

# Scottish Commission on Social Security

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

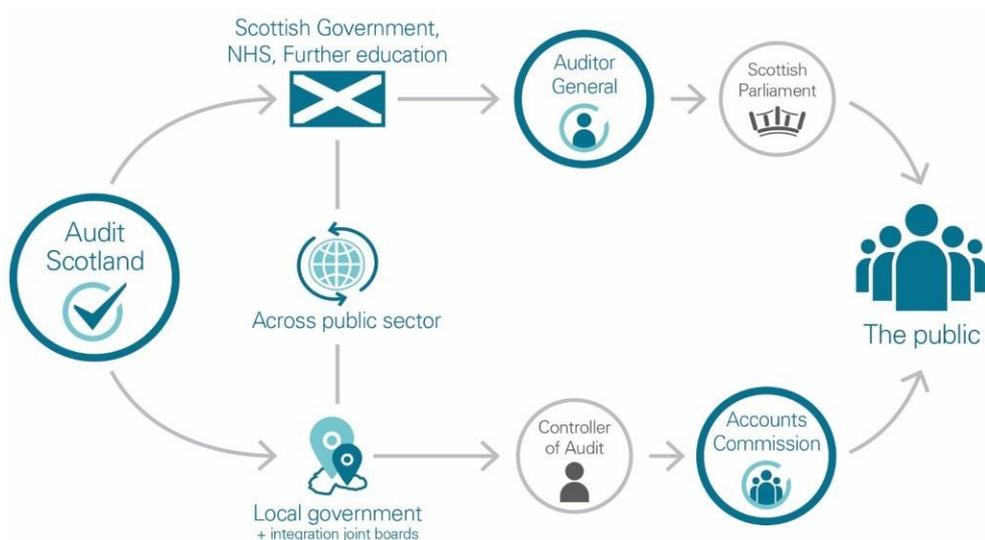
Prepared for the Scottish Commission on Social Security  
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## Who we are

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.

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# Risks and planned work

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1. The Scottish Commission on Social Security (SCoSS) was created by the Social Security (Scotland) Act 2018. SCoSS is an advisory non-departmental public body set up to provide independent scrutiny of the Scottish Social Security system, including benefit regulations and to hold Scottish Ministers to account.
2. 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.
3. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
4. We fully recognise the unique and significant pressures the public sector is under in responding to the threat posed by the current Covid-19 pandemic. Our approach to audit during the pandemic aims to be flexible, pragmatic and consistent.
5. The Covid-19 pandemic has had a significant impact on public services in Scotland. Public bodies have responded with changes to how they operate. The impact on public finances has been unprecedented, with both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.
6. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Adding value

7. We aim to add value to SCoSS 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 SCoSS promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

8. Based on our discussions with staff, attendance at Board meetings and a review of supporting information we have identified the following significant risks for SCoSS. 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

### 2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journals.</p> <p>Testing to supporting documentation for a sample of transactions.</p> <p>Review of accounting estimates.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Substantive testing of transactions after the year end to confirm transactions have been accounted for in the correct financial year.</p> <p>Testing of accounting adjustments at the year-end.</p>
<p><b>2 Accounts preparation</b></p> <p>This is the second year that SCoSS will prepare an annual report and financial statements. In 2019/20 we referred to the receipt of incomplete accounts provided for audit and delayed working papers.</p> <p>For 2020/21 we are aware that one of the key contacts involved in the accounts preparation and audit process last year has now left SCoSS. Furthermore, there are changes in the 2020/21 Government Financial Reporting Manual affecting disclosures in performance and accountability reports.</p> <p>While support will be provided by the Scottish Government Social Security Directorate, there remains a risk that the annual report and accounts are not prepared in line with the appropriate guidance and requirements, resulting in a delay to the audit.</p>	<p>Accounts prepared by Scottish Government.</p> <p>Year-end processes and accounts preparation timetable for 2020/21 are being reviewed.</p>	<p>Ongoing discussions with the SCoSS over accounts preparation.</p>
<b>Wider dimension risks</b>		
<p><b>3 Governance and transparency: Audit arrangements</b></p> <p>SCoSS is governed by a Board, and there is no audit committee in place. All accounting entities to which the Scottish Public Finance Manual</p>	<p>Audit outputs will be submitted to the Board of SCoSS for their consideration.</p> <p>Process started for an appointment of an</p>	<p>Ongoing discussions with SCoSS.</p>

(SPFM) is directly applicable (including SCoSS) should establish audit committees or appropriate alternative audit arrangements.

As SCoSS continue to develop their governance arrangements, it is important that functions which are ordinarily performed by an audit committee are adequately addressed and for SCoSS to be in compliance with the SPFM. Further guidance on how Members should discharge their duties is provided in [On Board – A Guide for Members of Statutory Boards](#).

Without an audit committee or appropriate alternative arrangements, there is a risk that governance arrangements are not fully effective and SCoSS will not comply with the requirements of the SPFM.

independent and external consultant to sit in on Board meetings to provide scrutiny and advise on audit related matters.

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Source: Audit Scotland

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**9.** As set out in ISA (UK) 240, there is a presumed risk of fraud in revenue recognition. 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 the 2020/21 accounts because SCoSS does not generate any income.

**10.** In line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2020/21 because expenditure incurred by SCoSS is administered using well-established Scottish Government systems and controls. Furthermore, the nature of this expenditure is not complex, with approximately 93% of costs relating to staff and staff-related costs.

## Reporting arrangements

**11.** 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](http://www.audit-scotland.gov.uk).

**12.** We will provide an independent auditor's report to SCoSS, 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.

**13.** Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Commission on Social Security to be presented to Parliament within nine months of the financial year – end, i.e. 31 December.

## Exhibit 2

### 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	06 April 2021	12 April 2021
Independent Auditor's Report	14 September 2021	21 September 2021
Annual Audit Report	14 September 2021	21 September 2021

Source: Audit Scotland

### Audit fee

**14.** The agreed audit fee for the 2020/21 audit of SCoSS is £5,000 [2019/20: £5,000]. In determining the audit fee we have taken account of the risk exposure of SCoSS and the planned management assurances in place. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 14 June 2021.

**15.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

### Responsibilities

#### Board and Accountable Officer

**16.** 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.

**17.** The audit of the annual accounts does not relieve management or the board as those charged with governance, of their responsibilities.

#### Appointed auditor

**18.** 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.

**19.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and 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 report and accounts

**20.** The annual report and 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 SCoSS 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 SCoSS 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.

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

- give a true and fair view in accordance with the Social Security (Scotland) Act 2018 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its net expenditure for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM
- have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.

## Statutory other information in the annual report and accounts

**22.** We also review and report on statutory other information published within the annual report and accounts including the performance report, annual governance statement and the remuneration 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.

**23.** 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 statutory other information.

## Materiality

**24.** 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

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

### Exhibit 3 Materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 2% of gross expenditure for the year ended 31 March 2021 based on forecast expenditure per the latest budget monitoring information for 2020/21.	£5,000
<b>Performance materiality</b> – 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 50% of planning materiality.	£3,000
<b>Reporting threshold (i.e., clearly trivial)</b> – 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 5% of planning materiality.	£250

Source: Audit Scotland

### Timetable

26. 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	14 June 2021
Latest date for final clearance meeting with Accountable Officer and Lead Secretary	07 September 2021
Issue of draft Annual Audit Report including ISA 260 report (proposed independent auditor's report and letter of representation) to those charged with governance	14 September 2021
Independent auditor's report signed	21 September 2021

### Audit dimensions

27. 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

**28.** The Code of Audit Practice includes provisions relating to the audit of less complex bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. In the light of the volume and lack of complexity of the financial transactions, we plan to apply these provisions of the Code to the 2020/21 audit of SCoSS.

**29.** Exhibit 1 above refers to our follow up work in respect of assessing SCoSS's progress in addressing our 2019/20 governance and transparency recommendation as it relates to audit arrangements.

### Independence and objectivity

**30.** 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.

**31.** The engagement lead (i.e. appointed auditor) for SCoSS is Helen Russell, Senior Audit Manager. 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 SCoSS.

### Quality control

**32.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is 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.

**33.** 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.

**34.** 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.

# Scottish Commission on Social Security

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