



Scottish Parliamentary Corporate Body

2015/16 Annual audit
report

September 2016

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (<http://www.audit-scotland.gov.uk/about-us/>).

Caroline Gardner, Auditor General for Scotland, Audit Scotland is the appointed external auditor of the **Scottish Parliamentary Corporate Body** for the period 2011/12 to 2015/16.

This report has been prepared for the use of the Scottish Parliamentary Corporate Body and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General in support of her wider responsibilities, including reporting to the Scottish Parliament.

Contents

Key messages.....	3
Introduction.....	4
Audit of the 2015/16 financial statements	5
Financial management and sustainability.....	11
Governance and transparency.....	14
Appendix I: Significant audit risks.....	19
Appendix II: Summary of local audit reports 2015/16.....	23
Appendix III: Action plan	24

Key messages

Audit of financial statements

- Unqualified independent auditor's report on the 2015/16 financial statements.
- The 2015/16 annual report section of the financial statements improved significantly.

Financial Position

- SPCB operated within budget.
- The 2015/16 budget has reduced by 10% in real terms compared to the 2010/11 baseline.
- Financial management is strong with a robust budget management basis.

Governance & accountability

- SPCB had satisfactory governance arrangements in place.
- SPCB had an effective internal audit function and satisfactory anti-fraud arrangements.
- SPCB had strong risk management arrangements.
- A well developed framework was in place for monitoring and reporting performance.

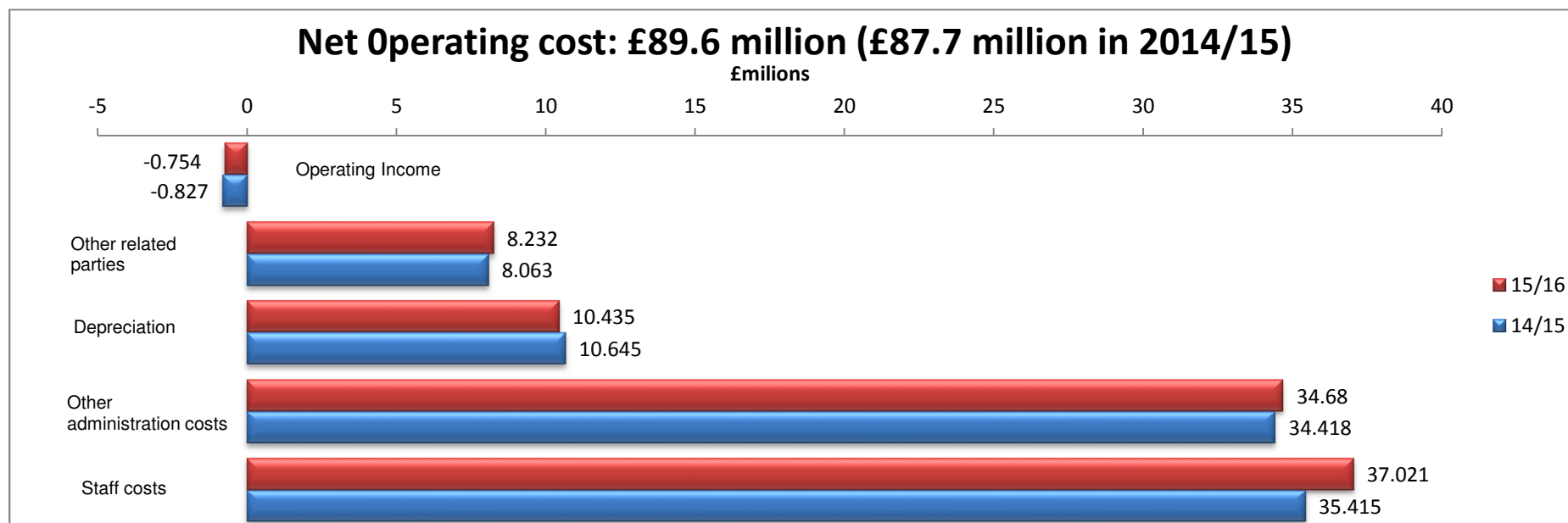
Outlook

- The internal audit function will be supported by a new external provider from June 2016.
- The Parliament is facing a period of significant change following on from the agreement of new financial powers through the Scotland Acts as well as the start of Session 5. SPCB will need to ensure that they are in a position to continue to provide the required level of support to the Parliament.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Scottish Parliamentary Corporate Body (SPCB).
2. The management of the SPCB is responsible for:
 - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
 - ensuring the regularity of transactions, by putting in place systems of internal control
 - maintaining proper accounting records
 - publishing with their financial statements an annual governance statement and a remuneration report.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. We have issued a number of outputs during the course of the year as summarised at [appendix II](#).
6. [Appendix III](#) is an action plan setting out our recommendations to address the risks we have identified from the audit. We recognise that not all risks can be eliminated or even minimised. What is important is that the SPCB understands its risks and has arrangements in place to manage them. The Principal Accountable Officer and the Advisory Audit Board should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.
8. 2015/16 is the final year of the current five year audit appointment. From 2016/17 the auditor of the SPCB will continue to be the Auditor General for Scotland, who will be supported by a new Audit Scotland team. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

Audit of the 2015/16 financial statements



9. The Statement of Comprehensive Net Expenditure in the financial statements shows that both expenditure and income in 2015/16 remained relatively static compared to 2014/15. As shown in the Statement of Changes in Taxpayers' Equity, the SPCB's net funding requirement for 2015/16 was £0.55 million greater than in 2014/15, with funding of £77.35 million during 2015/16.
10. The Statement of Financial Position again reflects a relatively static financial position. Total non-current assets reduced by £6.5 million to £302.3 million in 2015/16. Total net assets for the year were £281.2 million compared to £286.3 million at the end of 2014/15.

Audit opinions

Financial Statements	<ul style="list-style-type: none">• The financial statements of the SPCB for 2015/16 give a true and fair view of the state of the body's affairs and of its net operating expenditure for the year.• We confirm that the financial statements have been properly prepared in accordance with the 2015/16 FReM and the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions.
Regularity	<ul style="list-style-type: none">• In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.
Other prescribed matters	<ul style="list-style-type: none">• The part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.• The information given in the Performance Report section of the Annual Report is consistent with the financial statements.

Submission of financial statements for audit

11. We received the unaudited financial statements on 8 July 2016, in accordance with the agreed timetable. The working papers were of a good standard and staff provided support to the audit team which enabled us to complete our on-site fieldwork on 25 August 2016.
12. The 2015/16 Financial Reporting Manual (FReM) contained revised requirements in terms of the annual report element of the financial statements. The SPCB adopted these requirements a year early for the 2014/15 financial statements. We noted in our 2014/15 Annual Audit Report that the SPCB should build upon their annual report this year to ensure full compliance with the FReM.
13. The unaudited financial statements that we received included a draft annual report which addressed the various requirements of the FReM. The report was well laid out and written so as to give the reader a concise and easy to understand overview of the SPCB and its activities during 2015/16. It included both a description and analysis of performance during the year, an area that we had previously identified as requiring improvement. The report significantly improved upon the foundations of the 2014/15 report. Amendments were made to the report during the course of our audit fieldwork following input from various stakeholders.

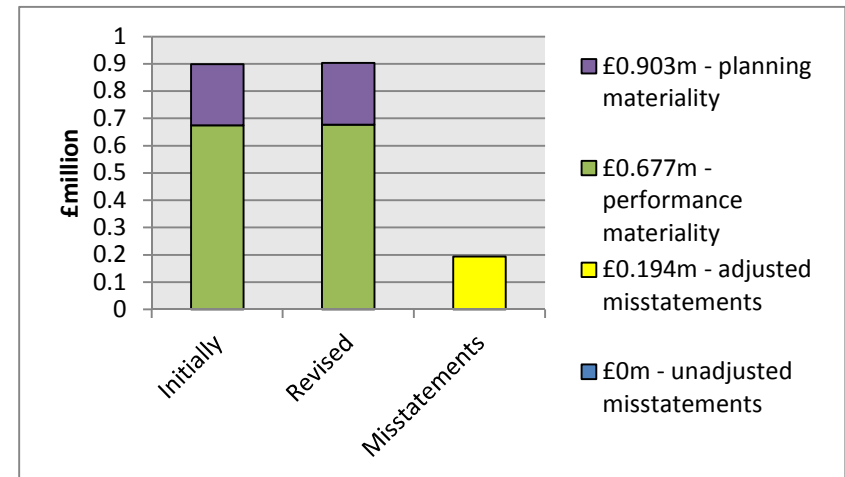
Overview of the scope of the audit of the financial statements

14. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Advisory Audit Board on 9 March 2016.
15. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed notional fee for the audit was £66,880 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
16. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.
17. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
18. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

19. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
20. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £0.903 million (1% of the gross operating expenditure of £90.3 million).
21. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £0.677 million (i.e. 75% of materiality).
22. We report all misstatements greater than £9,000. Exhibit 1 shows materiality levels in comparison to misstatements identified during the course of the audit.

Exhibit 1: Overall materiality misstatements



Source: 2015/16 Annual Audit Plan

Evaluation of misstatements

23. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements.

Significant findings from the audit

24. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.

- Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
25. The following table details those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

Table 1: Significant findings from the audit

Significant findings from the audit in accordance with ISA260

26. **Capital Accruals in Cash Flow Statement:** The Government Financial Reporting Manual (FReM) 2015/16 states that “cash flows from investing activities” within the Statement of Cash Flows should take into account movements in debtors and creditors. This means that values presented reflect spend in the year on a cash rather than accruals basis. We noted that this had been applied incorrectly in the Statement of Cash Flows as no adjustment had been made for capital accruals.

Resolution: We proposed an adjustment to the 2015/16 values and a restatement of the 2014/15 values in the Statement of Cash Flows. This was agreed by SPCB resulting in an adjustment of £0.071 million in relation to 2015/16 and £0.655 million relating to 2014/15. These adjustments were between the cash flows from investing activities and movements in working capital resulting in a nil net impact in the Statement of Cash Flows.

Significant findings from the audit in accordance with ISA260

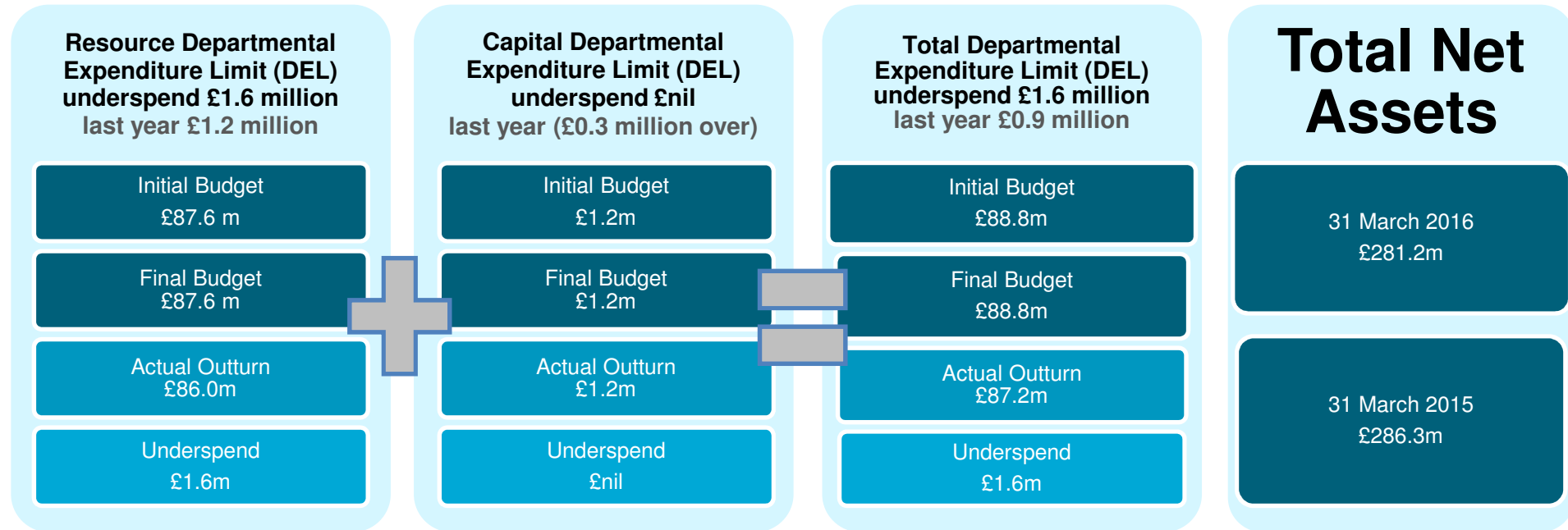
27. Prepayments and Accruals adjustment: During the sample testing of 2015/16 prepayments we noted a recurring prepayment for IT services that had been accounted for incorrectly. The issue arose where a transaction was recognised in advance of the period it related to, resulting in a £0.099 million overstatement of accruals and prepayments. We are satisfied that this was an isolated error, relating to a single contract.

Resolution: We proposed an adjustment to the Statement of Financial Position of £0.099 million for both 2015/16 and 2014/15 and this was agreed by SPCB. This resulted in compensating adjustments to trade and other receivables and trade and other payables: amounts falling due within one year, with a nil net impact in the Statement of Financial Position.

28. Group accounting for SFF: Scotland's Futures Forum (SFF) is a limited company created and owned by the SPCB. Funding arrangements have been noted within the financial statements in note 20, related party transactions along with narrative commentary explaining the form and function of SFF. SPCB had considered presenting SFF financial statements with their own, but concluded group accounting was not required for 2015/16 based upon the immaterial balances involved.

Resolution: We remain content with this accounting treatment given the amounts involved are not material.

Financial management and sustainability



In addition to its resource budget above, the SPCB also had an Annual Managed Expenditure (AME) budget of £3.6 million in respect of non-cash pension charges. During 2015/16 there was an underspend on the AME budget of £0.1 million. This resulted in an overall underspend of £1.7 million.

2015/16 financial position

29. The main financial objective for the SPCB is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Parliament. As can be seen in the table above, the SPCB reported a total DEL underspend of £1.6 million.
30. The Statement of Financial Position at 31 March 2016 shows net assets of £281.2 million (2014/15 £286.3 million). The Parliament building at Holyrood is the highest value asset held by SPCB with a net book value at 31 March 2016 of £297.9 million (including land and associated fixed plant, £266.0 million for the building itself). The most significant change in net assets from 2014/15 was a net decrease in the value of non current assets, mainly the Parliament building and associated plant, due to depreciation. In addition, there was a net decrease in pension liability due to actuarial factors.
31. The funding drawn down was £77.4 million (2014/15 £76.8 million) which was within the cash limit authorised by the Budget Act of £77.6 million (2014/15 £77.4 million).
32. The financial position of the SPCB remains stable with the body operating within its available funding.

Financial Planning

33. Funding for the SPCB is 'top-sliced' and although it is not constrained by Scottish Consolidated Fund (SCF) funding pressures, the SPCB consistently sets its budget in line with SCF constraints. The SPCB has agreed real term budget reductions

over the next few years. The budget set for SPCB for 2015/16 is equivalent to a real terms reduction of 10% against a 2010/11 baseline.

34. The SPCB's financial planning arrangements include regular monitoring, reporting and updating of the strategic risk register to ensure that the focus is maintained on financial performance and that action is taken on any emerging issues.
35. Monthly financial performance reports are submitted to the Leadership Group and are incorporated into the Chief Executive's monthly reports which are considered by the Corporate Body.
36. In line with other public bodies, the SPCB are operating within a challenging economic environment. There is ongoing pressure to deliver a quality service whilst staying within a budget which has decreased in real terms.

Financial management

37. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the Head of Finance and Security Group has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the body
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders

- monitoring reports do not just contain financial data but are linked to information about performance
 - Advisory Audit Board members provide a good level of challenge and question significant variances.
38. Based on our accumulated knowledge, our review of Leadership Group meeting papers and through our attendance at the Advisory Audit Board we conclude that the SPCB has strong financial management arrangements in place.

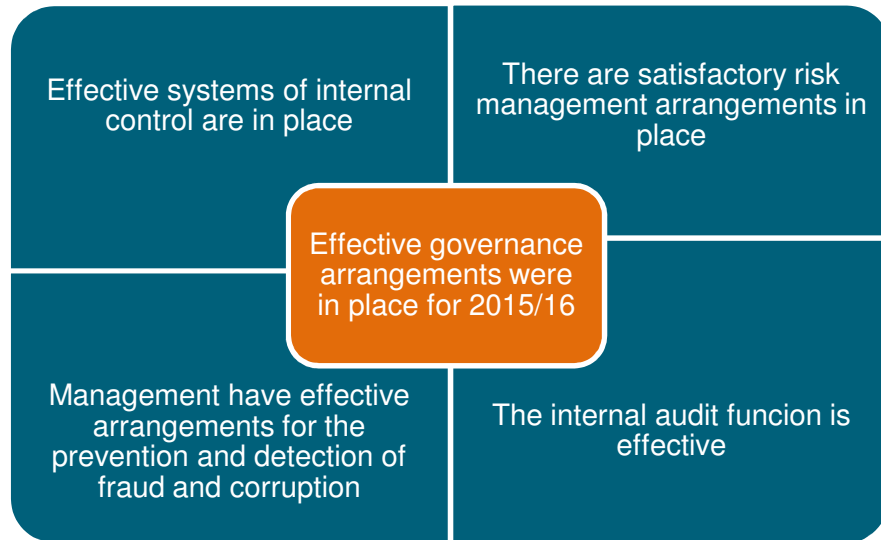
2016/17 budget

39. The 2016/17 budget was agreed by the Scottish Parliament in February 2016. The SPCB has an allocated DEL budget of £95.7 million for 2016/17. This comprises a resource budget of £94.2 million and a capital budget of £1.5 million. This represents an increase overall of £6.9 million (7.8%).
40. £3.0 million of this increase relates to increased Members' costs. The Corporate Body agreed to amend the Reimbursement of Members' Scheme to increase each MSP's staffing allowance to £85,000 to enable them to employ up to three full time support staff. In addition, contingency within the budget has been increased by £3.0 million to £4.0 million to cover the costs associated with the Scottish Parliament election which was held in May 2016.
41. The Scottish Parliament's financial powers are changing substantially as a result of both the Scotland Act 2012 and the

Scotland Act 2016. As well as bringing more control over public finances, these new powers will also bring new opportunities and challenges. In addition, Session 5 of the Scottish Parliament began in May 2016 with changes to the Committee structure and there remains political uncertainty following the referendum vote to leave the European Union.

42. As a result of these changes, it is possible that the Committee structure may be further amended, Committees may need to meet more regularly or may require more support from the SPCB, including from the Scottish Parliament Information Centre (SPICe). This will put additional pressure on the SPCB to ensure that they continue to deliver the current standard of support to the Scottish Parliament.

Governance and transparency



Corporate governance

43. The Leadership Group (LG) is SPCB's key management forum. The Corporate Body is responsible for setting the overall strategic direction and the LG is responsible for ensuring that the aims and objectives set by the members of the Corporate Body are achieved. The role of the LG includes monitoring performance against agreed objectives and ensuring that the statutory requirements for the use of public funds are complied with.

44. The Advisory Audit Board (AAB), comprising two members of the SPCB and three independent members, considers all matters of governance, audit and internal control. It considers the adequacy of the arrangements for ensuring sound governance and internal control, the assessment and management of business risks, the planned activity of internal and external audit and the results of their work. Membership of the AAB remained static throughout 2015/16. Following the Scottish Parliament election in May 2016, two new SPCB members joined the AAB.
45. The SPCB, through its Principal Accountable Officer is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the SPCB and for monitoring the adequacy of these arrangements.
46. We concluded that the SPCB has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
47. During 2015/16 the Leadership Group was supported in its role by ten Boards as illustrated in Exhibit below.

Exhibit 2: The SPCB's Governance Structure 2015/16



Transparency

48. All SPCB, LG and supporting Board meetings are held in private due to the confidential and sensitive nature of their business. SPCB and LG minutes are available on the Scottish Parliament website along with relevant papers. MSP registers of interest are available online and LG members' registers of interest are available on request.
49. A number of meeting papers are not available online as they contain information considered exempt under the Freedom of Information (Scotland) Act 2002.
50. The financial statements include reconciliations between expenditure and the outturn against the budget allocated by the Scottish Government. The accounts also identify and explain significant movements in budget during the year. More detailed analysis is contained within the monthly Chief Executive's Reports which are presented to SPCB meetings.

Internal control

51. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit which could adversely affect the organisation's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Internal audit

52. Internal audit provides the Advisory Audit Board and the Principal Accountable Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by International Auditing Standard 610 (Using the Work of Internal Auditors) to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
53. As part of our risk assessment and planning process we assessed the SPCB's Internal Audit function and concluded that it substantially operates in accordance with Public Sector Internal Audit Standards (PSIAS). This has enabled us to place reliance on the work of internal audit in terms of our wider code responsibilities. We reported this to the Principal Accountable Officer in February 2016 and the Advisory Audit Board in March 2016.
54. PSIAS stipulate that an external assessment of the Internal Audit service should be carried out every five years by a qualified, independent assessor. This assessment can take the form of a full external assessment or self-assessment with independent external validation.
55. No such external assessment has been carried out for the SPCB Internal Audit function and there is currently no formal plan in place to arrange this. Whilst we appreciate the benefits associated with reassessing the contract for Internal Audit support on a regular basis, as discussed below, we do not believe that this negates the

need to ensure that Internal Audit as a function complies with the best practice laid out in PSIAS.

Appendix III – Action Plan No. 1

56. The SPCB's Internal Audit service is led by the Head of Internal Audit who works directly for the SPCB. He is supported by an external provider who was appointed following open competition in 2010 for an initial period of four years. Following satisfactory performance, the contract was later extended for a further two years.
57. The contract for the external provider ended on 30 June 2016. Following an open procurement project managed by the SPCB's Procurement Office and with input from the Chair of the AAB, a new external provider was appointed on 10 June 2016. Working arrangements will remain the same as previous years, with the Head of Internal Audit overseeing and taking ownership of all work and reports with contracted staff assisting in certain areas of fieldwork.
58. The Head of Internal Audit concluded in his 2015/16 annual report that substantial assurance can be taken from the areas reviewed in year, subject to the implementation of agreed actions. All planned reviews were completed in year.

Risk management

59. During 2014/15, the SPCB reviewed their risk management procedures, including the agreement in early 2015 of a revised

approach to strategic risk management. Risk management in 2015/16 followed this new approach. The strategic risk register is reviewed and updated by LG on a quarterly basis. An Assistant Chief Executive takes the lead on this, supported by other senior staff, and LG retain overall responsibility for the effective management of risk. In addition, an update on the strategic risk register is included in the quarterly performance updates which form part of the monthly Chief Executive's updates to the SPCB.

60. During the year, the SPCB considered in detail several of the higher priority risks on the strategic risk register relating to the loss of access to the Holyrood building and loss of access to information/data breach. Updates were given on mitigating arrangements.

Performance management

61. The SPCB has a well-developed framework for monitoring and reporting performance. The Strategic Plan was published in November 2014 and is supported by a Delivery Plan which identifies how SPCB's four main aims will be achieved. Quarterly performance reports against the Delivery Plan are submitted to the SPCB, measuring performance of the aims and priorities for change. A red amber green (RAG) system is used to highlight performance against targets including identification of any areas where performance is not on track.

62. In June 2016, the SPCB approved updated versions of the Parliament's Strategic and Delivery Plans which were revised to reflect the aims and ambitions for Session 5.

Arrangements for the prevention and detection of fraud

63. The SPCB is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We reviewed these arrangements and have concluded that there are effective arrangements for the prevention and detection of fraud.

National Fraud Initiative in Scotland

64. The SPCB participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error.
65. Of all the matches returned this year, two errors were identified, with overpayments being collected for both. Revised desk instructions and procedures were put in place to prevent similar issues arising in future.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

66. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We consider whether bodies have adequate arrangements in place and have concluded that appropriate arrangements exist within the SPCB.

Digital strategy and IT resilience

67. The Digital Parliament Programme (DPP) that directed digital and IT investment through Session 4 of Parliament was concluded in May 2016. This has meant digital services have become the main route for creating, managing and distributing the documents necessary to conduct parliamentary business.

68. In July 2016 the Leadership Group formally approved the new Digital Strategy that will direct IT investment through Session 5. This sets out 14 key outcomes that aim to build on the success of the DPP, developing the following four strategic digital goals:

- members and their staff are able to work in the way that best suits them by having access to personalised, mobile and flexible services
- relevant and impactful information created and shared securely through joined up systems for smarter working

- public informed and involved through online channels and other digital tools that are engaging and easy to use
 - staff who are confident in using technology and information to drive improvements in parliamentary services.
69. The success of the DPP has increased reliance on IT systems. The majority of parliamentary business is now conducted digitally rather than in paper-form. The IT disaster recovery solutions in place ensure that data is well protected. Additional storage was added to the database infrastructure that supports key procedural systems (e.g. Committee Agenda System and Motions, Amendments, Questions, Answers system) to improve the range of data replication capabilities available.
70. It remains the case that there is no standby system to provide immediate access to these procedural systems in the event of a disaster. Management recognise the risk that this presents and are considering alternatives.
71. Internal audit reviewed the SPCB's cyber security threat management arrangements and assessed their level of maturity against a range of similar organisations. The assessment was made across three recognised security domains (people management, technology management and crisis management) and concluded that significant assurance could be given for each domain. A number of recommendations to improve cyber awareness and data breach training, and strengthen the security assessment procedures for local members' offices were made and will likely be accepted when the report is finalised.

Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

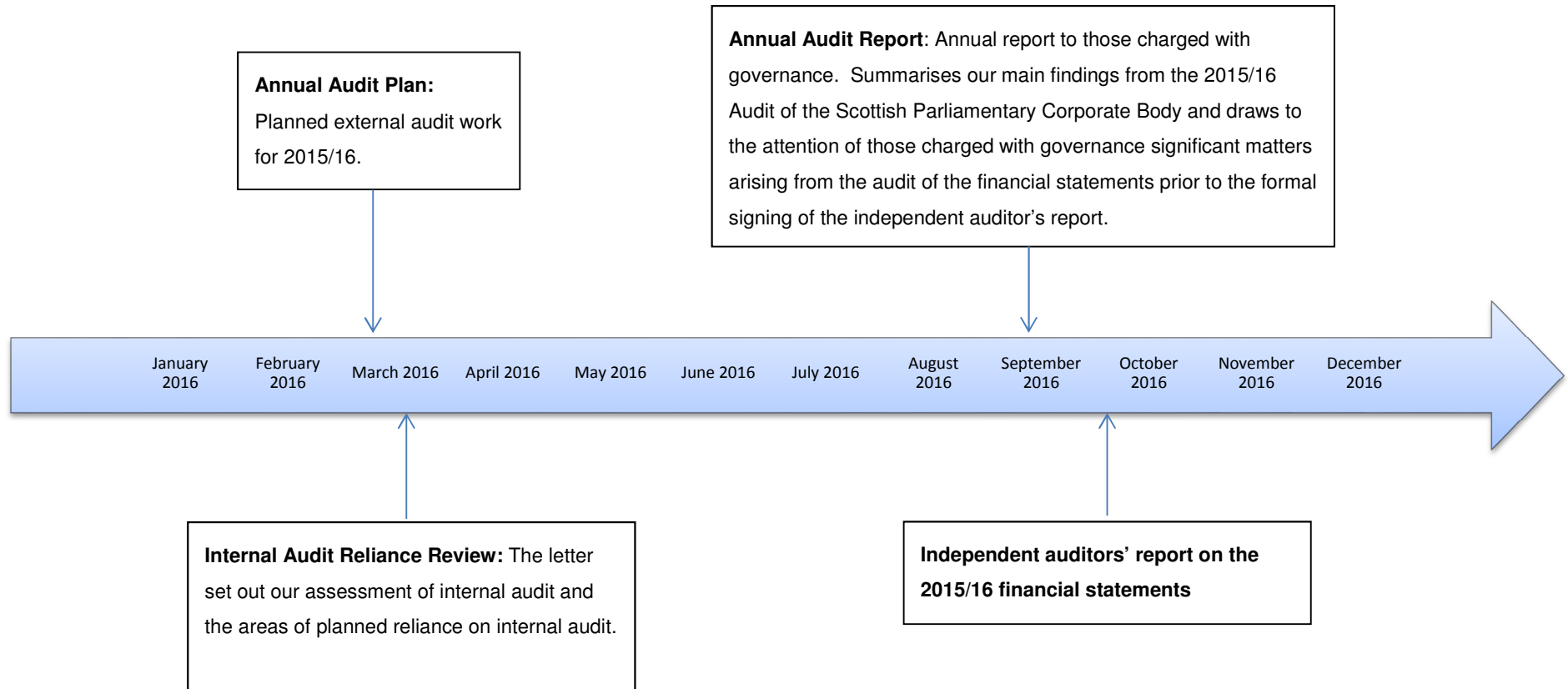
Audit Risk	Assurance procedure	Results and conclusions
Financial statement issues and risks		
<p>Financial statements – Members’ Pension Fund assurance - We may require to obtain assurance from SPPS auditors that the pension fund statements are free from material misstatement depending upon the timing of the respective audit sign offs.</p>	<ul style="list-style-type: none"> • Obtained assurance from the auditors of the SPPS over the material accuracy of figures contained within the SPPS financial statements. 	<ul style="list-style-type: none"> • No issues were identified.
<p>Financial statements – MSP’s expenses – This is a high risk area subject to wide public scrutiny. SPCB need to ensure that only expenditure incurred within the scheme eligibility criteria is reimbursed.</p>	<ul style="list-style-type: none"> • Internal audit carried out a detailed review of expenses. • Audit Scotland reviewed internal audit work. • Reperformed a sample of internal audit’s work to confirm agreement with conclusions. 	<ul style="list-style-type: none"> • Internal audit concluded substantial assurance was available in relation to this area. • No issues were identified.

Audit Risk	Assurance procedure	Results and conclusions
<p>Financial statements – budgetary limits – SPCB must ensure that it remains within the budgetary limits imposed by the Budget (Scotland) Bill. There is a risk that spending or cash draw down limits are breached.</p>	<ul style="list-style-type: none"> • Review of monthly financial monitoring reports throughout the year. • Specific testing on note 2 to confirm budget and draw down. 	<ul style="list-style-type: none"> • SPCB remained within budgetary limits.
<p>Financial statements – timing of PAO signing – There is a risk that there is a gap in time between the AAB and SPCB consideration of the financial statements, and the PAO signing the accounts leading to increased risk of significant post balance sheet events.</p>	<ul style="list-style-type: none"> • Liaised with SPCB around arrangements for AAB/SPCB consideration of accounts and PAO sign off. 	<ul style="list-style-type: none"> • The accounts are due to be considered by the AAB on 21 September and SPCB on 29 September. • PAO due to sign on 30 September. • Potential post balance sheet events were reviewed up to the date that the audit certificate was signed and none were identified.

Audit Risk	Assurance procedure	Results and conclusions
<p>Financial statements – management override of controls – ISA240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Tested transactions outside the normal course of business such as journal entries and accounting estimates. 	<ul style="list-style-type: none"> No issues were noted.
<p>Risks identified from the auditor’s wider responsibility under the Code of Audit Practice</p>		
<p>Financial statements – annual report – SPCB should ensure best practice outlined in the FReM is considered when drafting their annual audit report. In particular, consideration should be given to how performance against targets is reported.</p>	<ul style="list-style-type: none"> Reviewed the annual report in comparison with the most recent FReM guidance. 	<ul style="list-style-type: none"> The Annual report complies with the requirements of the 2015/16 FReM. The Annual Report has improved significantly in 2015/16.
<p>Financial sustainability – budget pressures and capacity – In line with other public sector bodies, SPCB are facing increased demands on their services whilst budgets are reducing. There is a risk that they are unable to provide Members with the appropriate level of service.</p>	<ul style="list-style-type: none"> Reviewed monthly financial monitoring reports. Reviewed quarterly performance reports. 	<ul style="list-style-type: none"> SPCB operated within Parliamentary budgets during 2015/16. Performance against targets remained relatively stable. Strong financial management arrangements are in place.

Audit Risk	Assurance procedure	Results and conclusions
<p>Information technology – cyber attacks – SPCB should ensure that they minimise the likelihood of cyber attacks and also have plans in place should one occur. There is a risk to SPCB of being unable to fully support the Scottish Parliament or data held being compromised in the event of such an attack.</p>	<ul style="list-style-type: none"> • Reviewed the Cyber Security Maturity assessment prepared by internal audit. • Discussed detailed findings with Head of Digital Services. 	<ul style="list-style-type: none"> • Internal audit concluded that significant assurance was evident, and made recommendations to improve cyber awareness and data breach training, and strengthen the security assessment procedures for local members’ offices.

Appendix II: Summary of local audit reports 2015/16



Appendix III: Action plan

No.	Paragraph ref.	Issue/risk/recommendation	Management action/response	Responsible officer / Target date
1.	55	<p>External review of Internal Audit</p> <p>Public Sector Internal Audit Standards stipulate that an independent external review of Internal Audit be carried out every five years. At present, no such review is carried out.</p> <p>Risk</p> <p>Internal Audit are not fully compliant with PSIAS and are not demonstrating best practice.</p> <p>Recommendation</p> <p>The SPCB should consider implementing a five-yearly external review of the Internal Audit function.</p>	<p>To demonstrate compliance with the requirement of Public Sector Internal Audit Standards in respect of external assessments, Internal Audit has relied on the formal, independent and external reviews performed and reported by Audit Scotland every year.</p> <p>Following the launch of Public Sector Internal Audit Standards on 1 April 2013, the merits of a reciprocal arrangement for independent assessments was discussed with the Heads of Internal Audit at the House of Commons, House of Lords, the National Assembly of Wales and the Northern Ireland Assembly. This was not formally taken forward due to the annual independent and external reviews currently undertaken by Audit Scotland.</p> <p>Subject to the agreement of the Advisory Audit Board, and a scoping exercise to identify the gaps between the current work of Audit Scotland the added value of a further independent external assessment, Internal Audit will take this forward.</p>	<p>Options paper to AAB in December 2016.</p> <p>External Assessment during 2017/18 subject to AAB approval.</p> <p>Andrew Munro Head of Internal Audit</p>