

Crown Office and Procurator Fiscal Service

Annual Audit Plan 2019/20



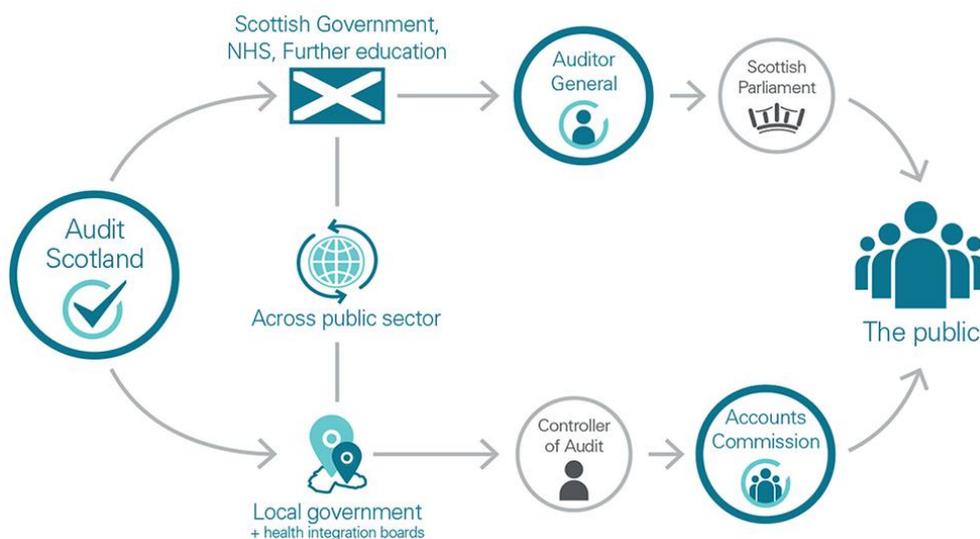
 AUDIT SCOTLAND

Prepared for the Crown Office and Procurator Fiscal Service
February 2020

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

Risks and planned work	4
Audit scope and timing	8

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

Adding value

3. We aim to add value to the Crown Office and Procurator Fiscal Service (COPFS) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the COPFS promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for the COPFS. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • 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. • Review whether disclosures reflect our understanding of the business.

	Audit Risk	Source of assurance	Planned audit work
2	<p>Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.</p> <p>COPFS' main items of expenditure are staff costs and operational costs. The extent and nature of the expenditure means that there is an inherent risk of fraud which cannot be rebutted</p> <p>There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>	<p>Internal controls in place for expenditure, including P2P and for witness claims.</p> <p>Segregation of duties in place.</p>	<ul style="list-style-type: none"> • Walkthrough of accounts payable/P2P focusing on key controls. • Focused substantive testing on higher risk and more complex areas such as trade payables, procurement and non-current assets.
3	<p>Provisions and contingent liabilities</p> <p>COPFS is required to evaluate whether any legal cases against it require disclosure by the time the annual accounts are signed by the Accountable Officer. It is essential that each disclosure is based on sound professional judgement.</p> <p>There is a risk of misstatement in the accounts over the completeness, presentation and disclosure of these items.</p>	<p>Information and supporting evidence for provisions are provided to finance by COPFS functions.</p> <p>Finance staff receive regular training to ensure knowledge of accounting standards is maintained.</p>	<ul style="list-style-type: none"> • Review whether disclosure reflects our understanding of the business. • Review the work done by management and rationale used to assess provisions and contingent liabilities. • Substantive testing of provisions and contingent liabilities, including valuations and disclosures. • Monitor outstanding litigation. • Cut-off testing.
Wider dimension risks			
4	<p>Value for money - procurement</p> <p>The pathology, post-mortem and toxicology contract renegotiation is currently the largest and most significant procurement exercise in the COPFS. The latest KPI report (April 2019 – September 2019) points to a diminution in the level of service.</p> <p>There is a reputational risk as well as a risk to the overall provision of these services.</p>	<p>Appropriate external expertise has been sourced and dedicated to negotiating and delivering a revised contractual structure for all Pathology services.</p> <p>A Pathology Programme Board made up of key internal and external stakeholders is in place and managing the delivery of the revised service structure.</p> <p>Regular updates are provided to the Senior Executive Team and Executive Board.</p> <p>The necessary action plans are in place to manage and mitigate risk with appropriate updates</p>	<ul style="list-style-type: none"> • Monitor the progress of the contract negotiation. • Meet with the project lead for update on progress.

	Audit Risk	Source of assurance	Planned audit work
		provided to the Pathology Programme Board and Risk management Group.	
5	Financial sustainability – long term financial planning As reported in our 2018/19 annual audit report (July 2019), the COPFS' Financial Strategy 2018/19 – 2022/23 requires to be updated and finalised to ensure that effective financial planning is in place to support the medium to long term plans. Once this is complete, other key plans need to be reviewed and updated to ensure they are all joined up. There is a risk that without up-to-date plans in place, the organisation will be unable to demonstrate that plans are affordable, realistic and deliver the longer-term saving plans required in line with COPFS objectives.	COPFS is in the process of updating its Strategic Plan and the Finance Strategy will be completed once the Strategic Plan is approved for publication. The Resources Committee and Executive Board regularly review and monitor budgetary impacts, future plans and agree any action required.	<ul style="list-style-type: none"> Review COPFS' progress in finalising the plans as they emerge.

Source: Audit Scotland

5. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted the risk of material misstatement caused by fraud in income recognition in 2019/20 as COPFS receives over 99% of its income from the Scottish Government.

Reporting arrangements

6. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

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

8. We will provide an independent auditor's report to COPFS; the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

9. Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year-end, i.e. 31 December. COPFS are required to submit their audited financial statements by mid-July to meet the Scottish Government's consolidation timetable.

Exhibit 2

2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	26 February 2020	26 February 2020
Management Report	29 May 2020	29 May 2020
Annual Audit Report	3 July 2020	3 July 2020
Independent Auditor's Report	3 July 2020	3 July 2020

Source: Audit Scotland

Audit fee

10. The proposed audit fee for the 2019/20 audit of COPFS is £104,040 (2018/19 £102,020). In determining the audit fee we have taken account of the risk exposure of the Crown Office and Procurator Fiscal Service, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts with a complete working papers package on 25 May 2020.

11. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit and Risk Committee and Accountable Officer

12. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

13. The audit of the annual accounts does not relieve management or the Audit and Risk Committee, as those charged with governance, of their responsibilities.

Appointed auditor

14. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

15. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

16. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the COPFS and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the COPFS will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

17. We will give an opinion on whether the financial statements:

- give a true and fair view of the state of affairs of COPFS as at 31 March 2020 and of its total expenditure for the year then ended;
- have been properly prepared in accordance with the financial reporting framework and other reporting requirements; and
- are in accordance with the Public Finance and Accountability (Scotland) Act 2000 with regards to the regularity of income and expenditure.

Other information

18. We also review and report on statutory other information published within the annual accounts including the performance report, annual governance statement and the remuneration report and staff report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

19. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in other information.

Materiality

20. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.



characteristics



responsibilities



principal activities



risks



governance arrangements

21. We calculate materiality at different levels as described below. The calculated materiality values for the COPFS are set out in [Exhibit 3](#).

Exhibit 3 Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the latest audited accounts for 2018/19.	£1.2 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of planning materiality.	£700,000
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£12,000

Source: Audit Scotland

Timetable

22. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts with complete working papers package	25 May 2020
Latest date for final clearance meeting with Director of Finance and Procurement	15 June 2020
Issue of Letter of Representation and proposed independent auditor's report	3 July 2020
Issue of Annual Audit Report including ISA 260 to those charged with governance	3 July 2020
Independent auditor's report signed	3 July 2020
Latest date for signing of SG Consolidation return	By mid-July 2020

Internal audit

23. Internal audit is provided by the Scottish Government's Internal Audit Directorate. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). This review is

conducted by the Scottish Government external audit team. We will report any significant findings to management on a timely basis.

Using the work of internal audit

24. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently and effectively.

25. We will not place formal reliance on the work of internal audit to reduce our financial statements audit testing, however we will review their reports to inform our wider dimension audit responsibilities in the following areas:

- Information management assurance - phase 2
- Workforce planning
- Change and project management arrangements
- Business continuity processes.

Audit dimensions

26. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

Financial sustainability

27. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps including saving plans.

Financial management

28. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control system in communicating accurate and timely financial performance can be demonstrated
- how the COPFS has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption including an assessment of the risk of fraud and corruption within the procurement function.

Governance and transparency

29. 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. We will review, conclude and report on:

- whether the COPFS can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

30. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the COPFS can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered
- that outcomes are improving
- there is sufficient focus on improvement and the pace of it.

Other planned work

31. We also plan to carry out the following work during 2019/20:

- Equalities and diversity – we will review and comment on how the COPFS demonstrates its compliance with the Equality Act 2010 and how it advances equalities both internally and externally.
- Procurement – we will review and comment on progress to date with the pathology, post-mortem and toxicology contract project.

- Follow up of the progress being made against our 2018/19 IT Overview recommendations.

Independence and objectivity

32. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

33. The engagement lead (i.e. appointed auditor) for the COPFS is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the COPFS.

Quality control

34. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires a system of quality control to be established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

35. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

36. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Crown Office and Procurator Fiscal Service

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