Crown Office and Procurator Fiscal Service

2017/18 Annual Audit Report

Prepared for the Crown Office and Procurator Fiscal Service and the Auditor General for Scotland

6 July 2018

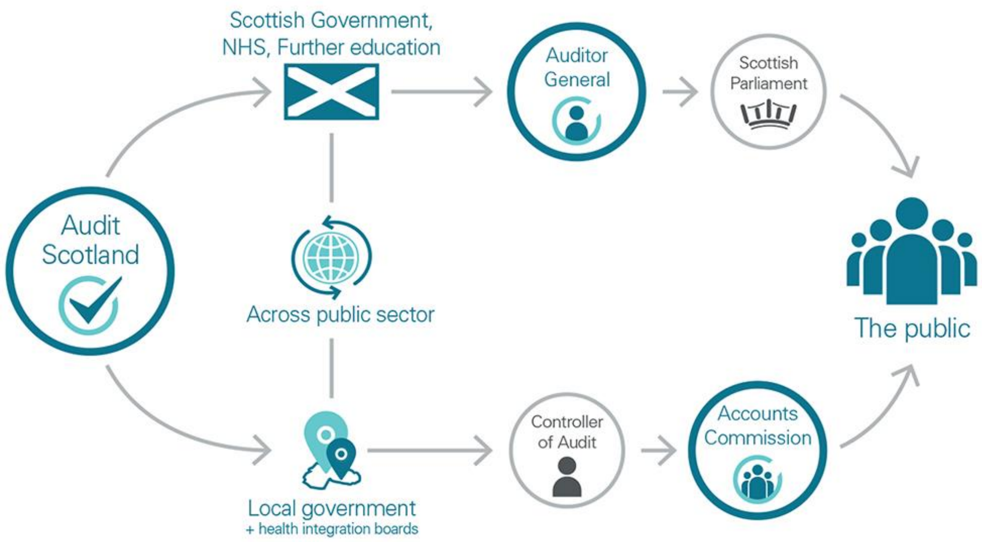
Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

Key messages

2017/18 annual report and accounts

1 The financial statements of the Crown Office and Procurator Fiscal Service (COPFS) for 2017/18 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

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

3 The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

Financial management

4 There are satisfactory financial management arrangements in place for the monitoring and scrutiny of financial performance.

5 Whilst there is an up to date overarching Digital Strategy in place this area of development would be strengthened, for example, with business cases for individual projects, and by raising the profile of cyber resilience measures.

6 Finance team members have appropriate skills and capability.

Financial sustainability

7 COPFS has adequate financial planning arrangements in place based on its updated Financial Strategy.

8 COPFS forecasts a significant shortfall between expenditure and available funding in the period to 2022/23. The organisation is pro-actively examining a number of key areas for the release of savings.

Governance and transparency

9 COPFS has effective governance arrangements in place that support scrutiny of decisions made by the Board.

10 COPFS is open and transparent in the way it conducts its business but with some scope for improvement.

Value for money

11 COPFS has an effective Operational Performance Committee but needs to progress the agreed internal audit recommendations to further refine arrangements around Key Performance Indicators.

12 COPFS needs to continue to focus on succession planning in all areas of the organisation to support workforce planning over the medium term.

Introduction

1. This report summarises the findings from our 2017/18 audit of the Crown Office and Procurator Fiscal Service (COPFS).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 26 February 2018 meeting of the Audit and Risk Committee. This report comprises the findings from:

- an audit of the COPFS's annual report and accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the *Code of Audit Practice 2016* as illustrated in Exhibit 1.

Exhibit 1
Audit dimensions

Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:

- a review of COPFS's main financial systems
- an audit of COPFS's 2017/18 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- consideration of the four audit dimensions.

4. COPFS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers. The COPFS annual report and accounts includes the following:

- Performance Report
- Accountability Report (which includes the Governance Statement, Remuneration and Staff Report, and Parliamentary Accountability Report)
- Financial statements and supporting notes.

5. COPFS is also responsible for establishing effective arrangements for governance, propriety and regularity that enable the board to successfully deliver its objectives.

6. Our responsibilities as independent auditor are outlined in the Public Finance and Accountability (Scotland) Act 2000 and the *Code of Audit Practice 2016* and supplementary guidance, and International Standards on Auditing in the UK.

7. As public sector auditors we give independent opinions on the annual report and accounts. We also review and provide conclusions on the effectiveness of the performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016* and supplementary guidance.

8. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. Our annual audit report contains an agreed action plan at Appendix 1. It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £99,130 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to the COPFS by increasing insight into, and offering foresight on, financial sustainability, risk and performance, by identifying areas of improvement and by recommending and encouraging good practice. In so doing, we aim to help the board promote improved standards of governance, better financial management and decision making and more effective use of resources.

12. This report is addressed to both the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank all management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual report and accounts

Main judgements

The financial statements of COPFS for 2017/18 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

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

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

Audit opinions on the annual report and accounts

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance in the use of those resources.

14. The annual report and accounts for the year ended 31 March 2018 were approved by the Audit and Governance Committee on 5 July 2018. We reported within our independent auditor's report that in our opinion:

- the financial statements give a true and fair view and were properly prepared
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

15. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual report and accounts for audit

16. We received the unaudited financial statements on 21 May 2018 in line with our revised agreed audit timetable. It was originally due for submission on 14 May 2018.

17. Due to unforeseen circumstances a key member of the finance team was unavailable. Whilst team members provided good support there was inevitably an impact on the smooth running of the year end audit process. The working papers provided with the unaudited financial statements were of an adequate standard and staff provided good support to the audit team.

Risk of material misstatement

18. Appendix 2 provides a description of those assessed risks of material misstatement that were identified during the planning process. These risks had the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team. Also included within the appendix are wider audit dimension risks, how we addressed these and our conclusions.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

20. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in Exhibit 2. Specifically, regarding the annual report and accounts we assess the materiality of uncorrected misstatements, both individually and collectively.

21. On receipt of the annual report and accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate. The materiality levels we applied during the audit are summarised in Exhibit 2.

Exhibit 2
Materiality values

Materiality level	Amount
Overall materiality	£1.100 million
Performance materiality	£0.660 million
Reporting threshold	£10,000

Source: Annual Audit Plan 2017/18

How we evaluate misstatements

22. There were no material adjustments to the unaudited financial statements arising from our audit. There was one unadjusted error in the accounts relating to the disposal of IT equipment assets: the remaining value of the assets were fully charged to depreciation instead of recognising the loss on disposal in the accounts. In addition, a credit note was received for the sale of some of these assets which was not recognised on the ledger.

- The net operating costs on the statement of comprehensive net expenditure would have been reduced by £39,000 and the statement of financial position (trade and other receivables) would have increased by £39,000.

- In addition, cash resource expenditure would have increase by £49,000 and non-cash costs would have been decreased by £49,000. The cash resource outturn would have been overspent by £7,000; however the overall budget allocation would not have been breached.

23. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers, and materiality. Management do not propose to adjust for the item above as the amounts are not considered material in the context of the financial statements.

Significant findings from the audit in accordance with ISA 260

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in Exhibit 3. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included.

25. These findings include our views about significant qualitative aspects of the COPFS's accounting practices including:

- Accounting policies
- Accounting estimates and judgements
- Significant financial statements disclosures
- Timing of transactions and the period in which they are recorded
- The impact on the financial statements of any uncertainties
- The effect of any unusual transactions on the financial statements
- Misstatements in the annual report and accounts
- Disagreement over any accounting treatment or financial statements disclosure

Exhibit 3
Significant findings from the audit of financial statements

Issue	Resolution
1. Disposal of IT fixed assets In March 2018, 253 iPads (68 purchased late 2013, 185 purchased early 2015) were recorded in the ledger as IT asset disposals, when they had a net book value of £43,000. Further investigation identified that these had in fact been disposed of in April 2016 for a credit note of £39,000, when the net book value was £81,000. ISD had not notified finance of this disposal until March 2018. A credit note was received in April 2016 but had not been correctly applied in the ledger. Disposed IT assets which can store data require certificates of destruction which verify that the assets have been cleansed of data, disposed of appropriately and then destroyed. We found a small number of such assets (e.g. iPads, tablets) for which there was no evidence of these certificates. IT fixed assets are only written off the fixed asset register at year end. Therefore, for those disposed of during in year, the depreciation will be overstated and any potential loss or gain on disposal will be understated.	COPFS should ensure that certificates are obtained for all IT assets containing data which have been disposed of in year, to document that they have been cleansed, disposed of and destroyed. All IT asset disposals should be fully documented and finance and ISD should coordinate to process updates to enhance the integrity of the fixed asset register and ensure that disposals are accounted for correctly. COPFS should look to maximise proceeds from the disposal of IT assets, where possible. Recommendation 1 (refer appendix 1, action plan)

Issue	Resolution
There is a reputational risk that these may not have been disposed of correctly. There is also a risk that COPFS has not maximised proceeds on sale of assets.	
2. Development expenditure There is significant development expenditure on IT software assets each year. These are complex, multi-phase projects. When these assets are completed, they are reclassified to software developed in-house or by third parties. Although we were satisfied that the net book value of these assets was correct in its totality it was not possible to match the notes to the accounts to the fixed asset register for these assets. In addition, as IT software can have a short useful life we noted that some IT equipment purchased for software in development has already been disposed of. There is a risk of assets becoming impaired before they are used and therefore not providing value for money.	Work should be carried out to cleanse the data in the fixed asset register. There needs to be effective working processes between finance and ISD to ensure that: • Each invoice is correctly coded to the appropriate development project. • Assets that require to be transferred between development and developed assets are identified promptly. • The fixed asset register should be reviewed to ensure that these assets are clearly identified as reclassifications in year. • Impairment reviews of development expenditure should take place on an annual basis. Recommendation 2 (refer appendix 1, action plan)

Follow up of prior year recommendations

26. We have followed up actions agreed in 2016/17 to assess progress with implementation. We have reported progress of these prior year actions in Appendix 1. They are identified by the prefix b/f (brought forward).

27. Four agreed actions were raised in 2016/17. Of these:

- three have been fully implemented
- one relating to financial sustainability has been actioned but remains an area which COPFS will require to focus on over the coming years.

28. Overall COPFS has made significant progress in implementing these actions, particularly in relation to the non-current assets revaluation reserve and depreciation.

Part 2
Financial management

Main judgements

There are satisfactory financial management arrangements in place for the monitoring and scrutiny of financial performance.

Whilst there is an up to date overarching Digital Strategy in place this area of development would be strengthened, for example, with business cases for individual projects, and by raising the profile of cyber resilience measures.

Finance team members have appropriate skills and capability.

Financial performance in 2017/18

29. The main financial objective for COPFS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

30. COPFS has reported an outturn of £112.75 million, remaining within its overall budget for 2017/18 with an underspend of £0.32 million. The financial performance against Departmental Expenditure Limits (DEL) is shown in Exhibit 4.

Exhibit 4
Performance against DEL in 2017/18

Performance	Initial budget £m	Final budget £m	Actual outturn £m	Overspend/ (underspend) £m
Cash Resource DEL	104.45	104.52	104.04	(0.48)
Non-cash Resource DEL	4.00	4.00	3.73	(0.27)
Total resource expenditure	108.45	108.52	107.77	(0.75)
Capital expenditure	3.60	3.60	4.04	0.44
AME impairment		0.95	0.94	(0.01)
Total	**112.05**	**113.07**	**112.75**	**(0.32)**

Source: COPFS Annual Report and Accounts 2017/18

Budgetary processes

31. We reviewed COPFS's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at the Audit and Risk Committee we confirmed that senior management and members generally receive regular, timely and up to date financial information on the financial position.

32. We concluded that COPFS has adequate budgetary monitoring and control arrangements that allow members and officers to carry out effective scrutiny of its finances.

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

Systems of internal control

33. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that COPFS has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

34. Our findings were included in the management letter presented to the Audit and Risk Committee on 30 May 2018. We concluded that the controls tested were appropriate and operating effectively. No significant internal control weaknesses were identified during the audit which could affect COPFS's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

ICT controls

35. In 2017/18 we undertook a high-level review of ICT including a review of the digital strategy, governance arrangements for the corporate apps project including project management, and the COPFS approach to cyber resilience.

Digital Strategy

36. The COPFS digital strategy, setting out a vision for the delivery of user focused services, was approved in 2017. The digital strategy contains digital business concepts and approaches to underpin this vision, while identifying the necessary changes to the underlying infrastructure. The document sets out strategic priorities and key focus areas, and could be enhanced with further detail on the benefits for users / practitioners who will engage with the digital landscape going forward. At the time the digital strategy was approved, funding arrangements for information technology and digital transformation delivery were uncertain.

37. The Chief Digital Officer, as head of Information Services Division (ISD), is currently meeting with various stakeholder groups to present the delivery plan, linking back to the objectives of the digital strategy and the achievements delivered so far. Engagement with stakeholder groups should include staff, Board, police, procurators fiscal and witness representatives, so their input in the strategy and its objectives, and the delivery impact on them can be considered. The delivery plan is expected to be formally approved in the summer to coincide with the commencement of the main digital transformation delivery phases from 2018/19.

Recommendation 3

The COPFS digital strategy was approved in 2017. The document contains digital concepts and approaches to support the strategic vision. The published digital strategy does not detail how stakeholders engaged with the development of the strategy, but presentations to stakeholder groups

on the main transformation phases have recently started. Detailed delivery planning should consider the impact of the strategy on stakeholders.

(refer appendix 1, action plan)

Corporate apps project

38. The corporate apps (applications) project provides a portal that allows staff a unified view of corporate activities through a dashboard. The main aim of the project is to provide a streamlined, single process flow of a number of corporate processes, such as staff management (starters/movers/leavers) and integrated business directory, travel and subsistence, staff absence and vehicle bookings digital apps. Particularly the staff management related application serves to decrease multiple handlings of staff changes and allows for automatic updates to HR and finance systems using a consistent data source. The portal has been rolled-out to business services staff, with full roll-out across all COPFS offices from the end of June 2018.

39. The COPFS Executive Board and Project Board approved the project and its scope. The corporate apps solutions were developed by ISD's in-house staff as part of delivering COPFS' approved corporate improvement priorities. We were advised that the resource costs for the development of this solution are met from ISD's staff resource budget. The in-house staff costs attributable to this project will be included in the project documentation.

Recommendation 4

IT capital projects in excess of £100,000 should have a short business case outlining the costs, benefits and delivery time of the project. It should also include an options appraisal, considering the buy, modify or build options, in line with the Digital Strategy for Scotland, for consideration by the appropriate committee. (refer appendix 1, action plan)

Cyber resilience

40. There are various boards and groups involved in IT security in COPFS including an IT Security and Cyber Resilience Board chaired by the SIRO. There is an Information Assurance Group for GDPR (General Data Protection Regulation) and IT security. Minutes from these groups are presented to the Audit and Risk Committee to update them on progress and developments.

41. Information security is noted on the corporate risk register, but cyber resilience and a consideration of its potential risks does not feature specifically at Board level. We feel that cyber resilience could benefit from a higher profile within COPFS.

42. COPFS is already both PSN and PSNP accredited and is therefore in a good position to meet the Cyber Essentials accreditation requirements. A cyber pre-assessment has been completed by COPFS with no significant issues noted. The accreditation has yet to be confirmed as Cyber Essentials or Cyber Essentials Plus. Two new staff have been appointed and they will be involved in drawing together existing processes and consider a cyber resilience plan for implementation.

Recommendation 5

COPFS appears technically well prepared to mitigate the risk of a cyber-attack. However, cyber risk is often a people risk, and technology can only do so much. To promote a more people-centric approach to mitigating

cyber risk, the topic warrants a higher profile at Board and senior management team level in the organisation. (refer appendix 1, action plan)

Financial capacity

43. There have been exceptional circumstances in 2017/18, which has led to increased pressure on key finance staff. Although the finance team were able to complete the accounts and provide adequate working paper for both COPFS and for QLTR, with minimal delay, this has placed significant pressure on team members. This experience may give rise to consideration of reviewing capacity and succession planning arrangements for the Finance Team.

Recommendation 6

COPFS should consider if there is appropriate succession planning and sufficient capacity in finance to ensure that there is not a key person dependency issue. (refer appendix 1, action plan)

Part 3

Financial sustainability

Main judgements

COPFS has adequate financial planning arrangements in place based upon its updated Financial Strategy.

COPFS forecasts a significant shortfall between expenditure and available funding in the period to 2022/23. The organisation is pro-actively examining a number of key areas for the release of savings.

Financial planning

44. COPFS agreed its 2018/19 draft budget in March 2018 after receiving budgetary information from the Scottish Government in December 2017 with a resource allocation of £116 million (£112.4 million resource and £3.6 million capital) which is £4.9 million (4.4 %) more than the initial 2017/18 budget allocation.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

45. The 2018/19 budget shows a challenging position reflecting the impact of financial pressures. Although the budget has increased, there are further responsibilities for COPFS in relation to the Domestic Abuse (Scotland) Act 2018, new procedural rules for Fatal Accident Inquiries and becoming a core participant in the Child Abuse Inquiry. There are also increased pressures from inflation, increased pay pressures due to the changes in public sector pay arrangements as well as the planning and coordination for EU withdrawal.

46. The Financial Strategy issued in January 2017 identifies the need to make savings of the order of £15 million by 2022/23. The Strategy has been reviewed and updated for the period 2018/19 to 2022/23. The savings required by 2022/23 are now approximately £19 million.

New Financial Powers

47. Proposals have been made for changes to the Scottish Budget process with these likely to be introduced for the 2019/20 budget. COPFS, as part of its budget planning for 2018/19, has also considered its position for 2019/20 and work has been carried out to identify risks over these two years.

48. The medium to longer term financial position is difficult to predict given the uncertainty around EU withdrawal and Scotland's new financial powers. COPFS needs to continue to consider the changing landscape in its savings and budgetary plans going forward including carrying out scenario planning or modelling.

Medium to long term financial planning

49. We reviewed the financial planning systems and assessed how effective COPFS is in identifying and addressing risks to financial sustainability across the medium and long term.

50. We recognise that 99% of COPFS's funding is from the Scottish Government budget allocation and this is determined on an annual basis by the Scottish

Government. This should not preclude COPFS from preparing medium to long term financial plans using sensitivity analysis and scenario planning for possible budget changes.

51. The financial strategy has been updated covering the period 2018/19 to 2022/23. It has identified £19 million of savings required to 2022/23. The strategy includes some scenario planning based on a flat cash settlement and a 2% reduction in settlements. If there was an annual 2% reduction in settlements, savings required would increase to £36 million.

52. COPFS aims to achieve its savings on a 50:50 basis between staff and non-staff costs. As staff costs are currently 67% of COPFS expenditure, this means a greater proportion of savings will be required from non-staff costs.

53. The key areas identified for savings are in estates, with COPFS reducing leased space in some offices and consideration of discontinuing some leases, where it will not affect service provision. Savings are also planned through procurement and contract management including reducing printing costs and using increased digitisation to reduce costs. There is also ongoing work in relation to post-mortem and pathology contracts to ensure there is greater value for money in these contracts.

54. COPFS introduced a new workforce strategy in January 2017 covering a five-year period. To support this work, a workforce planning group has been established to deliver this strategy. Savings in staff costs will be made through natural turnover and by identifying what new skills may be required when advertising new vacancies. To support these savings, there is an increased dependency on further and improved digital technologies. In-year capital expenditure has been focused on improving internal digital services to support staff and better working practices.

Recommendation 7

Savings are required to maintain financial balance over the period to 2022/23. The updated financial strategy identified that over £19 million of savings are required. These are reliant on enhancing digitalisation, managing estates, workforce planning, and procurement and contract management. It is important that longer term plans are in place to ensure savings targets are realistic and being monitored in line with the objectives of the financial strategy. (refer appendix 1, action plan)

Ending of public sector pay cap

55. The ending of the public sector pay cap will make it more challenging to maintain financial balance and this has been included in the budget process for 2018/19. It also features as a pressure in the Financial Strategy to 2022/23 and has impacted on the increased savings targets which will be required to be achieved by COPFS.

EU withdrawal

56. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
- Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.

- Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

57. COPFS has created a Brexit group to plan for issues around the EU withdrawal. The expected work programme includes informing the Scottish Government and UK Brexit planning and negotiations, implementing the Brexit negotiations outcome and engagement with key stakeholders in relation to Brexit issues. COPFS is aware that the situation remains dynamic and that the impact on regulations and its workforce will be dependent on Brexit negotiations.

Part 4
Governance and transparency

Main judgements

COPFS has effective governance arrangements in place that support scrutiny of decisions made by the Board.

COPFS is open and transparent in the way it conducts its business but with some scope for improvement.

Governance arrangements

58. We reviewed the work of the Executive Board (the Board) and the COPFS's governance structure in year. There have been no significant changes in year. COPFS has regularly reviewed the structure and governance framework to ensure that it remains effective and appropriate.

59. Papers are published sufficiently in advance of meetings to allow scrutiny and there has been an improvement in finance reporting at meetings. From attendance at the Audit and Risk Committee (ARC), there is effective scrutiny and challenge by the non-executive directors and we observed effective working relationships between non-executive directors and senior staff attending these meetings.

60. The ARC carried out a self-assessment in November 2017. This has improved governance as members of the ARC now provide a copy of their declarations of interest directly to COPFS (or where appointed by the Scottish Government this is made available to COPFS). There have been changes in non-executive membership during 2017/18. Therefore, it would be timely to formalise plans to review the performance of the ARC. In addition, support from COPFS for personal development, to ensure skills and knowledge are appropriate for the non-executive role, is another area members had identified as a priority.

61. We conclude that the arrangements in place are adequate and support good governance and accountability.

62. Transparency

63. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

64. There is evidence from a number of sources which demonstrate the Board's commitment to improving transparency including:

- Minutes of the Executive Board, its three sub-committees and the ARC are publicly available on COPFS's website.
- COPFS strategic plan and corporate strategies are available on COPFS's website.

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

- COPFS report on the handling of freedom of information (FOI) and environment information requests (EIR) on its website. In addition, from July 2018 this is to be enhanced by having a weekly register of those requests which have received a full or partial response in the prior week.

65. We concluded that the COPFS conducts its business in an open and transparent manner. With increasing public expectations for more openness in the conduct of public business, we believe that COPFS should continue to keep this area under review and consider whether there is further scope to enhance transparency and openness.

Risk management

66. We reviewed COPFS's Money Matters 8 (Risk Management) which was revised in 2017/18 and sets out the risk management process. We also reviewed the risk register. The Risk Management Group reports regularly throughout the year to the ARC with a focus on new and emerging risks and changes to the risk register resulting from its work. A new non-executive director is now chairing this group and the Depute Chief Executive, who is the owner of most of the corporate risks, will remain a member of the group.

67. Deep dives into specific risks in the corporate risk register are presented to the ARC with the latest being a deep dive on EU withdrawal (February 2018). This allows members of the ARC to gain an insight into the risk and provides non-executives with an enhanced understanding of the challenges facing COPFS. This will also allow non-executive directors to target scrutiny in key areas.

Internal audit

68. The COPFS's internal audit function is carried out by the Scottish Government Internal Audit Directorate. The external audit team of the Scottish Government evaluates whether the Directorate conforms to Public Sector Internal Audit Standards (PSIAS). As the external auditors of COPFS, each year we meet with Internal Audit and determine those areas from their Operational Plan we plan to place reliance on, thus minimise duplication of effort.

69. Consequently, we placed formal reliance on aspects of internal audit work on payroll transaction testing for our financial statements audit work.

70. Work carried out by internal audit in 2017/18 has primarily focused on governance arrangements. We have reviewed the final internal audit reports and taken cognisance of the findings, rather than placing formal reliance on this work.

Governance Statement

71. HM Treasury's Financial Reporting Manual (the FReM) states that COPFS must prepare an annual governance statement within the annual report and accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the governance statement and the assurances required around the achievement of the organisation's strategic objectives.

72. The SPFM does not prescribe a format for the annual governance statement but sets out minimum requirements for central government bodies. The process undertaken by management included conducting an assurance mapping exercise and working to an assurance plan that assessed the evidence underpinning the preparation of the governance statement.

73. We concluded that the 2017/18 governance statement complies with the guidance issued by the Scottish Ministers and, based on our knowledge and work performed, presents a comprehensive picture of governance arrangements and matters.

National Fraud Initiative

74. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

75. NFI activity is summarised in Exhibit 5. COPFS reviewed all the matches including all the recommended matches from the 2016/17 exercise.

Exhibit 5

NFI activity

676	148	676
Matches	**Recommended for investigation**	**Completed / closed investigations**

Source: NFI secure website: www.nfi.gov.uk

76. Three errors, totalling £4,387, were identified. Each of these were duplicate payments, and all have now since been refunded to COPFS. We concluded that COPFS has been proactive in investigating matches.

Standards of conduct for prevention and detection of fraud and error

77. We have reviewed the arrangements in place to maintain standards of conduct including the Money Matters 10 (Fraud and Whistleblowing) which was revised in 2017 and Civil Service and Members' Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption. COPFS has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues that we need to bring to your attention in this area.

General Data Protection Regulation

78. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act (DPA) 1998. As a Regulation, all EU member states must implement it in the same way. GDPR sets out more requirements than the DPA and has introduced new and significantly changed data protection concepts.

79. GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and to decisions taken by automated processes. Failure to comply with new GDPR data handling arrangements could result in COPFS incurring significant fines.

80. COPFS has been internally assessed in terms of readiness for GDPR. Policies and procedures were already in place to manage and protect data, and COPFS is continuing to develop policies and procedures to ensure compliance with GDPR. The Depute Crown Agent for Operational Support has also taken on the role of

Data Protection Officer for COPFS. COPFS has requested that internal audit carry out an Information Management Assurance Review as a matter or priority which will be reported in 2018/19.

81. COPFS have shown a good awareness of the requirements of GDPR and have worked to put in policies and procedures to support these new regulations.

Good practice

82. Internal control checklists, used by COPFS to obtain assurances from senior staff, have been enhanced this year to include additional assurances relating to procurement. Assurance certificates should continue to be reviewed to further develop them to include details over related parties.

Part 5

Value for money

Main judgements

COPFS has an effective Operational Performance Committee but needs to progress the agreed internal audit recommendation to further refine arrangements around Key Performance Indicators.

COPFS needs to continue to focus on succession planning in all areas of the organisation to support workforce planning over the medium term.

Performance management

83. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.

84. The performance of COPFS is monitored by the Operational Performance Committee (a sub-committee of the Executive Board) which reports to the Executive Board. The Board has responsibility for the oversight of performance and delivery of targets. COPFS key performance indicators (KPIs) are reported in the Statistics (Performance) area of COPFS website quarterly.

Value for money is concerned with using resources effectively and continually improving services.

85. The work on performance management and KPIs has been reviewed by internal audit in year and the Operational Performance Committee is taking forward a number of recommendations. This includes developing a formalised KPI strategy which will be developed following the completion and approval of the new strategic plan for COPFS. This will be supplemented with guidance about what each KPI is measuring and the factors which would contribute to the failure of a KPI.

86. We concluded that COPFS has an effective performance management committee but further work is required to address the internal audit recommendations on KPIs. Work is ongoing to address this in COPFS.

Follow up of Scotland’s public workforce

87. COPFS developed a new Workforce Strategy in January 2017 and this has been supplemented by each business function having its own workforce strategy covering the period 2017 to 2022. Each business function workforce plan recognises the need to look at service delivery to ensure that there are the right people in the right place working in the right area to support COPFS’s wider organisational objectives. Each plan also recognises that the future plans for the workforce are reliant on the increased digitalisation and improvements to working practices which will support efficiencies.

88. Succession planning is a key area of focus in the plans. The Workforce Planning Strategy identifies the need for flexible working both in terms of meeting changing business demands and across a range of service areas.

89. There are more challenges for succession planning in the operational support side of the business. As teams are generally smaller, there is less opportunity to have robust succession planning. This places increased challenges on areas such as finance to cope with adverse events affecting staffing levels (refer paragraph 43).

Procurement

90. The Procurement Strategy was issued in January 2017 and this has been supported by strategic objectives with the aim of saving approximately £1 million per year over the next five years.

91. Work has progressed during 2017/18 across a number of higher value contracts including that for forensic and non-forensic pathology contracts. Work is in place to transform the nature of these contracts from 2019/20. The aim is to provide more effective and efficient services across Scotland and to provide improved contract management overall. COPFS will require to ensure it has staff with appropriate contract management skills for these complex contracts.

92. Due to the nature of contract management, the realisation of savings can take time. Progress will be monitored in 2018/19 and beyond.

Estates rationalisation

93. Throughout 2017/18 work has been carried out to rationalise COPFS's estate. During 2017/18, COPFS reviewed the space required in certain offices and subsequently re-negotiated lower price leases for the reduced space. This will result in savings from 2018/19 onwards. Increased digitalisation throughout COPFS should mean that this will have no negative impact on service delivery.

94. COPFS is making progress in addressing areas where there is the further opportunity of gaining increased value for money and is an area COPFS will need to continue to focus on to meet its savings targets.

National performance audit reports

95. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. These are listed in Appendix 3.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement

No.	Issue/risk	Recommendation	Agreed management action/timing
1	**Disposal of IT fixed assets** There is some evidence that controls over the disposal of IT assets are applied, but exceptions identified in our audit testing indicate that the documentation and application of these controls should be improved. Information is passed to finance by ISD based on the finance team's annual assets review process. Information regarding IT disposals should be processed on a timely basis to finance. Our testing identified 253 assets disposed of in 2016 which were accounted for as disposals in 2017/18. **Risk** There is a reputational risk that assets may not have been disposed of correctly and disposal proceeds have not been maximised. In addition, there is a risk that the accounting treatment may not be accurate.	COPFS should ensure that certificates are obtained for all IT assets containing data which have been disposed in year, to document that they have been cleansed, disposed of and destroyed. All IT asset disposals should be fully documented and finance and ISD should coordinate to process updates to enhance the integrity of the fixed asset register and ensure that disposals are accounted for correctly. COPFS should look to maximise proceeds from the disposal of IT assets, where possible. Refer Exhibit 3, point 1	ISD has a Secure Disposal Policy and Assets Management and Store Room Management policies in place. The ISD SharePoint system is used to store and manage these policies, documents and IT assets destruction certificates. ISD passes information on IT assets to Finance in line with agreed procedure. The Chief Digital Officer will engage with Finance senior managers to discuss enhancements to the existing processes and to further integrate workflow and procedures. An Action Plan will be produced to document the agreed processes and any enhancements. **Responsible officer** IT Service Delivery Manager (IT Assets Management and Secure Disposal procedures); Chief Digital Officer; Director of Finance; Head of Management Accounting & Planning (review and development of Finance and ISD assets management policies and information workflow) **Agreed date** End August 2018
2	**Development expenditure** It has not been possible to match the notes to the accounts for intangible assets to the fixed asset register.	COPFS should carry out work to cleanse the data in the fixed asset register. There needs to be effective working processes between finance and ISD to ensure that:	Management recognises that there is a significant number of assets under development, many due to go live during 2018-19. During the course of the year, work will be ongoing to review and ensure

No.	Issue/risk	Recommendation	Agreed management action/timing
	There are issues with regard to the reclassification of assets from under development to developed assets. **Risk** There is a risk that the fixed asset register is not accurate and assets are not accounted for correctly. There is also a risk of assets becoming impaired before they are used and therefore not providing value for money.	• Each invoice is correctly coded • Assets are transferred promptly • The fixed asset register should be reviewed to ensure assets are clearly identified as reclassifications • Impairment reviews of development expenditure should take place on an annual basis. Refer Exhibit 3, point 2	appropriate classifications for all these assets **Responsible officer** Head of Financial Accounting **Agreed date** 31 December 2018
3	**Digital strategy** The COPFS digital strategy was approved in 2017. The document contains digital concepts and approaches to support the strategic vision. The published digital strategy does not detail how stakeholders engaged with the development of the strategy, but presentations to stakeholder groups on the main transformation phases have recently started. Detailed delivery planning should consider the impact of the strategy on stakeholders. **Risk** There is a risk that the strategy is seen as a digital technologies initiative instead of a tool to achieve business transformation objectives.	A Digital Strategy should be clear and coherent, and should consider the needs of stakeholder both internal and external to the organisation. It should place the needs of the business first, instead of the technology and with that consider the impact on its primary users. Paragraph 37	The combined elements of the Digital Strategy will deliver sustainable digital solutions and transformation to improve services to stakeholders and citizens and reduce our non-staff operating costs, a critical element in our financial sustainability planning. The Chief Digital Officer is leading engagement with internal and external stakeholders on the delivery priorities and planning for the main transformation delivery phases over 2018/19 and beyond, building on the digital strategy improvements delivered to date. The Delivery Plan sets out the business transformation priorities and objectives. Effective stakeholder management, resource planning and governance mechanisms are being applied to ensure business aims are achieved. **Responsible officer** Chief Digital Officer **Agreed date** Digital Strategy Delivery Plan published July 2018 Digital Strategy transformation programme and deliver

No.	Issue/risk	Recommendation	Agreed management action/timing
			progress reporting from August 2018 onwards
4	**IT Capital projects** There is significant IT capital expenditure in year but there is a lack of evidence to show that the costs of these projects have been considered and approved by appropriate committees. **Risk** There is a risk that COPFS will not be able to demonstrate value for money for its IT projects and capital expenditure may not be managed effectively.	IT capital projects over the value of £100,000 should be supported by a short business case outlining the costs, benefits and delivery time of the project. It should also include an options appraisal, considering the buy, modify or build options, in line with the Digital Strategy for Scotland, for consideration by the appropriate committee. Paragraph 39	ISD's Governance Framework provides the structure to plan, manage and deliver strategic projects, portfolio improvements and services efficiently and effectively. The ISD Portfolio, which is reviewed at each Business Improvement Committee meeting, details the corporate programme priorities and delivery status. IT capital investment plans are prepared to support COPFS' strategic priorities and business needs and reported monthly via the corporate financial management governance. Business cases or business specification and definition framework documents are produced for all IT projects and key IT capital investments and considered and approved via COPFS' corporate governance. **Responsible officer** Chief Digital Officer **Agreed date** On-going. ISD Portfolio and Digital Strategy Delivery Plan monitoring and reporting
5	**Cyber resilience** COPFS is both PSN and PSNP accredited and is therefore in a good position to meet the Cyber Essentials accreditation requirements. Information security is noted on the corporate risk register however cyber resilience and a consideration of its potential risks does not feature specifically at Board level. We feel that cyber resilience could	COPFS appears technically well prepared to mitigate the risk of a cyber-attack. However, cyber risk is often a people risk, and technology can only do so much. To promote a more people-centric approach to mitigating cyber risk, the topic warrants a higher profile at board and senior management team level in the organisation.	The Chief Digital Officer (CDO) has overall portfolio accountability for COPFS' IT cybersecurity and resilience planning and for its information assurance and policies, as part of his core role responsibilities and as COPFS' Information Assurance Security Accreditor. The CDO engages closely with the SIRO on IT/cyber policies, processes, reporting and management. The SIRO chairs

No.	Issue/risk	Recommendation	Agreed management action/timing
	benefit from a higher profile within COPFS. **Risk** Cyber risks have both a technical and people angle; neglecting the people angle could expose the organisation to additional risk.	Paragraph 40	COPFS' Security Working Group and Information Assurance Groups. He is a member of the Executive Board and Senior Executive team, providing board level representation on cyber and information security matters. The CDO is establishing a new Cybersecurity and Resilience team within his division and has incorporated an IT Cybersecurity and Compliance Board to ISD's governance framework. A Cybersecurity and Resilience Plan, incorporating COPFS' existing and enhanced cyber and information risk management and resiliency planning mechanisms, will be published by the end of 2018 as a key element of Digital Strategy deliverables. **Responsible officer** Deputy Crown Agent – Operational Support and Crown Agent; Chief Digital Officer **Agreed date** New ISD Cybersecurity and Resiliency Team created and staff in post: Q2 2018 Publish Cybersecurity and Resilience Plan: By end 2018
6	**Finance Capacity** Although COPFS has been able to deliver both the COPFS and the QLTR accounts, adverse events in finance led to there being increased pressure on key individuals to support the accounts process. Succession planning can mitigate this. **Risk** There is a risk that there may not be sufficient finance staff to	COPFS should consider if there is appropriate succession planning and sufficient capacity in finance to ensure that there is not a key person dependency issue. Paragraph 43	This will be considered as part of the workforce planning process **Responsible officer** Director of Finance **Agreed date** December 2018

No.	Issue/risk	Recommendation	Agreed management action/timing
	avoid key person dependency issues.		
7	**Long term financial planning** COPFS requires to make savings to maintain financial balance to 2022/23. The updated financial strategy identifies over £19 million of savings over the period to 2022/23 which are reliant on on-going projects in digitalisation, estates, workforce planning and procurement. **Risk** There is a risk that without a long term financial plan or savings plans, the organisation will fail to achieve objectives.	It is important that longer term plans are in place to ensure savings targets are realistic and being monitored in line with the objectives of the financial strategy. Paragraph 51	The finance strategy is being updated following publication of Scottish government's Medium Term Financial Outlook and plans will be put in place to ensure savings targets are realistic and delivery is monitored. **Responsible officer** Director of Finance **Agreed date** December 2018
Follow up of prior year recommendations			
b/f	**1. Depreciation** Our audit identified minor errors in system-generated depreciation calculations. There is a risk that the system is not calculating depreciation appropriately and over/undervaluing the assets.	COPFS should continue to maintain a record of depreciation charges for 2017/18 and monitor these for over/under depreciation. Checks should be made during 2017/18 to ensure that there are no further issues with regard to depreciation charges and the system is operating properly.	Depreciation checks were carried out as part of the 2017/18 audit and no issues were identified. The issue has been rectified and no further action required.
b/f	**2. Revaluation Reserve** The revaluation reserve is not managed in line with accounting requirements (e.g. there has been no amortisation of the reserve and any downward revaluations will not have been accounted for). We also identified that revaluation journals are not being processed correctly as no adjustment is made for accumulated depreciation. As a result, there is no other comprehensive expenditure section for revaluations gains/losses in the Statement	COPFS should review the revaluation reserve during 2017/18 and ensure that it operates in accordance with the proper accounting requirements.	Work has been progressed throughout the year and the revaluation reserve is now compliant with accounting requirements. The issues have been rectified and no further action required.

No.	Issue/risk	Recommendation	Agreed management action/timing
	of net comprehensive expenditure (SoCNE). There is a risk that the revaluation reserve is not fully compliant with correct accounting requirements.		
b/f	**3. Long term financial planning** COPFS requires to make savings to maintain financial balance over the next five years. The financial strategy identifies over £15 million of savings over the next five years which are reliant on on-going projects in digitalisation, estates, workforce planning and procurement. **Risk** There is a risk that without a long term financial plan or savings plans, the organisation will fail to achieve objectives.	The Board should ensure that a long term financial plan including detailed savings plans are developed identifying how and where savings in 2017/18 and beyond will be made.	The financial strategy has been reviewed during 2017/18 and has revised figures for the period 2018/19 to 2022/23. This identifies that in the order of £19 million of savings need to be made over this period. This continues to be an area of risk for COPFS.
b/f	**4. Declaration of interests** At Board meetings, members are not invited to declare any interests nor is there a standing agenda item for this. All non-executive directors should be required to complete a declaration of interest at the beginning of their appointment and this should be reviewed and updated annually. There is a risk that potential related parties could go undeclared / recorded.	At the start of each Board meeting, the Chair should invite members to declare any interests and this should be recorded in the minutes.	Board meetings now have a standing agenda item to ask for members to declare interests and these are recorded in the minutes. Declarations of interests have been reviewed for the new non-executive directors and updates are provided by other non-executive directors. The issues have been rectified and no further action required.

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the *Code of Audit Practice 2016*.

Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Risk of management override of controls ISA 240 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.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.	From controls and substantive testing carried out in the year, there was no evidence of management override of controls.
2 Risk of fraud over expenditure The Financial Reporting Council's Practice Note 10 (revised) requires public sector auditors to give consideration to the risk of fraud over expenditure. The extent of expenditure means that that there is an inherent risk of fraud.	System review of accounts payable/P2P focusing on key controls. Focused substantive testing on higher risk and more complex areas such as trade payables and non-current assets. Reliance on internal audit work as appropriate.	From system review and substantive testing focussed on more complex areas of expenditure, there was no fraud risks identified in relation expenditure.
3 Provisions and contingent liabilities There is a significant degree of subjectivity in the measurement and valuation of provisions and contingent liabilities. We consider these material account areas for COPFS. There are also specific disclosures which are required to be made to support these. This subjectivity represents an increased risk of misstatement in the financial statements; including failure to correctly	Substantive testing of provisions and contingent liabilities, ensuring valuations and disclosures are in line with the FReM and other relevant guidance. Through our knowledge of the business, review of key documents, and cut-off testing we will assure ourselves a to the completeness of these categories.	Provisions and contingent liabilities have been correctly accounted for in the annual report and accounts.

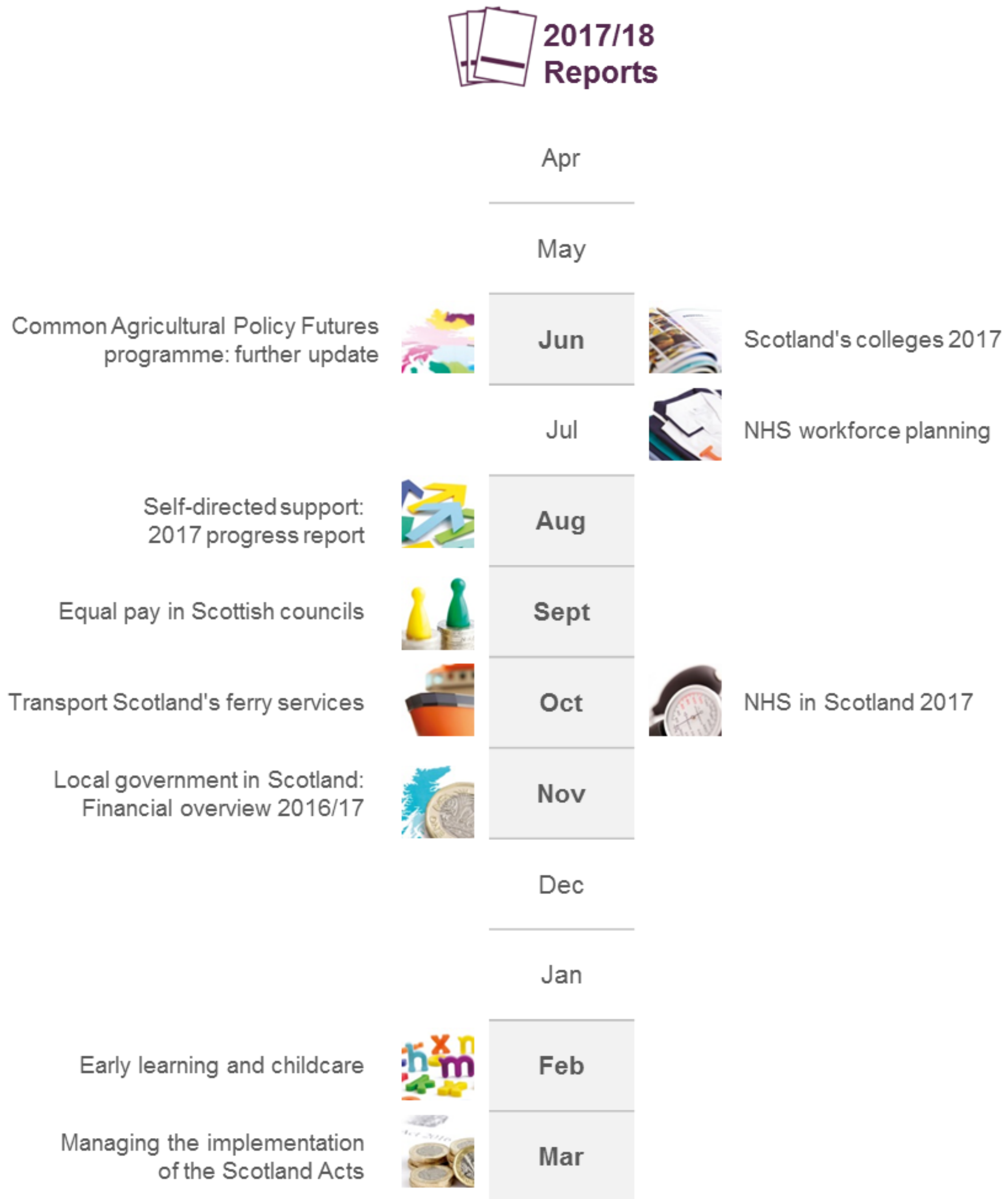
	Audit Risk	Assurance procedure	Results and conclusions
	recognise, value and disclose liabilities or provisions.		
4	**Budgetary pressures** For 2017/18 COPFS' budget has reduced in real terms. This places increased pressure on the financial sustainability project to deliver increased savings in year and ensure there is no overspend at year end. At the time of drafting this plan, COPFS was projecting a small overspend. There is a risk that COPFS is unable to achieve financial balance at year end.	Monitor monthly budget reports and review actions taken by COPFS to address projected overspends. Focused substantive testing of expenditure and trade payables.	Reviewed actions taken in year from review of minutes of meetings and discussions on budgeting and forecasting. Overall the accounts were within the total budget allocation at year end.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice			
5	**Financial sustainability** COPFS services are demand led and there has been a trend of increasing numbers of serious complex cases. The 2018/19 Scottish Government draft budget identified a real increase in cash terms for COPFS for that year. However COPFS still face longer term budget challenges and need to make £15 million in savings from 2017/18 to 2022/23. There is a risk that without detailed savings plans for each year, short term or reactionary decisions may be made and these may not fit with longer term plans or strategies of COPFS.	Monitor delivery of the sustainability project including savings planned and achieved and report in our annual audit report.	Reviewed the updated financial strategy from 2018/19 to 2022/23 and the new savings targets identified. The increased financial pressures on COPFS continue to be an area of risk so is an area which we will continue to monitor throughout the audit cycle.
6	Cyber and data security COPFS, in common with other public sector bodies, is at risk from cyber attacks and data losses. In late 2017 the Scottish Government issued *A Cyber Resilience Strategy for Scotland: Public sector action plan 2017-2018* which details a number of key actions which COPFS will be required to complete throughout 2018.	Review the governance arrangements put in place to manage cyber resilience arrangements. Review progress in achieving the actions identified in the Cyber Resilience Strategy 2017/18. Monitor cyber security updates in the Scottish Public Finance Manual (SPFM) to ensure COPFS complies with the new requirements as they are published.	Governance arrangements around cyber resilience were reviewed and this could have a higher profile at a corporate level. A cyber pre-assessment has been carried out. GDPR arrangements have been regularly reported throughout the year and policies and procedures are being enhanced to meet the requirements of GDPR.

	Audit Risk	Assurance procedure	Results and conclusions
	Actions include preparing cyber incident response plans, a cyber security strategy and resilience training. COPFS has yet to appoint a Head of Cyber Security and Resilience and, an IT Security Officer by spring 2018. New General Data Protection Regulations (GDPR) come into force in May 2018 and will strengthen data protection regulations and increase fines for any breaches. COPFS hold a significant amount of personal and sensitive information. There is a risk that a cyber attack or significant data loss could lead to financial and reputational losses for COPFS.	Monitor progress in preparation for GDPR including review of the COPFS' plans for GDPR implementation.	
7	**Workforce Planning** COPFS introduced a new workforce strategy in January 2017 as part of the work on longer term financial sustainability. Until this strategy is embedded in COPFS, there is a risk that changes in the workforce in one area of the organisation may have unintended consequences on another area of the business. The most effective skills mix for COPFS may not be achieved.	Follow up of *Scotland's Public Sector Workforce* report from November 2013 and report our findings in our annual audit report.	Completed a follow up of Scotland's Public Sector Workforce report including reviewing workforce plans for the business and for functions, capacity and work on Fair Futures which is ongoing.
8	**Procurement** A new procurement strategy (January 2017 – March 2019) was issued in December 2016. The aims are to make savings and generate efficiencies. COPFS hold a large number of complex contracts that are due for renewal in a short space of time. This will require significant expert resource. We found limited linkages between procurement and finance and a number of staffing changes to the procurement team. COPFS is reviewing its shared service agreement with the	Review internal audit work in 2017/18 on procurement and contract management and monitor progress against the recommendations. Monitor progress on procurement project and contract management throughout the year, including outcomes.	Internal audit reported a number of recommendation to enhance procurement and contract management. These recommendations will be reviewed in 2018/19 to determine progress and allow time for them to be embedded. Progress is being made in procurement but this will need to be maintained to ensure there are longer term savings and efficiencies.

Audit Risk	Assurance procedure	Results and conclusions
Scottish Government for procurement. There is a risk that savings and efficiencies are not achieved and that additional cost is incurred.		

Appendix 3

Summary of national performance reports 2017/18



Central Government reports

Common Agricultural Policy Futures programme: further update – June 2017

Transport Scotland's ferry services – October 2017

Early learning and childcare – February 2018

Managing the implementation of the Scotland Acts – March 2018

Crown Office and Procurator Fiscal Service
2017/18 Annual Audit Report

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