ which sets out five ambitions. Each ambition has priorities which are aligned to the Scottish Government’s National Performance Framework. Creative Scotland’s Annual plan sets out the planned activity to support the delivery of these ambitions and priorities.

Performance measures reflected in the annual report and accounts

85. In 2018/19 we reported that Creative Scotland should build on its existing approach and develop a range of targets which could demonstrate progress against its performance indicators. For this year we are re-recommending that targets should be set for any objectives that have a quantitative aspect.

Recommendation 10

Creative Scotland should endeavour to provide a more detailed suite of objectives with set targets, to allow analysis of its performance against key performance indicators.

86. As detailed in Exhibit 2 point 1, in 2019/20 and 2020/21, a FReM Addendum was issued that allowed for reduced performance reporting which meant the work on the Performance Report was deferred in those years.

87. Due to the ongoing impact of COVID-19 in 2021/22, the data that could be gathered by Creative Scotland has been reduced significantly. This meant that the Performance Report of the Annual Report and Accounts disclosed the minimum in relation to performance against indicators. Given the movement back to a more ‘business as usual’, significant improvements, at the earliest possible juncture, should be made to the Performance Report. This will allow, in line with the FReM, a greater understanding of the development, performance or position of Creative Scotland and Creative Scotland National Lottery Distribution Fund to be granted to the reader of the report.

National performance audit reports

88. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 3](#) highlights a number of the reports published in 2021/22.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Performance Reporting</p> <p>The FReM requires the Performance Report, included within the annual report and accounts, to include detailed disclosure to enable the reader to understand the development, performance and position of the body.</p> <p>Whilst Creative Scotland discloses outcomes and performance measures in its Annual Review of Performance, this information is not included within the Performance section of the Annual Report and Accounts.</p> <p>Risk – A clear and understandable picture of Creative Scotland’s performance against objectives is not demonstrated in the Performance Report.</p>	<p>Creative Scotland should include a more detailed performance analysis and review against indicators in their Performance Report.</p> <p>Exhibit 2 point 1 and Paragraphs 85-86</p>	<p>The data from 120 funded organisations that relates to the KPIs that are not in the Performance Report will be submitted earlier in 2023 to enable inclusion in 2022/23 report.</p> <p>Director of Finance, Director of Strategy</p> <p>31 March 2023</p>
<p>2. Creative Scotland Grant Recipient Withdrawal</p> <p>As part of our grant’s outstanding balance testing, we identified one award totalling £350,000, that the recipient withdrew from the award. The official withdrawal was in October 2021. However, the award was not written back until 2022/23.</p> <p>Risk – grants outstanding and expenditure are both overstated.</p>	<p>All departments should maintain good communication with the Funding and Finance teams to allow all information regarding grants to be reflected in the ledger and financial statements.</p> <p>Paragraph 26</p>	<p>Unpaid grant balances are reviewed regularly and the notification of the withdrawal of this award was an isolated omission. An additional check will be introduced for the final quarter of the financial year and the requirement for staff monitoring grants to notify Funding and Finance will be reinforced.</p>

Issue/risk	Recommendation	Agreed management action/timing
		Finance Manager/Funding Manager 31 March 2023
<p>3. Depreciation Annual Charge for CCA Building</p> <p>Creative Scotland changes the useful life of its building back to 35 years (original useful life) every time the asset is revalued by external valuers. This means that the building will never be fully depreciated.</p> <p>Risk – The depreciation charged may be incorrect as the useful life of the asset is not appropriate.</p>	<p>Creative Scotland should discuss and agree the appropriate useful life for the building with the valuer. This will allow depreciation to be charged appropriately over the useful life of the asset.</p> <p>Paragraph 30-32</p>	<p>As any adjustment will not be material for some time, we plan to pick this up for the next valuation due date of 31 March 2025.</p> <p>Finance Manager 31 March 2025</p>
<p>4. ICT Strategy</p> <p>Creative Scotland does not have a formalised ICT Strategy document.</p> <p>Risk – An ICT Strategy is a document which outlines how your organisation’s ICT will support your overall corporate objectives and strategy over a defined period. Not having one in place might result in a lack of focus in relation to ICT.</p>	<p>Creative Scotland should create a formalised ICT Strategy document.</p> <p>Paragraph 33</p>	<p>Once the key strategies on funding and operations are complete the ICT Strategy will be refreshed to align with the needs of the organisation.</p> <p>Head of Digital 30 June 2023</p>
<p>5. Control Improvements</p> <p>As part of our walkthrough testing of general ledger key controls, there were two instances where checks carried out by the finance team were not documented. This related to:</p> <ul style="list-style-type: none"> Journal authorisation Monthly reconciliation review. <p>Risk – Good, clear, audit evidence is not available to support any work carried out.</p>	<p>Creative Scotland should maintain good audit evidence to demonstrate that review of journals and reconciliations has taken place.</p> <p>Paragraph 42</p>	<p>Journals and reconciliations are always reviewed by a more senior finance officer. Evidence was previously provided by way of signature and we have been investigating ways of completing this task on an electronic basis. The new finance system which will be introduced in 2022-23 allows an electronic trail of authorisation to be maintained for relevant journal transactions and reconciliations</p> <p>Finance Manager</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>6. NFI</p> <p>From our review of the most recent NFI exercise, we concluded Creative Scotland's performance as being red. There were specific reasons for this performance, however, Creative Scotland did not submit the data or review the resulting match before the national deadline.</p> <p>Risk – Potential fraud matches may be missed if the data is not submitted or any resulting matches are not reviewed.</p>	<p>Creative Scotland should take all possible steps to ensure that NFI data sets are submitted on time. Creative Scotland should then invest time in completing a review of any matches identified through the exercise.</p> <p>Paragraph 50</p>	<p>30 April 2023</p> <p>Emergency funding for the COVID-19 response led to this task being de-prioritised as the fraud risks for Creative Scotland were higher in the grants management process during this time and historically there have been no frauds or errors detected using the NFI process.</p> <p>Payroll data was submitted but relevant creditors data could not be extracted from the servers while remote working was mandatory.</p> <p>Data is being provided for the 2022 NFI process.</p> <p>Finance Manager 31 March 2023</p>
<p>7. Certificate of assurance checklist</p> <p>As part of the certificate of assurance process, Creative Scotland do not have accompanying documentation such as a checklist to support the certificates completed by Senior Leadership.</p> <p>Risk – Creative Scotland is not following guidance set out by the Scottish Public Finance Manual.</p>	<p>Creative Scotland should, in line with the SPFM and good practice, implement supporting documentation in the form of a checklist to be completed by the Senior Leadership Team alongside their Certificates of Assurance.</p> <p>Paragraph 77</p>	<p>The SPFM states that the checklist is a requirement for core Scottish Government bodies and NDPBs "should arrange for appropriate assurance frameworks consistent with this guidance to be put in place"</p> <p>We will implement the checklist or another appropriate assurance framework for 2022/23.</p> <p>Director of Finance 31 May 2023</p>
<p>8. Register of Interest review</p> <p>Creative Scotland currently only carry out a reasonableness check on the Register of Interest.</p>	<p>Creative Scotland should consider carrying out a completeness review of declarations of interest made by board members.</p>	<p>Agreed Director of Finance 31 May 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk – The register of interest might not be complete.</p>	<p>This could include a Companies House check.</p> <p>Paragraph 78</p>	
<p>9. Senior Leadership Team Registration of Interest</p> <p>Only four of the Senior Leadership Team completed the registration of interest form. All Senior Leadership Team members should complete the form timeously when there is any update to their circumstances and, as a minimum, on an annual basis.</p> <p>Risk – all related parties may not be identified.</p>	<p>All members of the Creative Scotland Senior Leadership Team should complete their registration of interest each year.</p> <p>Paragraph 79</p>	<p>Agreed. This will be added to the SLT action plan</p> <p>Director of Finance</p> <p>31 March 2023</p>
<p>10. Performance Indicators</p> <p>In 2018/19 we reported that Creative Scotland should build on its existing approach and develop a range of targets which could demonstrate progress against its performance indicators. For this year we are re-recommending that targets should be set for any objectives that have a quantitative aspect.</p> <p>Risk – Creative Scotland is unable to demonstrate its performance against performance indicators.</p>	<p>Creative Scotland should endeavour to provide a more detailed suite of objectives with set targets, to allow analysis of its performance against key performance indicators.</p> <p>Paragraph 85</p>	<p>A target of 90% is currently set for performance measures on grant administration, and 10 days on creditor payments. This is reported in the Performance Report.</p> <p>Other performance indicators for 2023/24 have under review with the Scottish Government.</p> <p>Director of Strategy</p> <p>31 May 2023</p>

Outstanding prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>10. Untaken Leave Accrual</p> <p>IAS 19 states that ‘when an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service: (a)</p>	<p>The untaken leave accrual should be calculated in line with the appropriate technical guidance. In addition to this, the untaken leave accrual should be recharged in line with the recharge limits approved in year.</p>	<p>The annual leave accrual was correctly calculated and recharged in 2021/22.</p> <p>Complete.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>as a liability (accrued expense), after deducting any amount already paid’.</p> <p>The Audit Scotland technical guidance note requires auditors to evaluate whether the untaken leave accrual includes employer’s national insurance and pension contributions as well as salary costs. The untaken leave accrual calculation does not take account of national insurance and pension costs.</p> <p>Also, the salary recharge to the Lottery Fund decreased from 40% to 25% to recognise the additional workload for Creative Scotland undertook for the Emergency Covid-19 Funds. However, the untaken leave accrual has been charged at 40%, when it should have been 25%.</p> <p>Risk – The untaken leave accrual does not reflect all associated costs. In addition, the salary recharge is not being applied consistently.</p>		
<p>11. Creative Scotland National Lottery Distribution Fund - Grant Approval (Senior Leadership Team Approval)</p> <p>In line with Creative Scotland policy, grants above £100,000 should be sent to Senior Leadership Team for approval. One of the Lottery grants tested above £100,000 was successfully approved by a panel but not referred to Senior Leadership Team in line with the award policy. Senior officers advised that this was an isolated instance</p>	<p>All awards should be approved in line with Creative Scotland policy.</p>	<p>No issues were identified when auditing grants in relation to the approval of awards over £100,000 in 2021/22.</p> <p>Complete.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>and further audit procedures carried out confirmed this.</p> <p>Risk – By not following its award policy for grants, inappropriate awards may be made and governance arrangements not adhered to.</p>		
<p>12. Financial Planning</p> <p>Creative Scotland do not prepare longer-term financial plans. Creative Scotland may benefit from developing and implementing a longer-term financial plan.</p> <p>Risk – In the absence of longer-term financial plans Creative Scotland may not be able to direct and control its finances efficiently.</p>	<p>Creative Scotland should consider developing and implementing longer-term financial plans.</p>	<p>Ongoing</p> <p>Financial plans for the current and subsequent 4 years are discussed at Executive and Board level as part of the annual budgeting setting process.</p> <p>Following the Scottish Government budget in December 2022 a new medium term financial plan will be prepared.</p> <p>Director of Finance 31 March 2023</p>
<p>13. NFI Submission</p> <p>Due to the constraints of working from home and dealing with emergency funding for the Covid-19 pandemic, Creative Scotland was unable to submit the NFI payroll data on time and did not submit the Creditors data set.</p> <p>Risk – NFI is an important exercise to help detect fraud. Not submitting the data set means there is a risk that potential frauds could go undetected.</p>	<p>Creative Scotland should take all possible steps to ensure NFI data sets are submitted on time.</p>	<p>Superseded.</p> <p>See Recommendation 5 in Appendix 1.</p>
<p>14. Control Improvements</p> <p>Creative Scotland should consider implementing the following improvements to its control environments:</p> <p>Carry out a review of the monthly salary movements</p>	<p>Creative Scotland should consider implementing the four improvements.</p>	<p>These improvements have not yet been implemented.</p> <p>Outstanding.</p> <p>Salary and payroll reports are reviewed monthly. The issue was being able to provide audit evidence of the review,</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>spreadsheet (exception report).</p> <p>Carry out a review of the monthly payroll reconciliation.</p> <p>Ensure all panel decision documents for approving awards are signed by an appropriate person.</p> <p>Add detail to the Management Accounts Budget Monitoring spreadsheet, demonstrating the work that went into investigating and the cause for significant each variance.</p> <p>Improvements identified – These measures will further strengthen an already robust control environment.</p>		<p>and this is now being done via email confirmation.</p> <p>Panel decisions will now be documented using the Dynamics system and the embedded panel App.</p> <p>Appropriate Detail will be added to the management accounts spreadsheet to back up SLT and Board reports.</p> <p>Finance Manger</p> <p>31 March 2023</p>
<p>15. Asset Existence</p> <p>Our planned audit approach includes work to obtain assurances around the existence of assets. In March 2020 Creative Scotland purchased laptops to enable staff to work remotely whilst the offices were closed. We planned to select a sample of laptop serial numbers and request photographic evidence to confirm existence. We were advised that no record has been created of what laptop is held by each employee as they were shipped directly to employees from the warehouse. We have not been able to obtain assurance around the existence of these assets.</p> <p>Risk – The underlying fixed asset records are incomplete.</p>	<p>Procedures should be established to record all assets owned by Creative Scotland. Asset records should include the make and model of the asset and the unique serial number identifier along with details of portable assets held by staff working from home.</p>	<p>Sample testing of new HP laptops and iPhones were tested for existence. No issues were identified.</p> <p>Complete.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>16. Fraud Arrangements</p> <p>The Fraud Management and Gifts and Hospitality Policy have not been updated since 2017.</p> <p>Planned staff training over procurement fraud related issues during 2019/20 was delayed as a result of Covid-19.</p> <p>Risk – Policies do not adequately address the evolving nature of risks relating to fraud and corruption.</p> <p>There is a risk that staff do not have updated knowledge and experience of procurement fraud related issues, which may particularly be relevant with the changing Covid-19 landscape.</p>	<p>Policies relating to the prevention and detection of fraud and corruption should be reviewed and updated on a regular basis to ensure they adequately address the evolving nature of risk relating to fraud and corruption.</p> <p>Staff should be provided with relevant and up to date procurement fraud related training.</p>	<p>Outstanding – see paragraph 48.</p> <p>These will be presented to the March 2023 Audit and Risk Committee meeting for approval.</p> <p>Director of Finance</p> <p>March 2023</p>
<p>17. Openness and transparency</p> <p>Board and other committee meetings are held in private. Creative Scotland publishes approved Board minutes on the website, but no Board or other committee papers are available. With increasing expectations for openness in the conduct of public business, Creative Scotland should continue to regularly revisit this area to ensure the public has access to relevant information.</p> <p>Risk – Creative Scotland could be perceived to operate in a manner that is not open and transparent, leading to reputational damage.</p>	<p>There is scope for Creative Scotland to improve transparency by making further Board and committee information available to the public.</p>	<p>Outstanding – see paragraph 76.</p> <p>The 2022/23 minutes of the Audit and Risk and Finance and General Purposes Committee meetings will be published on the Creative Scotland website.</p> <p>CEO</p> <p>31 December 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>18. Performance Reporting</p> <p>In 2018/19 we recommended that officers should enhance the reporting of performance within the statement of accounts to comply with the reporting framework. This includes identifying key performance indicators and ensuring these are measured against forward looking targets. Work in this area was understandably suspended while Creative Scotland dealt with the Covid 19 pandemic.</p>	<p>Work in this area should recommence once full FReM reporting is re-established.</p>	<p>Superseded – see Recommendations 1 and 9 in Appendix 1.</p>

Appendix 2. Summary of uncorrected misstatements

We report all uncorrected misstatements that are individually greater than our reporting threshold of £25,000 for Creative Scotland.

The table below summarises uncorrected misstatement that was noted during our audit testing and were not corrected in the financial statements. Cumulatively the error is below our performance materiality level as explained in [Exhibit 1](#). We are satisfied that this error does not have a material impact on the financial statements.

Account areas	Group Statement of Net Expenditure		Group Statement of Financial Position	
	Dr £000	Cr £000	Dr £000	Cr £000
1. Grant Commitments		350		
Grants Outstanding			350	
Net impact		350	350	

Notes: This misstatement is in relation to a grant that the recipient withdrew from. Creative Scotland did not writeback this amount in the 2021/22 financial statements.

Appendix 3. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Creative Scotland and Creative Scotland National Lottery Distribution Fund

2021/22 Annual Audit Report

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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