

Commissioner for Ethical Standards in Public Life in Scotland

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

Prepared for the Commissioner for Ethical Standards in Public Life in Scotland

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 external audit of The Commissioner for Ethical Standards in Public Life in Scotland (Ethical Standards Commissioner or Commissioner). The main elements of our work include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- audit opinions on regulatory 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 best value arrangements and wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Audit appointment

2. We have been appointed as external auditor of the Commissioner for the five-year period from 2022/23 until 2026/27. The 2023/24 financial year is therefore the second of our five-year audit appointment. Details of the audit team are included at [Appendix 1](#).

Respective responsibilities of the auditor and the Ethical Standards Commissioner

3. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the Commissioner. Key responsibilities are summarised below.

Auditor responsibilities

4. The responsibilities of appointed 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.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at the Commissioner's Office. In doing this, we aim to support improvement and accountability.

The Commissioner's responsibilities

6. The Commissioner is responsible for maintaining adequate accounting records and internal controls and preparing financial statements for audit that give a true and fair view. He is also required to produce other reports in the annual report and accounts in accordance with statutory requirements.

7. The Commissioner, as Accountable Officer, 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 his office to deliver their objectives.

Adding value

8. We aim to add value by:

- tailoring audit work to the circumstances of the Commissioner and the audit risks identified;
- being constructive and forward looking;
- providing independent conclusions;
- attending meetings of the Advisory Audit Board (AAB); and
- by recommending and encouraging good practice.

9. In so doing, we will help the Commissioner promote improved standards of governance, better management and decision making, and more effective use of resources.

Financial statements audit planning

Introduction

10. The annual report and accounts are an essential part of demonstrating the Commissioner's stewardship of resources and their performance in the use of those resources.

11. As appointed auditors, we are required to perform an audit of the financial statements, consider other information within the annual report and accounts, and express a number of audit opinions in an Independent Auditor's Report. This is done in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum (which interprets the ISAs for the public sector) and guidance from Audit Scotland.

12. We focus our work on the areas of highest risk. As part of our planning process, we perform 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 obtain reasonable assurance that 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 2023/24 audit

14. We assess materiality at different levels. The materiality values for the Ethical Standards Commissioner are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for the Ethical Standards Commissioner

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 Commissioner's operations. For	£20,250

Materiality	Amount
the year ended 31 March 2024 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.	
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 75% of planning materiality.	£15,200
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been set at 5% of planning materiality.	£1,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. Our risk assessment draws on our cumulative knowledge of the Commissioner, their major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, consideration of the work of internal audit, attendance at 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 risk 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

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
1. Risk of material misstatement due to fraud caused by management override of controls	Owing to the nature of this risk, assurances from management	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing, make inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other

Significant risk of material misstatement	Sources of assurance	Planned audit response
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.	are not applicable in this instance.	<p>adjustments and consider the need and extent of detailed journal entry testing.</p> <ul style="list-style-type: none"> • Evaluate significant transactions outside the normal course of business. • Assess any changes to the methods and underlying assumptions used to prepare 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.

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 statements*, 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.

19. We have rebutted this risk as funding received from the Scottish Parliamentary Corporate Body is clearly communicated and can be readily agreed to third party confirmation. As the Commissioner has no other funding streams, we have concluded there are limited opportunities or incentives to manipulate the recognition of income in the financial statements.

20. 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.

21. We have also rebutted this risk as the main expenditure stream is staff costs which is not considered to be an area of risk. Other major costs include property costs, depreciation and legal advisor and auditor fees which are verifiable in total terms, mostly by third party confirmation. Although this leaves a residual balance, it mainly comprises relatively low value items.

22. We also consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Regularity

23. As appointed auditors, we are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

24. We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.

Wider Scope and Best Value

Introduction

25. 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.

26. In summary, the four wider scope areas are:

- **Financial management** – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability** – we will look ahead to consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We also comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- **Vision, leadership, and governance** – we conclude on the clarity of plans in place to deliver the Commissioner’s vision, strategy, and priorities. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how the Commissioner demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

Wider scope risks

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

28. Our planned work on wider scope is risk based and proportionate. In addition to local risks, we may be asked by the Auditor General for Scotland to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits.

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 the Commissioner has such arrangements in place.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

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

31. We will provide:

- an Independent Auditor's Report to the Commissioner for Ethical Standards, the Scottish Parliament, and the Auditor General for Scotland setting out our opinions on the annual report and accounts
- the Commissioner and the Auditor General for Scotland with an Annual Audit Report containing judgements and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

32. [Exhibit 3](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by 30 September 2024.

Exhibit 3 2023/24 Audit outputs

Audit Output	Target completion date	Planned reporting date to Advisory Audit Board
Annual Audit Plan	31 March 2024	2 May 2024
Independent Auditor's Report (IAR)	w/c 23 September 2024 (proposed IAR)	w/c 30 September 2024 (tbc)
Annual Audit Report	w/c 23 September 2024	w/c 30 September 2024 (tbc)

Source: Audit Scotland

33. 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.



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 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.	By 29 July 2024
Consideration of the unaudited annual report and accounts by those charged with governance (Advisory Audit Board)	Tbc
Main period of audit fieldwork	w/c 19 August to 2 September 2024
Latest date for final clearance meeting with the Head of Corporate Services	9 September 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	w/c 23 September 2024
Agreement of audited and unsigned annual report and accounts	w/c 23 September 2024
Issue of Annual Audit Report to those charged with governance.	w/c 23 September 2024
Signed Independent Auditor's Report	w/c 30 September 2024 (tbc)

Source: Audit Scotland

Audit fee

36. In determining the audit fee, we have taken account of the risk exposure of the Commissioner and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The proposed audit fee for 2023/24 is £18,890 (2022/23 £17,820).

37. In setting the fee for 2023/24, we have assumed that the Commissioner has effective governance arrangements and will prepare a comprehensive and accurate annual report and 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

38. It is the responsibility of the Commissioner to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

39. While we are not planning to use the work of internal audit to provide assurance for our audit procedures on the financial statements, 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

40. The appointed auditor is independent of the Commissioner in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

41. Audit Scotland has robust arrangements in place to ensure compliance with the Ethical Standard 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.

42. The appointed auditor for the Commissioner for Ethical Standards in Public Life in Scotland is Anne MacDonald, Senior Audit Manager. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of the Commissioner.

Audit Quality

43. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

44. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit

through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

45. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

46. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Appendix 1. Your audit team

47. The audit team involved in the audit of the Ethical Standards Commissioner have significant experience in public sector audit.

Name	Position
Anne MacDonald amacdonald@audit-scotland.gov.uk	Senior Audit Manager/Engagement Lead
Scott McCreaddie smccreaddie@audit-scotland.gov.uk	Auditor

48. The local audit team is supported by a specialist technical accounting team, who 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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