

Scottish Parliamentary Corporate Body

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Parliamentary Corporate Body and the Auditor General for Scotland

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Contents

Key messages	3
Introduction	4
1. Audit of 2023/24 annual report and accounts	6
2. Financial management	13
3. Financial sustainability	17
4. Vision, leadership and governance	19
Appendix 1. Action plan 2023/24	22

Key messages

2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.

Financial management

- 2 The SPCB has sound financial management arrangements in place, including regular reporting to the Board, and operated within its revised 2023/24 budget, reporting an underspend of £1.4 million.
- 3 Overall, key controls within the main financial systems operated effectively, however a new financial ledger and payroll system will be implemented in 2024/25 and this will impact of staff capacity and the control environment until arrangements are embedded.

Financial sustainability

- 4 The SPCB is planning effectively so it can continue to deliver services in the medium term. The Parliament's Finance and Public Administration Committee published its report into the commissioner landscape in September 2024 and the recommendations are being considered.

Vision, leadership, and governance

- 5 The SPCB has clear plans in place to implement its vision, strategy and priorities.
- 6 There are effective and appropriate governance arrangements in place that ensures scrutiny and support for the delivery of the plans.

Introduction

- 1.** This report summarises the findings from the 2023/24 audit of the Scottish Parliamentary Corporate Body (the SPCB). It is addressed to the SPCB and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course
- 2.** The scope of the audit was set out in an Annual Audit Plan presented to the 20 March 2024 meeting of the Advisory Audit Board. This Annual Audit Report comprises significant matters arising from an audit of the SPCB's annual report and accounts and conclusions on the wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#). The Public Finance and Accountability (Scotland) Act 2000 makes separate provision for appointment of an Accountable Officer for the SPCB and as such, the Scottish Public Finance Manual (SPFM) has no application to the SPCB in respect of Best Value.
- 3.** My team and I would like to thank SPCB members, Advisory Audit Board members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year's audit. We look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

- 4.** The SPCB 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 account's direction from the Scottish Ministers. The SPCB is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.
- 5.** The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice 2021, supplementary guidance and International Standards on Auditing in the UK (ISAs).
- 6.** This report contains an agreed action plan at [Appendix 1](#). Weaknesses or risks identified in this report 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 of the SPCB from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor Independence

- 7.** The audit team comply with the Financial Reporting Council's Ethical Standard. I have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £81,200 as set out in my 2023/24 Annual Audit Plan

remains unchanged. I am not aware of any relationships that could compromise our objectivity and independence.

8. The annual audit adds value to the SPCB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, and arrangements to support financial management and sustainability
- sharing intelligence and good practice identified.

1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

The audit identified no misstatements above the reporting threshold.

We have obtained audit assurances over the identified significant risks of material misstatement identified in our Annual Audit Plan.

Audit opinions on the annual report and accounts are unmodified

9. The SPCB approved the annual report and accounts for the year ended 31 March 2024 on 27 September 2024. 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 were in accordance with applicable enactments and guidance
- the audited part of the Remuneration and Staff Report was prepared in accordance with the Government Financial Reporting Manual (FReM)
- the Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the FReM.

Overall materiality was reviewed on receipt of the unaudited annual report and accounts and remains at the planning level of £2.2 million

10. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

11. The initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and no changes were required. The materiality levels are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£2.2 million
Performance materiality	£1.6 million
Reporting threshold	£100,000

Source: Audit Scotland

12. The overall materiality threshold was set with reference to gross expenditure which is the figure most relevant to the users of the financial statements.

13. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75 per cent of overall materiality, reflecting the limited history of errors previously identified within the accounts.

14. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

15. Under ISA (UK) 260, we communicate significant findings from the audit to those charged with governance including our view about the qualitative aspects of the body's accounting practices.

16. The Code of Audit Practice also requires the reporting of key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance. These are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Pension surplus</p> <p>The unaudited financial statements included a pension asset of £6.2 million for the Scottish Parliamentary Pension Scheme as at 31 March 2024 (£5.7 million as at 31 March 2023).</p> <p>IAS 19 requires that bodies recognise a pension asset where they can access the future economic benefit in terms of reduced contributions or a refund. The pension asset should be assessed and adjusted to reflect any asset ceiling.</p> <p>This is the second year a pension asset has been included in the financial statements.</p> <p>We agreed with the approach planned by the SPCB to request confirmation for the 2023/24 position from its actuary that the recognition of the asset did not require to be capped by an asset ceiling.</p>	<p>SPCB consulted the actuary who confirmed that the present value of the savings exceeds the full accounting surplus in the 2023/24 accounts.</p> <p>Recognition of the total pension surplus as an asset was therefore appropriate.</p> <p>No change was required to the financial statements.</p>
<p>2. Impairment review of non-current assets</p> <p>IAS 36 (Impairment of Assets) states <i>“that an asset must not be carried in the financial statements at more than the highest amount to be recovered through its use or sale. If the carrying amount exceeds the recoverable amount, the asset is described as impaired. The entity must reduce the carrying amount of the asset to its recoverable amount and recognise an impairment loss.”</i></p> <p>As part of our review of impairment we were advised that, although consideration had been</p>	<p>We are satisfied that the financial statements are not materially misstated.</p> <p>The SPCB has agreed to consider a formal review of impairment for the 2024/25 audit. This review will be dependent on the reports generated from the new ledger system.</p> <p>We will monitor progress as part of our 2024/25 audit.</p> <p>Recommendation 1</p>

Issue	Resolution
<p>given to possible impairments of non-current asset classes, no supporting documentation could be provided as evidence of this review.</p> <p>The fixed asset sub-ledger provided by SPCB indicates that, as at 31 March 2024, there were thirty-nine assets with a carrying value of greater than £10,000. These assets had a combined value of £1.6 million which is the same as our performance materiality level for the financial statements audit.</p>	

Source: Audit Scotland

17. Our audit also identified an issue with the calculation of the median salary information for the fair pay calculation in the Remuneration and Staff Report. The median salary has been based on full-time annualised full-time equivalent salaries however this does not include all benefits, including overtime. Although this approach is consistent with prior years, and we are satisfied that it does not result in a material misstatement for the disclosure, it should be revised for the 2024/25 fair pay calculation.

Recommendation 2

The median salary used in the fair pay calculation should include all benefits, including overtime.

Audit assurances have been obtained for the risks of material misstatement identified for the annual report and accounts

18. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Identified Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. 	<p>We reviewed management estimates and journal entries posted and did not identify</p>

Audit risk	Assurance procedure	Results and conclusions
<p>caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p> <p>This is presumed to be a significant risk in every audit.</p>	<ul style="list-style-type: none"> • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity in the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and consider the need to test during the year. • Evaluate significant transactions outside the normal course of business. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates. • 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. 	<p>any areas of management override or bias in the key judgements made.</p> <p>Our testing of journal entries did not identify any unusual activity or issues with transactions outside the normal course of business.</p> <p>No issues identified with income and expenditure cut-off testing.</p> <p>No issues identified with accruals and prepayments testing.</p> <p>As a result of the above work, we are satisfied that there is no material misstatement arising from this risk.</p>
<p>2. Estimation in the valuation of land and buildings</p> <p>Land and buildings are revalued on a five-year rolling basis with an indexation exercise undertaken in the intervening years. Indices are based on specialist assumptions and changes in these or errors in their application can result in material misstatements.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. The SPCB must</p>	<ul style="list-style-type: none"> • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Review the indexation uplift figures provided to SPCB to assess for appropriateness. • Review the indexation calculations to ensure the correct indices are used and that they are appropriately applied to land and buildings. • Critically assess the approach the SPCB has adopted to assess the risk that assets not subject to indexation are held at the appropriate value within the asset register. 	<p>The SPCB engaged its external valuer to provide indexation advice for the 2023/24 valuation.</p> <p>The results from the indexation exercise were correctly posted through the financial ledger and into the financial statements.</p> <p>In line with ISA500, we assessed the valuer and confirmed that they are competent and appropriately qualified for their role. We were also satisfied the nature and the scope of their work is appropriate.</p>

Audit risk	Assurance procedure	Results and conclusions
ensure that its valuation process adequately reflects changes in the market.		As a result of the above work, we are satisfied that there is no material misstatement arising from this risk.

Source: Audit Scotland

19. In addition, the 2023/24 Annual Audit Plan identified “areas of audit focus” where there were risks of material misstatement to the financial statements. These areas of specific audit focus were:

- Estimation in the valuation of pensions:** We used an auditor’s expert to inform our review of the assumptions used in calculating this estimate and management’s judgements. We also undertook a central review of the auditor’s expert. We tested the appropriateness of the controls in place over the provision of information to the actuary and obtained assurances from the auditor of the Scottish Parliament Pension Scheme (SPPS) over the data passed to the actuary. We concluded that assumptions are appropriate and within a range which we consider to be acceptable.
- MSP expenses:** We placed reliance on internal audit’s work on the ‘Reimbursement of Members’ Expenses: Claims for Reimbursement in 2023/24’, including the re-performance of a sample of claims, and further testing as appropriate. We also substantively checked a sample of claims and performed a proof in total check where the variance was consistent with our expectations. We are satisfied that MSP expenses are appropriately disclosed in the financial statements.

The unaudited annual report and accounts were received in line with the agreed audit timetable and the audit did not identify any misstatements

20. The unaudited annual report and accounts were received in line with the agreed audit timetable on 5 July 2024. The working papers provided were of a good standard and the audit team received good support from finance staff which enables the audit process to progress in accordance with the planned timetable.

21. The audit identified no misstatements above the reporting threshold.

We obtained assurance from the work of internal audit

22. The audit team carried out a review of the internal audit function under ISA 610 and concluded that formal reliance could be placed on its work on ‘Reimbursement of Members’ Expenses: Claims for Reimbursement in 2023/24’ to support our financial statements’ assurance.

23. As noted in the Code of Audit Practice, we coordinate with internal audit and rely on its work to achieve efficiencies where this is possible in line with audit quality standards. We thank the SPCB's Head of Internal Audit for his assistance in this regard.

Work undertaken in response to prior year recommendation

24. In 2022/23, we recommended that the SPCB should have a centralised fixed asset register that complies with Scottish Public Finance Manual (SPFM) guidance. An internal audit review of the fixed asset register was undertaken during 2023/24. The audit recommended that the Facilities Management Office should ensure that purchase order reference numbers are included within the MRI Evolution System thereby ensuring that all assets and equipment within the SEAS fixed assets module are readily identifiable and easily located.

25. The internal audit review did not consider compliance with SPFM guidance. While we acknowledge that the Holyrood building is the most significant non-current asset, there are several other assets held by the SPCB. These assets are material with a combined net book value of £3.7 million as at 31 March 2024, and are not held on an asset register that is fully compliant with the requirements of the SPFM although we recognise there are other processes in place. Further detail is provided in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The SPCB has sound financial management arrangements in place, including regular reporting to the Board, and operated within its revised 2023/24 budget, reporting an underspend of £1.4 million.

Overall, key controls within the main financial systems operated effectively, while standards for the prevention and detection of fraud remain appropriate.

A new financial ledger and payroll system will be implemented in 2024/25 and this will impact of staff capacity and the control environment until arrangements are embedded.

SPCB operated within its revised budget in 2023/24

26. The SPCB is funded directly from the Scottish Consolidated Fund and netted off against the Scottish Block grant. The budget is approved by the Scottish Parliament and is included within the annual budget act.

27. The main financial objective for the SPCB is to ensure that the financial outturn for the year is within resource and cash budgets. The financial performance against fiscal resources is shown in [Exhibit 4](#).

Exhibit 4

Performance against fiscal resource in 2023/24

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	132.7	131.4	129.8	(1.6)
Capital	1.5	1.5	1.7	0.2
Total budget	134.2	132.9	131.5	(1.4)

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Cash budget	117.6	117.7	117.2	(0.5)

Source: Scottish Budget 2023/24; Spring Budget Revision 2023/24; SPCB Annual Report and Accounts 2023/24

Budget processes were appropriate

28. The SPCB's 2023/24 budget was reduced by £1.3 million as part of the Spring Budget revision, the majority of which related to non-cash items such as movements in actuarial assumptions. The resource underspend of £1.6 million mainly related to an underspend in the members' expenses budget, Commissioner funding and forecasted depreciation.

29. The budget monitoring reports presented to the Leadership Team and SPCB clearly show the cost pressures facing the SPCB and the content and format of the reports allow members to perform their scrutiny role.

30. We have concluded that the SPCB has appropriate budget monitoring arrangements in place.

Capital expenditure increased in 2023/24

31. The SPCB had a capital Departmental Expenditure Limit (DEL) budget in 2023/24 of £1.5 million. This included an increase of £0.5 million when compared to 2022/23. The capital outturn was £1.7 million, resulting in a £0.2 million overspend. The SPCB brought forward planned capital expenditure as a result of compensating changes to the phasing of planned revenue expenditure.

The SPCB has appropriate financial control arrangements in place

32. Our 2023/24 work covered a high-level review of key financial systems including payroll, members expenses, other expenditure, non-current assets and the general ledger. We undertook a wholly substantive approach to the audit of SPCB and therefore have not conducted detailed tests of control. Our conclusion relates solely to our assessment of the design of the systems of control.

33. Our review of the design and implementation of key controls within SPCB's systems of internal control relevant to our audit approach concluded that the key controls within the financial systems are satisfactory. However, we identified some areas where controls could be strengthened, particularly in relation to administrator access within the MyExpenses system. This was reported to the Advisory Audit Board in June 2024 and the SPCB plans to

address this issue by 30 September 2024. No change to our audit approach was required and we will follow this up as part of our 2024/25 audit. This internal control weakness would not result in a material misstatement in the financial statements.

34. The Corporate Systems Programme is a critical digital project. The project includes the implementation of new finance and payroll systems during 2024/25. The current budgeted cost of implementation of the new systems is £1.7 million.

35. The finance system is a replacement of the Scottish Government's SEAS financial ledger. The development and implementation of this project is managed centrally by the Scottish Government, with input from other users. The expected implementation date is October 2024.

36. The new payroll system is managed by the SPCB and is expected to be implemented in late 2024. We note that the Head of Payroll and Pensions Office is leaving the SPCB in September 2024, with a temporary appointment in place from early September to ensure cover and a permanent replacement to be recruited in the coming months.

37. The implementation of these two key financial systems will require significant investment of staff time both in initial training and in embedding the required changes to processes. We will monitor the impact of the new finance and payroll systems' implementation and undertake a review of the new system controls as part of our 2024/25 interim audit.

Internal audit

38. The SPCB's internal audit function is carried out by the SPCB's Head of Internal Audit, with additional resource being available on a call-off basis from a professional services firm which was appointed following open competition. Internal audit has now completed its 2023/24 audit work and presented its Annual Audit Report to the September 2024 Advisory Audit Board. There were no issues arising which would require disclosure within the Governance Statement.

39. We reviewed the SPCB's internal audit function in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent to which we could use the work of internal audit. We note that the Public Sector Internal Audit Standard (PSIAS)1312 stipulates that entities must undergo an external assessment for PSIAS every five years. This requirement is now overdue. Revised standards are expected to take effect in April 2025 and the Head of Internal Audit has confirmed that an external assessment against the new requirements will take place in 2025/26.

40. We have placed reliance on the work of internal audit on MSPs' expenses for our 2023/24 financial statements audit responsibilities as detailed in [paragraph 22](#).

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

41. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

42. We have reviewed the arrangements in place to maintain standards of conduct including staff and MSPs' Codes of Conduct insofar as these relate to the responsibilities of the SPCB. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

43. The SPCB has adequate arrangements in place to prevent and detect fraud or other irregularities.

National Fraud Initiative

44. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The SPCB participates in this biennial exercise. The 2022/23 exercise concluded during 2023/24 financial year and the [final report](#) was published on 15 August 2024.

45. The SPCB reported the outcome of its progress to the Advisory Audit Board in March 2024. Our return gave the SPCB a 'green' RAG (Red, Amber, Green) rating, based on the conclusion that the SPCB actively participates in the NFI process and reports its findings. The SPCB submitted all data on time and has reviewed matches within the desired timescale.

3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The SPCB has effective and appropriate arrangements in place to continue to deliver services.

The Strategic Plan for Session 6 is reviewed and updated periodically over the session, supported by a Delivery Plan and financial plans. An operating budget of £143.1 million has been agreed for 2024/25.

The SPCB is planning effectively so it can continue to deliver services in the medium term. The Parliament's Finance and Public Administration Committee published its report into the commissioner landscape in September 2024 and the recommendations are being considered.

The SPCB had appropriate financial plans in place to support the Session 6 strategy

46. Following the election in May 2021, the SPCB embarked on developing a Strategic Plan covering the sixth parliamentary session. The Strategic Plan was approved in September 2021 and is supported by a Delivery Plan which sets out the key actions required to deliver the strategic objectives.

47. A key priority for the SPCB was the development of the key strategic documents supported by a reliable medium term financial plan. SPCB's indicative forecast for 2025-26 is heavily caveated but highlights continued uncertainties in the economy and the impact of potential new Commissioners.

48. The Finance and Public Administration Committee approved the SPCB 2024/25 budget in January 2024. The total budget requirement, including capital charges and non-cash items, totalled £143.1 million and is an increase of £9 million compared to the 2023/24 budget. A significant element of the increase relates to staff costs due to revised pay scales which reflect fairness across grades and cost of living challenges for lower paid staff. Property costs and overall running costs are also expected to rise in 2024/25.

49. The increased budget bid also reflects an increase in Commissioners and Ombudsman. The Chief Executive raised concerns at the Finance and Public

Administration Committee regarding the growth in the number of Parliamentary Officeholders and their associated cost and impact on SPCB resources. The Committee has undertaken an inquiry into Scotland's Commissioner Landscape: A Strategic Approach and reported its findings in September 2024.

50. The [report](#) contains a number of recommendations for the Scottish Government, SPCB and SPCB supported bodies and plans are we will monitor progress as part of the 2024/25 audit.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

The SPCB has clear plans in place to implement its vision, strategy and priorities.

There are effective and appropriate governance arrangements in place that ensures scrutiny and support for the delivery of the plans.

The Leadership Team management structure was reviewed in 2023/24 and a flatter Senior Executive Team structure has been in place since 1 April 2024.

The SPCB has a clear vision and strategy

51. The SPCB's Session 6 Strategic Plan sets out the vision of "making a positive difference to the lives of the people in Scotland". The Plan is available on the SPCB website and sets out the strategic priorities for how it will achieve successful delivery of its purpose, vision and mission. This is supported by an annual Delivery Plan which was approved by the Leadership Team in October 2023, with the 2024/25 Delivery Plan approved in June 2024.

52. The Leadership Team reviewed the Session 6 Strategic Plan to ensure the objectives are achievable and a refreshed Strategic Plan was issued in June 2024. The SPCB has a clear vision supported by effective prioritised corporate and operational planning which is linked into the budgetary control process and to its agreed outcomes.

Governance arrangements are effective and appropriate

53. The SPCB's governance arrangements have been set out in the Governance Statement in the annual accounts. The SPCB and the Principal Accountable Officer are supported in their roles by the Advisory Audit Board and the Leadership Team. This reflects a collective responsibility to work together strategically and cohesively to achieve the SPCB's strategic objectives.

54. During 2023/24, the Clerk / Chief Executive commissioned a review of his senior staff structure. The Leadership Team was replaced by a new Senior Executive Team (SET) from 1 April 2024 and is comprised of the Clerk / Chief Executive, the Deputy Chief Executive and four new Director roles. These roles are broadly aligned with the current Strategic Plan and will include the work of the Strategic Resources Board. The Strategic Resources Board will transition to an Investment Board during 2024/25. This has created a flatter senior management structure with the objective of making the SPCB more adaptable to meet future challenges.

55. The Session 6 Delivery Plan 2024-25 states that a Workforce Plan will be developed by the Senior Executive Team by March 2025. This Plan will include an approach to succession planning and talent development. This will build on the changes within the senior staff structure and ensure continuity of business operations.

56. The SPFM states, “Certificates of assurance should be commissioned towards the end of each financial year allowing sufficient time for the completion of the process to meet the timetable for signature of relevant accounts.” Group Heads are required to sign a Certificate of Assurance for their areas of responsibility and accountability, but these certificates are requested after the annual report and accounts have been prepared. While we recognise that they are available in advance of the signing of the Annual Report and Accounts, there could be unidentified matters arising late in the process. SPCB should request these assurances earlier in the annual report and accounts preparation process to support the disclosure of any matters arising in the unaudited Governance Statement.

57. The SPFM states an Internal Control Checklist should be completed alongside the preparation of Certificates of Assurance. A copy of this checklist is available on the Scottish Government website, and covers a number of areas including risk management, business planning and financial management. The checklist also requires documentation of the steps taken to confirm / review the existence and adequacy of controls, and any significant absence of, or weaknesses in, controls. To strengthen existing processes, the SPCB should consider introducing the completion of Internal Control Checklists to assist with the preparation of the certification of assurances.

Recommendation 3

The Certificates of Assurance should be requested earlier as part of the accounts preparation process, and consideration should be given to completing Internal Control Checklists.

58. We have reviewed the governance arrangements and concluded that they are effective and appropriate. The SPCB and Advisory Audit Board minutes and papers are published on the website where the nature of the work is not sensitive or confidential. We are satisfied that the papers are sufficiently

detailed to allow for effective decision making and scrutiny of performance and that there is a commitment to openness and transparency.

59. We attended the Advisory Audit Board throughout 2023/24 and observed and concluded that members are engaged during meetings and provide effective scrutiny and challenge.

60. The three independent members had similar appointment end dates, impacting on effective succession planning of the Advisory Audit Board membership. The Chair's appointment ended in May 2024. To address the risk of lack of transition of experience, one of the current independent member's appointment was extended and was subsequently appointed Chair. The remaining independent member will leave in October 2024 and two new members have been appointed, starting in September 2024.

61. The Leadership Team agreed at its March 2024 meeting that the risk of a cyberattack is currently graded "intolerable" in the SPCB's principal risk register. The Leadership Team considered a further paper on the existing arrangements in place for incident management and business continuity management. This report focussed on business continuity arrangements. Internal audit's review of cyber security reported that "the absence of periodic recovery and failover testing in the Scottish Parliament's cybersecurity strategy presents a significant risk. Recovery tests are critical for ensuring that an organisation's recovery strategies are effective and reliable in the event of a cyber incident."

62. The SPCB's Digital Strategy Roadmap is committed to a review of current disaster recovery capability to ensure it meets the SPCB's business continuity needs. A Cyber Security and Resilience Strategy is currently being developed for approval by the Senior Executive Team by October 2024.

63. We will monitor the development of business continuity arrangements as part of our 2024/25 audit.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Impairment review of non-current assets</p> <p>As part of our review of impairment we were advised that, although consideration had been given to possible impairments of non-current asset classes, no supporting documentation could be provided as evidence of this review.</p> <p>The fixed asset sub-ledger provided by SPCB indicates that, as at 31 March 2024, there were thirty-nine assets with a carrying value of greater than £10,000. These assets had a combined value of £1.6 million which is the same as our performance materiality level for the financial statements audit.</p>	<p>We recommend that the annual impairment review is formally documented.</p> <p>Exhibit 2</p>	<p>Partially accepted</p> <p>We regard the risk level around this as acceptable as the assets in question have limited lives of up to 5 years maximum on capitalisation for equipment or 3 years for IT assets. However, we will ask offices to review for impairment at the same time we conduct the retirement of assets review with a target for the 2024-25 accounts.</p> <p>Anne Hamilton, Financial Accountant</p> <p>May 2025</p>
<p>2. Median Pay Calculation</p> <p>The median pay calculation does not include all benefits, including overtime. There is a risk that this omission could distort the calculation.</p>	<p>The median pay calculation should be in accordance with the guidance which would include all benefits, including overtime.</p> <p>Paragraph 17.</p>	<p>Accepted</p> <p>We do not think this will result in much movement on the ratio but we will revise our approach for the 2024-25 accounts.</p> <p>Anne Hamilton, Financial Accountant</p> <p>May 2025</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Certificates of Assurance</p> <p>The preparation of the Governance Statement requires Group Heads to sign a Certificate of Assurance for their areas of responsibility and accountability.</p> <p>These certificates are requested after the annual report and accounts have been prepared for audit.</p> <p>SPCB should request these assurances earlier in the annual report and accounts preparation process to support the disclosure of any matters arising in the unaudited Governance Statement.</p> <p>To strengthen existing processes, the SPCB should consider introducing the completion of Internal Control Checklists to assist with the preparation of Certificates of Assurance.</p>	<p>Certificates of Assurance should be requested earlier, and consideration should be given to completing Internal Control Checklists, as part of the accounts preparation process.</p> <p>Paragraphs 56. & 57. above.</p>	<p>Partially accepted</p> <p>We will work with AS to consider if it is appropriate for our Certificates of Assurance to be produced earlier for SET in future</p> <p>We do not consider it appropriate for those prepared by Officeholders and our current timetable of end of August ensures these include any issues from their audits and are available to support the signing of the Governance statement by the PAO in September.</p> <p>In terms of the checklist, our current returns format reference all the areas covered by the checklist. We also have a variety of compensating controls and reporting in place to demonstrate the regular discussion and reporting of risk, compliance and other areas covered in the checklist by SET.</p> <p>We will consider this for the 2024-25 Annual Report and accounts exercise.</p> <p>Financial Controller May 2025</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Progress
<p>b/f 1. Property, plant and equipment records</p>	<p>A centralised fixed asset register should be established that complies with SPFM guidance.</p>	<p>An internal audit review of the fixed asset register was undertaken in 2023/24.</p>

Issue/risk	Recommendation	Progress
	<p>Staff should be reminded of the importance of retaining supporting documentation for all asset transactions.</p>	<p>The internal audit report recommended that the Facilities Management Office should ensure that purchase order reference numbers are included within the MRI Evolution System thereby ensuring that all assets and equipment within the SEAS fixed assets module are readily identifiable and easily located.</p> <p>The internal audit review did not consider compliance with SPFM guidance. While we acknowledge that the Holyrood building is the most significant non-current asset, there are several other assets held by the SPCB. These assets are material with a combined net book value of £3.7 million as at 31 March 2024, and are not held on an asset register that is fully compliant with the requirements of the SPFM.</p> <p>We will consider the fixed asset module reports from the new ledger as part of our 2024/25 financial statements audit.</p>

Scottish Parliamentary Corporate Body

2023/24 Annual Audit Report

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