



Alexander Sloan
Accountants and Business Advisers

Audit Scotland Audit summary report for the year ended 31 March 2023

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Scope

As the External Auditor we are required by legislation to report to the Scottish Commission for Public Audit (the ‘Commission’) our findings from the annual audit of the Accounts of Audit Scotland. The purpose of this report is to summarise for the Commission the key issues arising from our audit of the Accounts for the year ended 31 March 2023.

Acknowledgements

We would like to thank the management and staff of Audit Scotland for their assistance and co-operation during the audit.

Audit Opinion

The scope of an external audit is set by the Financial Reporting Council. The main objective of the audit is to form an opinion as to whether the Accounts of Audit Scotland give a true and fair view of the state of affairs of Audit Scotland at 31 March 2023 and of its net resource outturn for the year, and confirm that the Accounts are prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish Ministers.

Responsibilities

The responsibilities of Audit Scotland and ourselves as auditors are set out within the audit report.

Letter of Representation

Our audit opinion is based on the signing of the letter of representation and the accounts by the Accountable Officer and no further significant events arising up to the point of signing the audit report. The letter of representation has been sent to Audit Scotland for approval by the Accountable Officer.

Fraud

Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. Responsibility for the prevention and detection of fraud rests with the Accountable Officer who should not rely wholly on the external audit function to discharge these responsibilities.

Scope of Audit

Our audit report is made solely to the Scottish Commission for Public Audit, as a body, in accordance with Section 25 of the Public Finance Accountability (Scotland) Act 2000. Our audit work is undertaken so that we might state to the Scottish Commission for Public Audit those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Commission for Public Audit for our audit work, for the audit report, or for the opinions we form.

Audit Independence and Ethics

We can confirm that we have complied with the FRC Ethical Standard and the ethical safeguards as set out in the Audit Plan.

Audit Plan

The Audit Plan for the period ended 31 March 2023 sets out any matters that we are required to inform you of under the Financial Reporting Council (FRC) Ethical Standard and International Standard on Auditing (UK) 260: “Communication with those charged with governance”. We can confirm that as far as we are aware there are no changes to these matters or any further issues that may reasonably be thought to bear on the objectivity and independence of the audit team.

Ethical Assurance

We can specifically confirm:

- the firm is not dependent on the audit fees;
- the firm is not owed significant overdue fees;
- there is no actual or threatened litigation between the firm and Audit Scotland;
- no benefits have been received by the audit team which are not modest;
- the firm does not have any mutual business interest with Audit Scotland or the Scottish Commission for Public Audit;
- no members of the audit team have any personal or family connections with Audit Scotland, the Scottish Commission for Public Audit or their officers.

At the conclusion of the audit we have also conducted a review of our independence and objectivity. In our professional opinion, our independence and objectivity has not been compromised and the firm has acted in accordance with the FRC Ethical Standard.

Key Audit Issues

We have set out below how we have dealt with the key audit issues and risks during the course of the audit.

Risks identified during audit planning	Resolution
<p>Management Override of Controls International Standard on Auditing (UK) 240 requires us to treat management override of financial controls as a significant risk.</p>	<p>Our audit work did not identify any material override of financial controls.</p>
<p>Revenue Recognition ISA (UK) 240 requires the auditor to presume that there are risks of fraud in revenue recognition.</p>	<p>Our audit work did not identify any material misstatement of revenue.</p>
<p>Key Accounting Estimates As in previous years, the financial statements of Audit Scotland for the year ended 31 March 2023 include a number of key estimates. Key estimates include provisions in respect of fee rebates and pension assumptions as well as work in progress, which is considered below.</p>	<p>We have reviewed supporting documentation and assumptions in respect of the key accounting estimates and are satisfied that the provisions are not materially misstated.</p>
<p>Work In Progress Our audit involved a detailed review of the work in progress debtor and work in progress creditor balances.</p>	<p>We have reviewed Audit Scotland's work in progress calculations and are satisfied that the balances are not materially misstated.</p>
<p>IFRS 16 Leases Our audit work involved reviewing the accounting treatment and disclosure of leases liabilities and right-of-use assets following adoption of the <i>IFRS16 Leases</i> accounting standard and to ensure these have been calculated accurately and disclosures correct and complete.</p>	<p>We have reviewed the supporting documentation and calculations and proposed some amendments to the financial statements which have been implemented. We are satisfied that the application of IFRS16 and disclosures are appropriate.</p>

Key Audit Issues (continued)

Risks identified during audit planning	Resolution
<p>Pension Accounting</p> <p>Following the actuary's report presenting a pension surplus position, our audit work considered the appropriateness of the accounting and disclosures in respect of pensions with reference to <i>International Accounting Standard 19 Employee Benefits</i> ('IAS 19') and the <i>International Financial Reporting Interpretation Committee 14 Limit on Defined Benefit Asset</i> ('IFRIC 14'), requiring an asset ceiling to be applied.</p>	<p>We liaised with Audit Scotland and the actuary to recommend the calculation of an asset ceiling to comply with IAS19 and IFRIC14. An adjustment to the financial statements was required, which has been implemented, to restrict the pension asset to Nil consistent with the actuary's calculation. We are satisfied with the appropriateness of the pension balance reported and consider the disclosures sufficient.</p>

Qualitative Aspects of the Financial Statements

We have considered the key qualitative aspects of the financial statements and are satisfied these are reasonable.

Qualitative Aspects	Audit Findings
<p>Accounting Policies FReM requires that entities should review their accounting policies regularly to ensure they are appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these policies.</p>	<p>We have reviewed the significant accounting policies and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.</p>
<p>Accounting Estimates and Judgements FReM requires that entities should use estimates and judgements appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these estimates and judgements.</p>	<p>We have reviewed the significant accounting estimates and judgments and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.</p>
<p>Timing of Transactions Audit Scotland are responsible for having accounting systems in place which accurately record financial transactions. During the audit we consider whether transactions have been recorded within the correct period.</p>	<p>No material recording issues were identified during the course of the audit.</p>
<p>Going Concern The Accountable Officer is responsible for assessing whether Audit Scotland is a going concern for 12 months from the date of signing of the audit report. As auditors we review the Accountable Officer's assessment and whether we believe it is appropriate.</p>	<p>During our audit we have considered Audit Scotland's assessment that the organisation is a going concern. Based on a review of budgets and discussion with the Management team, as there is no expectation that funding will be withdrawn or the entity wound up, we are satisfied that the organisation's assessment is appropriate.</p>

Qualitative Aspects of the Financial Statements (continued)

Qualitative Aspects	Audit Findings
<p>Disclosures Audit Scotland is responsible for the preparation of their financial statements. We consider whether they are presented in accordance with Financial Reporting Manual (FReM).</p>	<p>We did not identify any material disclosure errors within Audit Scotland's financial statements.</p>

Adjustments to the Financial Statements

We have considered the impact on the audit report of any potential adjustments identified during the course of the audit.

Scope

During the course of our audit we may identify potential adjustments to the financial statements. All potential adjustments, which are not trivial, are discussed with the Accountable Officer. The decision as to whether to adjust the financial statements lies with the Accountable Officer as responsibility for the financial statements lies with the Accountable Officer. As auditor, when preparing our audit report, we will consider whether the financial statements are materially misstated. The following adjustments have been identified and processed in the financial statements.

Adjustments made to financial statements	Impact on Income £000	Impact on Expenditure £000	Impact on Assets £000	Impact on Liabilities £000	Description
Right of Use Asset Vehicles Right of Use Asset Property Prepayments Current Lease Liabilities Non-current Lease Liabilities			76, (244) (208)	(141) (235)	<i>Being summary of adjustments to balances in relation to IFRS16 accounting</i>
Remeasurement of pension asset Pension Asset		36,499	(36,499)		<i>Being adjustment to the provisional pension asset, restricted to the 'asset ceiling' as calculated by the actuary in accordance with IAS19 and IFRIC 14.</i>

Internal Controls

Scope

During the audit we will consider if we have identified any control weaknesses, from our work, which are of sufficient importance to be brought to the attention of the Scottish Commission for Public Audit. It should be noted that the matters dealt with in this report came to our attention only during the normal course of our audit work and not as a result of a special review of Audit Scotland's systems, procedures and controls. The findings in this report are not designed to be a complete record of weaknesses in your system.

Responsibility

Overall responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with the Accountable Officer.

Management

Please note that any control weaknesses noted are not intended to reflect in any way on the integrity or competence of any member of Audit Scotland's staff from whom we have received every assistance and co-operation.

Findings

We are pleased to note there are no control weaknesses for us to report following the audit.

Other Matters

There are no other matters to bring to the attention of the Commission or to management.

Internal Audit

As part of our audit work we have reviewed the Internal Audit Reports on the controls within Audit Scotland and held regular meetings with Audit Scotland's Internal Auditors.

Having an effective working relationship with the Internal Auditors has helped us to gain a greater understanding of Audit Scotland and its control environment.



A Greener Audit

The firm is committed to minimising its impact on the environment in the services that it provides. The following measures have been put in place to minimise the carbon footprint of your audit:



Paperless Audit

The audit was entirely paperless. The work was carried out electronically and will be stored electronically.



Travel

We did not travel to your premises to carry out audit work and the majority of work was carried out by staff working remotely



Reporting

All our reporting to you, including our audit report, was provided to you electronically.



Meetings

All meetings were carried using video conferencing applications.



Power

We use cloud based servers from a company that has net zero emissions.



Commitment

We are committed to further reducing our carbon footprint.

Contacts

Should you require any further information regarding any matter raised in the report, then please contact one of your key contacts as set out below:

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Alexander Sloan is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.