

Registers of Scotland

2019/20 Annual Audit Report



 AUDIT SCOTLAND

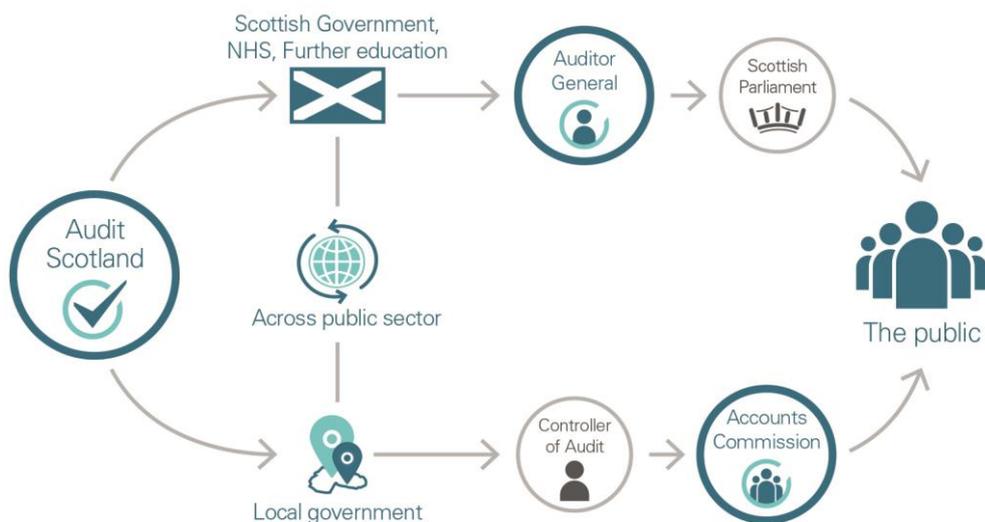
Prepared for Registers of Scotland and the Auditor General for Scotland

19 August 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.

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Key messages

2019/20 annual report and accounts

- 1 The financial statements of Registers of Scotland (RoS) give a true and fair view of its financial position as at 31 March 2020 and of its net expenditure for the year.
- 2 Income and expenditure was applied or incurred in accordance with enactments and guidance. The other information in the annual report is consistent with the financial statements and meets the requirements.
- 3 The annual accounts and audit timetable for 2019/20 was delayed by about two weeks due to the impact of Covid-19.

Financial management

- 4 RoS has appropriate and effective arrangements for financial management.
- 5 Systems of internal controls operated effectively in 2019/20.
- 6 RoS's income in March 2020 and subsequent months, was impacted by the Covid-19 pandemic. As a result, RoS applied to the HMT job retention scheme to help cover some of its staff costs.

Financial sustainability

- 7 RoS's change in status from a public corporation to a central government body has significant implications for medium-term financial planning.
- 8 The 2020-25 corporate plan was agreed prior to Covid-19 and is likely to require review and update. RoS forecasts reduced income of between £28 million and £48 million in 2020/21 due to volatility in house sales.

Governance and transparency

- 9 RoS has appropriate and effective governance in place. It adjusted its arrangements in response to the impact of Covid-19.
- 10 RoS reviewed its approach to transparency during 2019/20 and has started to make available more information about its performance and decision-making.

Value for money

- 11 RoS has a well-developed performance management framework which it has refined in line with its corporate plan.
- 12 Achievement of strategic objectives relating to the Land Register are at risk due to the impact of Covid-19.

Introduction

1. This report summarises the findings from our 2019/20 audit of Registers of Scotland (RoS).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 10 February meeting of the Audit and Risk Committee. This report comprises the findings from:

- an audit of the 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 2019/20 have been:

- an audit of RoS's 2019/20 annual report and accounts including the issue of an independent auditor's report setting out my opinions
- a review of the body's key financial systems
- consideration of the four audit dimensions.

4. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, RoS has had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have significant

impact into financial year 2020/21. This has had significant implications for the services that RoS provides and the income it receives, and for its staff and their wellbeing and how they work. Some activities had to be paused and processes adapted which are likely to affect future years. For our part, we had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider audit dimensions.

Adding value through the audit

5. We add value through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management and financial sustainability.

Responsibilities and reporting

6. RoS 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.

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

8. Our responsibilities as independent auditor are established by 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. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

9. This report raises matters from our audit. 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.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officer(s) and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

11. Auditors appointed by the Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

12. 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 2019/20 audit fee of £53,210 as set out in our

Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

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

Part 1

Audit of 2019/20 annual report and accounts



Main judgements

The financial statements of Registers of Scotland (RoS) give a true and fair view of the state of affairs of the body as at 31 March 2020 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.

The income and expenditure in the financial statements were applied or incurred in accordance with applicable enactments and guidance. The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

There was about a two week delay to the accounts and audit timetable for the 2019/20 financial statements due to the impact of Covid-19. The late receipt of information for some account areas meant that RoS needed to adjust the annual report and accounts presented for audit.

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

Our audit opinions on the annual report and accounts are unmodified

15. The annual report and accounts for the year ended 31 March 2020 were approved by the board on 18 August 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework 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 relevant legislation and directions made by Scottish Ministers.

The annual report and accounts were signed off within agreed timescales

16. The annual report and accounts for audit and working papers were received in line with our agreed audit timetable on 25 May 2020. The high-level working papers provided to support the accounts were of a good standard and additional supporting documents were supplied on request.

17. Late availability of information due to Covid-19 meant that routine accounting for key areas of the accounts such as year-end accruals and work-in-progress were processed by RoS during the audit. Accounting entries relating to the change in RoS's status were also required.

18. Both RoS and Audit Scotland staff worked remotely during the audit. This presented challenges for both teams in resolving queries and providing supporting evidence. As a result, there was a delay of around two weeks from our original planned timescales for completion of audit work. This had no impact on the sign off date. Overall, the arrangements worked well, and we would like to thank the finance team for their work and assistance in delivering our audit under difficult circumstances.

19. The only area we were unable to complete planned testing was on travel and expenses claims which could not be accessed remotely. We established that this was not a significant account area in terms of its value (£214,000) and was not material in the context of our audit opinion.

Overall materiality is £0.781 million

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and the nature of a misstatement in the financial statements.

21. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and adjusted them accordingly ([Exhibit 2](#)).

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£0.781 million
Performance materiality	£0.547 million
Reporting threshold	£39,000

Source: Registers of Scotland Annual Audit Plan 2019/20

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

22. [Appendix 2](#) provides our assessment of audit risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

23. In line with auditing standards and professional advice, including the Financial Reporting Council's Covid-19 bulletin published in March 2020, we reviewed our assessment of audit risks and the planned audit work in May 2020 and concluded that they remained relevant. There have not been any changes to audit risks, our audit approach and the timing of our audit.

24. We have reported a number of issues from our work on the risks of material misstatements. These relate to financial management risks, including changes to the budgeting framework and financial capacity, and risks to financial sustainability brought about by the Covid-19 pandemic and are included in the action plan at [Appendix 1](#).

Significant findings to report on the annual report and accounts

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Land revaluation</p> <p>The revaluation of land was not accounted for correctly. The revaluation reserve was incorrectly increased by £439,933 but should have been £340,193 to reflect the increase in value in 2019/20. As a result, the asset was overstated by £99,740 with a corresponding understatement of the revaluation reserve. There was no net impact on the statement of financial position.</p>	Management has corrected this error.
<p>2. Covid job retention scheme</p> <p>An amount of £247,188 due to RoS for the Covid-19 job retention scheme was misclassified, initially shown as a debit balance within payables when it should have been accrued income within receivables. This reclassification increases receivables and payables by the same amount with no net impact on the statement of financial position.</p>	Management has corrected this error.

Source: Audit Scotland

We identified two monetary errors above our reporting threshold which were adjusted in the accounts

26. RoS advised us of several adjustments to the financial statements provided for audit. These are summarised and discussed at [paragraph 31](#).

27. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no unadjusted errors above the reporting threshold.

28. We did not identify any material adjustments to the unaudited financial statements arising from our audit. We identified two monetary errors which exceeded our reporting threshold relating to land valuations and the Covid job retention scheme as set out in [Exhibit 3](#), and one by nature relating to the audit fee. The audit fee was incorrectly disclosed as £18,000 within administrative costs of the statement of comprehensive income (and notes 4 and 12) in the unaudited financial statements instead of £53,210. This error had not been identified in the initial quality checks of the financial statements by the finance team prior to submission for audit.

29. Management adjusted for all these monetary errors. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate systematic error.

Other matters arising for the audit of the financial statements

Late accounting adjustments

30. As indicated at [paragraph 26](#), the finance team notified us of, and made, several adjustments throughout the course of the audit. This was partly due to the late receipt of information and because the finance team was not able to fully complete its quality checks prior to submitting the annual report and accounts for audit. We recognise that this was a result of impact of Covid-19 and the pressure the finance team was under at the time. The net impact of these adjustments on the financial statements was to increase retained losses by £80,000 and decrease the net asset position by £7.125 million.

31. The most significant adjustments identified by RoS's finance team included:

- Recognition of £247,188 in accrued income for March 2020 in relation to the Covid-19 job retention scheme. This increased income and accrued income ([Exhibit 3, point 2](#)).
- An adjustment of £645,000 to the holiday pay accrual. This was due to a combination of late advice in relation to how much annual leave could be carried forward and an error in the original posting. The original journal was posted with the credit and debit the wrong way around in error. A correcting journal of £613,000 was required. Some staff were not able to update their records at the time due to limited access to systems as a result of Covid-19 restrictions, this resulted in a £32,000 adjustment. This increased staff costs and the corresponding accrual.
- RoS paid £50 million in reserves to the Scottish Consolidated Fund on 31 March 2020 with the balance due once all accounting adjustments had been made and the audit concluded. A creditor for £8.3 million was created at the end of the audit which had the effect of clearing the retained profit reserve.
- An adjustment in relation to the revaluation of Meadowbank House. This was caused by a new asset being created on the fixed asset register rather than as a revaluation adjustment. This caused the accumulated depreciation adjustment to be miscalculated. The revaluation reserve was correctly increased by £1.2 million with corresponding adjustments to correct the asset value (revaluation) and accumulated depreciation. There was no net impact on the statement of financial position.
- An adjustment of £154,000 relating to the capitalisation of staff costs connected to time spent on in-house digital projects. This had the effect of decreasing staff costs and increasing the asset value by an equivalent amount.

Work in progress calculation

32. Many of these adjustments had a consequential impact for the work in progress calculation. Work in progress reflects the estimated costs to complete an existing application on the record through to completion for which a fee has already been received. A provision is created in case the actual cost exceeds the income received with any corresponding loss reflected in the losses statement (note 17).

33. This is a complex calculation using information and estimates from different sources. It impacts on a number of account areas including the administration costs (note 4), inventories (note 9), provisions (note 13) and losses (note 17).

34. We performed testing on this but had to return to this after each change to the accounts to ensure adjustments had been carried through appropriately. We

understand there may be some changes to the underlying processes and systems for this calculation during 2020/21. We will work with the finance team to ensure early testing of this area in 2020/21 as appropriate (see also [recommendation 3](#)).

Accounting for computer equipment

35. RoS purchased replacement laptops and IT equipment to the value of £960,000 during 2019/20. We were satisfied that expenditure had been accounted for in line with its accounting policy. RoS does not capitalise such assets as on an individual basis the items are below its capitalisation threshold of £5,000. While the relevant accounting standard does not require such items to be aggregated, it does allow for this. Capitalising such types of spend improves both financial reporting and financial planning as recurring and non-recurring items are separated and the cost of the asset is recognised over its useful life.



Recommendation 1

To help improve financial planning and reporting, RoS should consider reviewing its accounting policy for non-current assets to ensure that it is appropriate under its new budgeting framework.

Good progress was made on prior year recommendations

36. RoS has made good progress in implementing our prior year audit recommendations as set out in [Appendix 1](#). RoS has continued to improve its performance report and we will continue to work with the RoS finance team in this regard, with early engagement in 2020/21. More details on RoS's transparency project and benefits realisation monitoring are provided in Parts 4 and 5 of this report.

Part 2

Financial management



Main judgements

RoS has appropriate and effective arrangements for financial management and systems of internal control operated effectively during 2019/20.

Registers of Scotland's income in March 2020 and subsequent months, was impacted by the Covid-19 pandemic. As a result, RoS applied to the HMT job retention scheme to help cover some of its staff costs.

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

Financial performance in 2019/20

37. In 2019/20, RoS was a non-ministerial office operating as a trading fund. It provides statutory and non-statutory services on a fee-charging basis and uses its income to fund expenditure.

38. Statutory fees and financial objectives are set by Scottish Ministers with a view to ensuring that income is sufficient to meet expenditure. This is done across multi-year period to ensure funding is available for investment in addition to day-to-day running costs.

39. RoS' financial performance against budget is shown in [Exhibit 4](#).

Exhibit 4 Performance against budget in 2019/20

Performance	Corporate plan budget ¹ £m	Q3 budget £m	Actual outturn £m	Over/(under) spend £m
Statutory income	72	72.2	69.5	(2.7)
Non-statutory income	9.3	8.9	8.9	-
Total income	81.3	81.1	78.4	(2.7)
Salary costs	68.7	63.9	63.6	(0.3)
Non-salary costs	26.6	23.6	21.5	(1)
Total expenditure	95.3	87.5	85.1	(2.4)
Profit/(loss)	(14)	(6.5)	(6.7)	(0.2)

Note 1: The Corporate Plan 2019-24 for published prior to the reclassification decision.

Source: Corporate Plan 2019-24, Board papers and 2019/20 Annual report and accounts

2019/20 financial position

40. The comparison of the actual income and expenditure versus budget uses the Q3 budget. The Q3 budget is the adjusted budget position from the corporate plan and takes account of the reclassification of RoS to a central government body.

41. [Exhibit 4](#) shows that RoS made a loss of £6.7 million, slightly more than the revised budget position. The difference from the corporate plan position was partly due to less progress than anticipated on clearing registration applications which affected recognised income, and recruitment occurring later in the year than planned. The Covid-19 pandemic had an impact on income and RoS's ability to process registrations during March 2020.

42. The Statement of Financial Position summarises what is owned and owed by RoS. This shows taxpayer's equity- an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of physical assets.

43. The financial position shows that RoS:

- Has made a loss of £6.7 million
- Has net assets of £6.7 million; a decrease of £62.5 million largely attributable to a reduction in cash and bank balances (£58 million) as a result of the requirement to pay RoS's cash reserves into the Scottish Consolidated fund on 31 March 2020 due to its change in status. RoS paid over £50 million on 31 March 2020 with the remainder paid on conclusion of our audit in August 2020. A creditor of £8.3 million was created on completion of the audit and is included in the audited accounts.
- Money due to and from other organisations also increased, largely offsetting one another, partly as a result of the Covid-19 pandemic and delays caused by businesses not being open.

Budget and financial monitoring processes were appropriate, with fundamental changes from the reclassification of RoS to a central government body

44. Budget processes and financial monitoring arrangements operated effectively during the year. From our review of budget monitoring reports, review of board and committee papers and attendance at the Audit and Risk Committee we can confirm that senior management and members receive regular and timely financial information on RoS's financial position.

45. During 2019/20, there was continued uncertainty about RoS's status as a public corporation. RoS and the Scottish Government were unsuccessful in their appeal of the Office for National Statistics (ONS) decision to reclassify RoS as a central government body. As a result, from 1 April 2020 RoS became part of the annual Scottish Budget process.

46. Over the medium-term, income from statutory and non-statutory fees will continue to cover costs, but any surplus or deficit in any individual year, will be incorporated into the overall Scottish Government budget. RoS will pay any surplus into the Scottish Consolidated Fund and will no longer hold a cash reserve. This is a significant change in how RoS operates and will require close oversight of RoS's finances.

47. Financial reporting and budget monitoring requirements will also change requiring RoS to work more closely with its Scottish Government sponsor department. RoS will need to ensure its staff are provided with sufficient training in Scottish Government budget monitoring and financial reporting procedures and requirements.



Recommendation 2

RoS will have to change its budget approval, monitoring and financial management and reporting procedures as a result of its change in status. Ros should ensure its staff are provided with appropriate training and agree financial reporting arrangements with the Scottish Government.

RoS has experienced a significant financial impact due to Covid-19

48. The Covid-19 pandemic has had a significant impact on RoS's finances. The main effect is reduced fee income as a result of the shutdown of the housing market. Housing sales stopped due to lockdown restrictions and RoS was initially unable to continue processing registrations as a result of staff not being on site and unable to access systems. Around 460 staff involved in the registrations process were identified as being unable to work along with 38 agency staff.

49. Following advice and guidance issued by the Scottish Government in April 2020, RoS took the decision to apply to the UK Government Covid-19 Job Retention Scheme (CJRS). The scheme allows public bodies that are only part funded by the Government and have lost some or all of their income from other sources, to furlough staff and apply for a grant from HMRC to cover staff costs. RoS is a fee generating body with that income used to cover its costs.

50. RoS engaged with the Scottish Government and Trade Unions before making a decision. Under the scheme, RoS continued to pay affected staff 100 per cent of their salary but claimed up to 80 per cent from HMRC. RoS received £247,188 towards March 2020 salary costs. A phased approach was taken to returning staff to work by issuing laptops to allow staff access to systems. As at 30 June 2020 around 200 staff were still furloughed.

51. RoS took a number of actions to mitigate the risks to its finances including, reviewing fees and contracts and terminating the contracts of agency staff who were no longer able to work.

52. Senior management, board and committee members received regular updates on the potential impact. Senior management continue to be in regular discussions with the Scottish Government about the financial and non-financial impact of the current situation.

53. The finance team continue to update scenario planning projections as it assesses the impact on its budget in the short and long term ([Part 3: Financial sustainability](#)).

Financial systems of internal control are operating effectively

54. 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 the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

55. Our management letter presented to the Audit and Risk Committee on 30 April 2020 concluded our findings from the review of systems of internal controls. We concluded that the key controls tested were operating effectively. No significant internal control weaknesses were identified during the audit which could affect the body's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements. We identified two less significant issues which we judged not to represent a systematic weakness and were a result of short-term staff shortages. We were satisfied with the actions management took in response to our findings.

56. As noted in [paragraph 30](#), Covid-19 caused a delay in RoS receiving some information meaning that the process for assessing, and accounting for, accruals and other adjustments was delayed. Finance staff were working remotely during this time. We did not identify any significant changes or risks to key controls. However, some quality checks of the annual report and certain accounts areas were ongoing when we commenced our audit.

Internal audit

57. The Scottish Government's Directorate of Internal Audit and Assurance provided the internal audit function in 2019/20. We reviewed RoS's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit. As recorded in our 2019/20 Annual Audit Plan, there were no areas we planned to place formal reliance but we considered the following reviews as part of our wider dimensions work:

- Workforce planning
- Financial planning
- Purchasing, procurement and accounts payable controls.

58. The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to provide an annual internal audit opinion and report that can be used to inform the annual governance statement. Internal audit provided an opinion of reasonable assurance on risk management, control and governance arrangements in 2019/20. This means that some improvements are required to enhance the adequacy and effectiveness of RoS procedures. The report noted that limited assurance had been provided in relation to HR people performance monitoring and development. The board and the ARC have held workshops and deep dives in this area in October 2019 and November 2019 respectively.

59. In February 2020, the ARC requested an additional meeting on 6 April so that it could consider the five remaining internal audit reports prior to the committee's full April meeting.

60. In response to the Covid-19 pandemic, RoS demonstrated good practice by instructing internal audit to undertake additional work to look at higher risk areas and to assess its response. This included checking for any weaknesses in specified areas, such as IT controls, staff costs and expenses. We liaised with internal audit during our year end audit work to ensure that we were aware of any significant issues and none were identified.

In a period of change and financial pressures, RoS should ensure it maintains capacity within its finance team

61. The preparation of the financial statements and working papers and dealing with audit queries coincided with the finance team having to perform scenario planning to revise budgets for the Scottish Government as a result of Covid-19. These competing demands put pressure on the finance team. As noted, some quality checks of the annual report and certain complex account areas, such as work in progress, were ongoing when we commenced our audit.

62. The Head of Finance is due to retire in October 2020, this is a loss of knowledge and experience. It will be important to put plans in place to address this and ensure that the finance team has the required capacity to deal with current and future competing demands.



Recommendation 3

Registers of Scotland should ensure it has the capacity within its finance team to cope with any new financial management arrangements, perform quality checks and ensure knowledge is transferred for complex areas such as work in progress calculations prior to the departure of the Head of Finance in October 2020.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

63. RoS is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, the board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

64. We have reviewed the arrangements in place to maintain standards of conduct including Staff Handbook 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.

65. Appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities. We are not aware of any specific issues that we need to bring to your attention.

66. Audit Scotland published its [National Fraud Initiative 2018/19 report](#) in July 2020. We published a supplementary report alongside this which highlights some of the [emerging fraud risks](#) during the Covid-19 pandemic. It provides examples of the increased risks around governance, procurement, funding, payroll/recruitment, IT/cyber, and health and wellbeing as well as examples of how to mitigate against these.

Arrangements for preventing fraud and corruption in the procurement function are appropriate

67. Instances of fraud and corruption can be particularly prevalent in the procurement function. We carried out an assessment of the arrangements in place at the body to prevent fraud and corruption in the procurement function. This review took place in April and May 2020 when RoS offices were closed due to the Covid-19 pandemic.

68. As part of this review we considered internal audit's report on purchasing, procurement and accounts payable controls, and what progress had been made against its recommendations.

69. We concluded that arrangements are in place to mitigate the risk of fraud in procurement activities. We were satisfied that action was being taken in response to the improvements identified by internal audit. However, due to the timing of our work and Covid-19 restrictions, it was too soon to see these actions operating fully. At the time of our review we noted that the procurement team was planning to take advantage of the off-site working to encourage staff to complete specific online procurement training modules. This had been identified as an area

that had been neglected recently due to work levels. We will follow this up in 2020/21 and review any further planned work by internal audit.

Part 3

Financial sustainability



Main judgements

RoS's change in status from a public corporation to a central government body has significant implications for medium-term financial planning.

The 2020-25 corporate plan was agreed prior to Covid-19 and is likely to require review and update. RoS forecasts reduced income of between £28 million and £48 million in 2020/21 due to volatility in house sales.

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

Registers of Scotland published its Corporate Plan 2020-25 in April 2020

70. RoS moved to a five-year corporate planning cycle in 2019. It publishes its corporate plan annually, reviewing it on a six-monthly basis. Its current plan covering the years 2020 to 2025 was published in April 2020. Its content was agreed prior to the Covid-19 pandemic.

71. RoS's change in status from a public corporation to a central government body means its annual budget will be determined during the Scottish Government's annual budget cycle. It is critical that RoS continues to have a medium-term strategy and plan to ensure it can meet its strategic objectives and support the delivery of National Outcomes. RoS no longer has reserves to call upon for future investment and to help manage the impact that any volatility within the property market may have on fee income and to its longer-term financial sustainability.

72. RoS has four strategic objectives which are underpinned by eight corporate priorities grouped under three themes. These remain unchanged and are set out in [Exhibit 5](#).

Exhibit 5

Registers of Scotland's corporate objectives



Source: Registers of Scotland Corporate Plan 2020-25

73. RoS's corporate plan set out its high-level financial forecasts at that time ([Exhibit 6](#)). RoS forecast to draw down between £2 million and £6 million annually from the Scottish Government budget for revenue purposes. Income projections were more than those set out in the previous corporate plan based on activity forecast rather than a change in fees.

74. Two key and high-profile strategic objectives that will require significant investment are the completion of the land register by 2024 and clearing the arrear. The arrear is the backlog of more complex registration applications that have not been processed within the service standard timescales.

75. The corporate plan noted that it would need to be creative and innovative to be able to deliver these objectives under the new financial management model even before the Covid-19 pandemic.

Exhibit 6

Financial forecast 2020/21 to 2023/24 prior to Covid-19 pandemic

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Income	87.7	85.2	81.2	78.2	78.5
Expenditure	91.7	87.8	87.3	84.2	81.9
Net revenue expenditure	4	2.6	6.1	6	3.4
Capital expenditure	4	4	3.5	3.5	3.5

Net revenue and capital expenditure will be funded by Grant-in-Aid from the Scottish Government. RoS's budget is included within the Scottish Government's Finance, Economy and Fair Work portfolio budget and includes a further £4.4 million for non-cash items such as depreciation.

Source: Registers of Scotland Corporate Plan 2020-25

RoS will need to keep its short and medium-term financial plans under review as a result of the Covid-19 pandemic

76. Since March 2020, as a result of the impact of Covid-19, RoS has continued to amend scenario plans as more data and information becomes available. It has taken a line by line approach to reviewing its budget for 2020/21 and future years. A range of scenarios have been modelled with a reduction in income of between 41 and 57 per cent being used for 2020/21.

77. In July 2020, RoS forecast that even with reductions in expenditure of between 10 and 20 percent it is likely to need an increase in resource budget from £4 million to between £28 and £43 million from the Scottish Government in 2020/21. For 2021/22 it expects its budget requirement to be in more in line with its corporate plan but it will need to keep this under review.

78. RoS is looking at ways of increasing income and reducing costs. This includes:

- Performing a full review of fees with a view to increasing both statutory and non-statutory fees. RoS estimates that if all fees were increased by £10 from 1 September 2020 this would increase income by £2.5 million in 2020/21 and £6 million in 2021/22.
- Using the CJRS was forecast to provide £2.6 million towards staff costs to the end of July 2020.
- Reducing staff costs- by reducing temporary and agency staff numbers, capping overtime and pausing recruitment.

79. In addition, some costs have already reduced as a result of the new working environment. Travel and subsistence costs have reduced, and catering, postage and scanning contracts are being reassessed. With everyone working more digitally from home these contracts will not have the same requirements as before.

80. There remains significant uncertainty around RoS's future income levels and budget requirements and a lot will depend on how well the housing market recovers after lockdown. It will be important for RoS to keep monitoring its data and learning from other countries where housing markets reopened earlier. RoS no longer has reserves to help it manage any fluctuations in the market and it will need to work very closely with the Scottish Government for its short and medium-term financial planning.



Recommendation 4

Registers of Scotland will need to keep its short and medium-term financial plans under review due to the impact of the Covid-19 pandemic on its income and ability to process applications.

Part 4

Governance and transparency



Main judgements

Registers of Scotland has appropriate and effective governance arrangements in place.

RoS made changes to its governance arrangements to ensure fast decision making during the Covid-19 pandemic.

RoS reviewed its approach to transparency during 2019/20 and has started to make available more information about its performance and decision-making

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.

Overall governance and transparency arrangements were appropriate

81. The corporate governance framework within RoS is centred around the board which provides strategic advice to the Keeper. The Keeper is responsible for the efficient and effective operation of RoS, for leading its staff, and for statutory functions in relation to the management, control and maintenance of the various public registers. The Operations Director is the Accountable Officer. The Audit and Risk Committee (ARC) is a non-executive committee of the Board.

82. RoS has appropriate governance arrangements in place. The board met six times in 2019/20. Board and ARC members provide an appropriate level of scrutiny and challenge and are provided with sufficiently detailed information to support them in their role.

83. RoS revised its framework document in 2020/21 to reflect the changes in financial arrangements as a result of its status change. This was approved by Scottish Ministers and published on 26 May 2020. Terms of reference for the board and ARC have also been recently reviewed.

RoS made changes to its governance arrangements to help it deal with the Covid-19 pandemic

84. The impact of Covid-19 from March 2020 is highlighted in the governance statement in RoS's annual report and accounts, with the details presented on page 42 of the performance report. These were significant and allowed RoS to manage the unprecedented nature and scale of risks to its staff and operations.

85. The majority of staff were able to work from home when offices closed on 24 March 2020. However, some processes such as scanning could not take place and as result, the registering of applications to the record had to be temporarily shut.

86. We note that the following steps were taken to allow RoS's staff to prioritise their response to the pandemic and adapt working practices:

- Board, ARC and executive groups meetings were changed to online/video meetings. The frequency of meetings was reviewed and adjusted so that decisions could be made quickly. This demonstrates good practice.
- RoS staff worked with key stakeholders, such as the Law Society of Scotland, to put legislation and interim solutions in place to enable property transactions and registrations to continue remotely. This included solutions allowing submissions of applications for registration and advance notices to be done digitally.
- Laptops were configured and issued to staff to enable them to work from home.
- A transition group continues to meet to assess risks and plan RoS's transition out of lockdown measures.

87. RoS's response was rapid and the arrangements it put in place allowed it to continue operating effectively with minimal disruption. RoS should keep arrangements under review and identify what lessons can be learned for the future. For example, how effective online meetings have been and what elements of its response have enabled it to deliver more quickly. These changes may have enabled a change in culture and practises that will benefit the organisation going forward.



Recommendation 5

RoS should assess what changes to its governance and decision-making arrangements and business practices enabled it to respond and effect change quickly, and identify new ways of working which can be retained for the future.

Openness and transparency

88. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. 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.

89. Following our previous reporting, there is evidence of a continued and clear commitment from the Keeper and senior management to improving RoS's openness and transparency and informing its service users about its business performance. During 2019/20, a transparency project team was established and undertook a review of arrangements and current publications. This included:

- a review of RoS's Guide to Information to identify any gaps from the Scottish Information Commissioner's Model Publication Scheme (MPS) 2018
- drafting new publications and redaction policies
- visiting the Scottish Parliament for information and advice.

90. As a result of this work, in February 2020 RoS began to publish additional papers on its website, such as:

- selected Board papers (minutes were previously available).
- information on pay structure and grading
- partnership agreements
- audit plans.

91. RoS intends to publish minutes from its ARC and FOI responses (as appropriate) in the future. It will monitor website use statistics before determining what else to publish. We welcome this increased transparency and encourage RoS to continue work in this area.

There is scope for further improving the performance report

92. In addition to the opinion on the performance report covered in [Part 1](#), we also consider the qualitative aspects of the body's performance report. The performance report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

93. The performance report should be prepared alongside the other components of the annual report and accounts, particularly the financial statements. By taking an integrated approach, bodies can identify and highlight relationships between the performance report and items in other components. Telling the organisation's story and performance against the organisation's corporate plan and strategies and how it is contributing the achievement of Scottish Government National Outcomes is equally important.

94. RoS made a number of improvements to its 2019/20 accountability and performance report during the audit process. This included:

- making clearer the risks and likely impact of the covid-19 pandemic to RoS's finances and performance.
- providing details of how RoS was mitigating the identified risks
- providing information on financial performance against budget.

95. In our view the performance report could be further enhanced by, reconciling income and expenditure to agreed budget and the financial statements, and how that income and expenditure has been used to deliver corporate and national objectives. This will become more important in 2020/21 as RoS falls within the Scottish budgeting boundary.

96. More could be done to demonstrate trends in performance over time. We will continue to work with the RoS finance team during 2020/21 and prior to the preparation of next year's annual report and accounts ([Appendix 1- prior year recommendation 3](#)).

We have postponed our review of arrangements for complying with equalities legislation until 2020/21

97. Our annual audit plan set out our intention to undertake a review of RoS's arrangements for complying with equalities legislation during 2019/20. We were due to perform this work in April 2020. Due to the Covid-19 measures and taking into consideration the competing pressures on RoS's staff at this point we agreed with senior management that we would postpone this activity until 2020/21.

Part 5

Value for money



Main judgements

Registers of Scotland has a well-developed performance management framework in place and has refined this for its 2020-25 corporate plan.

RoS remains at risk of not delivering one of its key strategic objectives relating to the Land Register.

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

Best Value and performance management

98. *Ministerial guidance to Accountable Officers* for public bodies and the *Scottish Public Finance Manual* (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key principles of best value and the requirement to have a systematic approach to self-evaluation and continuous improvement.

99. We consider whether Accountable Officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. We may also, in conjunction with RoS, agree to undertake local work in this area where such requirements are not specified. We did not undertake any specific work in this area in 2019/20 but are satisfied that appropriate arrangements are in place.

100. More generally, the board and ARC receive regular updates on performance throughout the year, and RoS also publishes an annual KPI summary on its website as well as quarterly summaries.

RoS is at risk of not delivering its key strategic objective to complete the land register by 2024

101. The performance of RoS is assessed against several performance targets which support the delivery the four strategic objectives set out in its 2020-24 corporate plan:

1. Complete Scotland's Land Register by 2024
2. Lead on the innovative provision of land and property data
3. Develop and deliver digital improvements
4. Invest in our people.

102. In 2019/20 nine service standards and 16 Key Performance Indicators (KPIs) monitored RoS's performance and progress in delivering these objectives. The performance report of the 2019/20 annual report and accounts included a graphic summarising service standard performance for the year.

103. Service standards measure performance for registration and processing and contribute to a KPI for strategic objective one, which is a ministerial target is to complete the land register by 2024. Three key KPIs contributing to this objective have not been met or are at risk ([Exhibit 7](#)):

- The 12-month target to complete 41.7 per cent of land mass coverage on the register was missed by 2.5 per cent. There has been a 5.2 percent increase in coverage since last year, but progress remains slow. The complexity and volume of cases, particularly regarding Forestry Land Scotland applications, has proved challenging.
- The target for March 2020 for arrears was missed; 30,304 cases remained against a target of 23,677. The target to clear the arrear by September 2020 may prove challenging.
- The application quality target was missed. RoS attributed this to new processes introduced during the year, changing roles, and recruitment levels being lower than required.

Exhibit 7

Performance monitoring – KPIs

Strategic objective 1		 2	 1	 2
Complete land register by 2024	5			
Strategic objective 2		 2		 1
Lead on innovative provision of land and property data	3			
Strategic objective 3		 3		
Develop and deliver digital improvements	3			
Strategic objective 4		 1	 3	 1
Invest in our people	5			
Overall	16	8	4	4

Source: Annual report and accounts 2015/16 to 2019/20

104. The trend analysis of service standards ([Exhibit 8](#)) shows that RoS's performance has improved in most cases, with the exception of:

- land register applications for dwellings (unregistered land)
- applications for deeds affecting part of registered land

105. The overall improved performance has contributed to meeting the KPI for achieving service standards on new applications under strategic objective 1.

Exhibit 8

Performance monitoring – service standards

Performance on KPIs	Within	Percentage of applications				
	Standard: within	2015/16	2016/17	2017/18	2018/19	2019/20
Enter new land applications on the application record	1 working day	99.70	99.97	99.4	99.98	100
Register applications in:						
<ul style="list-style-type: none"> Chancery and judicial registers (registration process) Crofting register 	3 working days	100	100	100	100	100
		92.40	99.80	100	100	100
Register applications in:						
General Register of Sasines	20 working days	100	100	97.40	99.99	100
Register land register applications for dwellings:						
<ul style="list-style-type: none"> Registered land Unregistered land Part of registered land where the keeper has given development plan approval 	Within 20 days		99.80	98.50	98.00	99.3
			99.99	79.40	43.80	39.5
			99.90	99.80	100	100
Register other applications for deeds affecting unregistered land	6 months	85.40	63.50	65.60	17.80	47.7
Register other applications for deeds affecting part of registered land	9 months	87.40	80.90	61.60	52.70	40.5

Source: Annual report and accounts 2015/16 to 2019/20

The Covid-19 pandemic is likely to impact on RoS's ability to deliver its strategic objective to complete the land register by 2024

106. The 2020-25 corporate plan indicated that it would be challenging for RoS to achieve its target of completing the land register by 2024. This was prior to the impact of the Covid-19 pandemic. The 2019/20 annual report and accounts show that by 31 March 2020, 39.2 per cent of the land mass was complete. However, with reduced staff availability and productivity between March and July 2020 the processing of registrations has slowed. Over 460 staff involved in processing registrations were furloughed in March 2020 as they could not access offices and systems. This has also impacted on RoS's ability to clear the arrear.

107. RoS had previously put plans in place to re-focus efforts on voluntary registrations. It also continued to work with public sector organisations on registrations but also failed to meet its target in this area in 2019. This was due to competing resource pressures within RoS and across the public sector. The current Covid-19 pandemic is likely to impact further on this situation.

108. However, the current situation has meant that some processes and customers have been forced to become more digitally enabled faster than

previously envisioned. This may help counter some of the delays in processing and help maintain or increase performance levels in some areas in the long-term.



Recommendation 6

RoS will need to put measures in place to ensure it has the capacity to complete the land register by 2024. This may involve reprioritising existing resources and projects or seeking additional resources from the Scottish Government.

RoS has aligned services under a new structure to deliver its objectives and better outcomes for customers

109. We reported in our 2018/19 annual audit report that it was unclear if the business transformation programme had delivered value for money overall. RoS continues to monitor the benefits that each project has realised with the EMT, board and ARC receiving regular updates and reports. During 2019/20, the board and ARC considered the information they are provided and were content with the level of detail.

110. It is clear from the regular reports that measuring and realising the non-financial benefits of some projects continues to be an issue and that RoS is actively working to improve this. During 2019/20 RoS changed its structure to help improve the benefits realised from projects, and to improve outcomes and experiences for its customers. This has seen RoS move from a programme driven approach for transformation to a business-as-usual approach. It has created a service alignment team and six domain teams. The service alignment team has a cross-organisation function with responsibility for delivering RoS's strategic objectives and ensuring services are aligned to meet its customers' needs.

111. It is too early to assess the impact of these changes and we will continue to monitor progress in 2020/21. Timescales for the realisation of benefits may need reviewed taking into consideration the impact of Covid-19.

Strategic workforce planning

112. Having a strategic workforce plan is critical to successful service delivery and achieving to achieving corporate objectives. RoS has a strategic workforce plan and people strategy which is aligned to its corporate plan. This is an area that we have reported on previously and which we committed to monitor as part of our ongoing audit work.

113. RoS has appropriate arrangements in place for workforce planning. There is a strategic workforce planning group which provides regular updates on progress to governance boards. There have been ten directorate workshops since the publication of the 2019-24 corporate plan exploring areas such as required skills, job roles, and cultural and behavioural shifts. This has helped inform directorate plans.

114. Internal audit undertook a review of RoS's workforce planning arrangements during 2019/20. It made one recommendation for the development of a summary action plan with clearly defined roles and timescales. We will monitor progress against this in 2020/21.

115. The Covid-19 pandemic meant RoS had to quickly adapt processes and procedures and working arrangements for its staff. It did this effectively and transparently. The current situation is likely to have significant implications for

RoS's workforce plans, requiring it to reassess what people, skills and roles it will need now and in the future.



Recommendation 7

In light of Covid-19, RoS should review its workforce planning arrangements and plans to ensure working practices and staff roles reflect the organisation's evolving requirements.

National performance audit reports

116. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 several reports were published which are of direct interest to the body. These are outlined in [Appendix 4](#).

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial planning and accounting policies</p> <p>RoS purchased replacement laptops to the value of £900,000 during 2019/20. We were satisfied that expenditure had been accounted for in line with its accounting policy. RoS does not capitalise such assets as on an individual basis the items are below its capitalisation threshold of £5,000. While the relevant accounting standard does not require such items to be aggregated, it does allow for this. Capitalising such types of spend improves both financial reporting and planning as recurring and non-recurring items are separated and the cost of the asset is recognised over its useful life.</p> <p>There is a risk that investment of a capital nature is not separated from running costs in financial plans and accounts</p>	<p>To help improve financial planning and reporting, RoS should consider reviewing its accounting policy for non-current assets to ensure that it is appropriate under its new budgeting framework</p> <p>Paragraph 35</p>	<p>A review of the accounting policy will be carried out.</p> <p>Head of Finance</p> <p>December 2020</p>
2	<p>Training for staff on new budget monitoring procedures.</p> <p>As a result of the change in status of RoS, financial reporting and budget monitoring requirements will change. This will require RoS to work more closely with its Scottish Government sponsor department. This will be a significant change in arrangements and culture.</p> <p>There is a risk that RoS do not provide the required information or that RoS does not allow enough time to</p>	<p>RoS should ensure its staff are provided with appropriate training and agree arrangements for budget monitoring and reporting with the Scottish Government.</p> <p>Paragraphs 44 to 47</p>	<p>Initial training with the management accounts team (MAT) and SG finance has taken place. The monthly reporting to SG finance is in place as set up by the Deputy Head of Finance and MAT will be trained on the processes.</p> <p>Deputy Head of Finance</p> <p>August 2020</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	undertake procedures if it does not fully understand them.		
3	<p>Finance team capacity</p> <p>The preparation of the financial statements and working papers and dealing with audit queries coincided with the finance team having to perform scenario planning to revise budgets for the Scottish Government as a result of Covid-19. These competing demands put pressure on the finance team. Some quality checks of the annual report and accounts, and certain complex account areas such as work in progress were ongoing when we commenced the audit.</p> <p>The head of finance is also due to retire on 31 October September 2020; this is a loss of knowledge and experience.</p> <p>There is a risk that the finance team does not have the required capacity and that errors in estimates, calculations and disclosures go undetected.</p>	<p>RoS should ensure it has the capacity within its finance team to cope with any new financial management arrangements, perform quality checks and ensure knowledge of complex areas such as work in progress calculations is transferred prior to the departure of the Head of Finance.</p> <p>Paragraphs 30, 61 and 62</p>	<p>Knowledge transfer from the Head of Finance is underway and will be completed prior to departure. A temporary increase in Finance resource has been planned for.</p> <p>Head and Deputy Head of Finance</p> <p>September 2020</p>
4	<p>Short and medium-term financial planning</p> <p>There remains significant uncertainty around RoS's future income levels and budget requirements and a lot will depend on how well the housing market recovers.</p> <p>There is a risk that RoS's budget will not be sufficient to deliver its objectives.</p>	<p>RoS will need to keep its short and medium-term financial plans under review due to the impact of the Covid-19 pandemic on its income and ability to process applications.</p> <p>Paragraph 80</p>	<p>This is currently taking place within the Transition Project, with monthly monitoring and review, and quarterly reforecasting for governance approval.</p> <p>Head of Finance</p> <p>Throughout 2020-21</p>
5	<p>Learn lessons from how RoS responded to Covid-19</p> <p>RoS's response to Covid-19 was rapid and the arrangements it put in place allowed it to continue operating effectively with minimal disruption. It should assess how effective the arrangements it put in place</p>	<p>RoS should consider what changes to its governance and decision-making arrangements and business practices enabled it to respond and effect change quickly and ensure that this cultural shift and new ways of working are embedded for the future</p> <p>Paragraph 87</p>	<p>The Transition Project is taking this forward, and then will be passed to appropriate business owners when the project ends.</p> <p>Janet Egdell</p> <p>Throughout 2020-21</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>were and what enabled change.</p> <p>There is an opportunity to change ways of working to the benefit of the organisation and its customers in the longer term.</p>		
6	<p>Completion of the land register by 2024</p> <p>The 2020-25 corporate plan indicated that it would be challenging for RoS to achieve its target of completing the land register by 2024. This was prior to the Covid-19 pandemic. With reduced staff availability and productivity between March and July 2020 the processing of registrations has slowed. Over 460 staff involved in processing registrations were furloughed in March 2020 as they could not access offices and systems. This has also impacted on RoS's ability to clear the arrear.</p> <p>There is a risk that RoS will not be able to complete the land register by 2024.</p>	<p>RoS will need to put measures in place to ensure it has the capacity to complete the land register by 2024. This may involve reprioritising existing resources and projects or seeking additional resources from the Scottish Government.</p>	<p>This is being actively addressed and the Head of Land Register Completion is now reporting directly to the Accountable Officer.</p> <p>Janet Egdell 31 March 2021</p>
7	<p>Workforce planning</p> <p>The Covid-19 pandemic meant that RoS had to quickly adapt processes and procedures and working arrangements for its staff. It did this effectively and transparently. The current situation is likely to have a significant implication for RoS's current workforce plans, requiring it to reassess what people, skills and roles it will need now and in the future.</p> <p>There is a risk that RoS will not have the people and skills that it needs to deliver its strategic objectives.</p>	<p>RoS should review its workforce planning arrangements and plans to ensure working practices and staff roles reflect the organisation's evolving requirements.</p>	<p>The Transition Project is taking this forward, and then will be passed to appropriate business owners when the project ends.</p> <p>Janet Egdell 31 March 2021</p>

Follow up of prior year recommendations



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>National fraud initiative</p> <p>The NFI self-assessment checklist has not been submitted to the Audit and Risk Committee for approval</p> <p>Risk</p> <p>The absence of ARC review may lead to a perception of lack of corporate ownership and support for the NFI.</p>	<p>RoS should ensure that the checklist is submitted to the ARC for review and approval.</p>	<p>Complete</p> <p>The NFI checklist was presented to the November 2019 ARC.</p>
2	<p>Openness and transparency</p> <p>RoS has improved its openness and transparency in a number of areas but there is more it could do to provide the public with access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources such as money, people and assets.</p> <p>Risk</p> <p>RoS does not meet increased expectations of public scrutiny</p>	<p>There is more RoS could do to provide the public with 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. Narrative on recommendation.</p>	<p>Partially complete- work ongoing</p> <p>RoS undertook a review of the transparency of its reporting during the year. This included a gap analysis and review of the RoS Guide to Publication. In February 2020, the Board agreed to publish more information and the more documents are now available on the RoS website. The project team will review website statistics and is considering publishing more papers such as Audit and Risk Committee papers and minutes.</p>
3	<p>Performance reporting</p> <p>There are a number of areas in which we consider that RoS's performance reporting could be improved.</p> <p>Risk</p> <p>RoS does not meet increased expectations of public scrutiny.</p>	<p>RoS should review its strategy for performance reporting to ensure that it provides appropriate information to the readers for the annual report and accounts about RoS, its main objectives and strategies, and the principal risks that it faces. It should ensure that the information provided is fair, balanced and understandable.</p>	<p>Partially complete- work ongoing</p> <p>The format of the 2019/20 performance report was changed in line with the revised corporate plan and improvements made.</p> <p>FReM requirements for 2019/20 were revised in April 2020 in light of the Covid-19 pandemic.</p> <p><i>We will continue to work with Registers of Scotland to improve the information provided for the 2020/21 performance report. In particular in relation to financial performance reporting.</i></p>
4	<p>Business transformation plan</p>	<p>RoS should review the level of detail provided to the Board in respect of ongoing IT projects</p>	<p>Complete</p> <p>The board and ARC reviewed the proposed domain</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The report provided to the Board comprised of fourteen brief paragraphs covering three sides of A4 paper. There was no supporting detail provided in support of the conclusion. We understand that the business transformation programmes had been the subject of previous discussions by the Board. However, it would be appropriate to ensure that members have adequate information before them to facilitate proportionate and effective scrutiny and challenge and to demonstrate the basis for their decision.</p> <p>Risk</p> <p>The Board is unable to demonstrate suitable scrutiny and challenge of management decisions.</p>	<p>to ensure that they are equipped to appropriately scrutinise and challenge.</p>	<p>approach and were content with the level of information they receive. A lessons learned exercise has been performed.</p>

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 to our wider responsibility under the [Code of Audit Practice 2016](#).

Risks of material misstatement in the financial statements

<p>1 Risk of 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 that results in fraudulent financial statements.</p>	<p>Reviewed the appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements.</p> <p>Reviewed accounting estimates for biases.</p> <p>Evaluated significant transactions that are outside the normal course of business.</p> <p>Focused testing of accruals and prepayments including testing of the regularity and cut-off assertions during the financial statements audit.</p> <p>Considered the impact of Covid-19 in this area including internal audit advisory work.</p>	<p>No issues were identified from our controls and year-end testing that would indicate management override of controls.</p> <p>We concluded that significant 2019/20 journal entries, transactions, and accounting estimates and judgements that we reviewed were appropriate and that appropriate disclosures were made.</p> <p>Satisfactory</p>
<p>2 Risk of fraud over income and expenditure</p> <p>ISA 240 requires auditors to presume a risk of fraud where income streams are significant. In 2018/19 RoS received £65.6 million (91 per cent) of its income from statutory fees and £6.2 million (9 per cent) from non-statutory, commercial activity. RoS does not currently receive funding from the Scottish Government.</p> <p>The Financial Reporting Council's Practice Note 10 (revised) requires public sector auditors to consider the risk of fraud over expenditure, extending the requirements of ISA 240. The risk of fraud over</p>	<p>Performed analytical procedures and controls testing on income and expenditure.</p> <p>Performed detailed testing of income and expenditure transactions focusing on the areas of greatest risk.</p> <p>Performed cut-off testing of income and expenditure streams.</p> <p>Reviewed arrangements to prevent and detect fraud.</p> <p>Reviewed budget monitoring and reporting arrangements.</p> <p>Considered the impact of Covid-19 pandemic on these areas including internal audit advisory work.</p>	<p>No significant issues were identified from our controls or year-end testing. During our interim testing we identified that aged debtor reports had not been followed up timeously in January and February 2020 due to staff shortages. We followed this up at year-end and are satisfied that appropriate procedures are in now in place.</p> <p>Appropriate counter fraud arrangements are in place and budget control and monitoring processes are robust and properly reported to governance boards.</p> <p>Satisfactory</p>

expenditure exists due to the materiality of expenditure incurred by the RoS in carrying out its functions.

<p>3 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas: capital and revenue split for IT projects, provisions accounting for indemnity payments and work in progress calculations. The number of these estimation areas and their subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Examined the accuracy, completeness and valuation of disclosures in the 2019/20 annual report and accounts.</p> <p>Focused testing of related expenditure and calculations.</p> <p>Discussions with management and review of supporting evidence.</p> <p>Considered the impact of Covid-19 on these areas including internal audit advisory work.</p>	<p>No significant issues were identified and appropriate disclosures were added to the 2019/20 annual report and accounts to indicate any uncertainties and likely impact caused by the Covid-19 pandemic.</p> <p>We have recommended that the work in progress procedures and calculations are further reviewed during 2020/21. This will be particularly important to ensure knowledge transfer and continuity within the finance team.</p> <p>Action point 3 in action plan at Appendix 1</p> <p>Satisfactory</p>
<p>4 Reclassification of RoS</p> <p>RoS was reclassified as a central government body from 1 April 2020 as a result of an Office of National Statistics decision.</p> <p>From 2020/21, the organisation's full income and expenditure falls within the Scottish Government's budgeting boundary.</p> <p>There is a risk that the accounting entries are not correctly implemented and a resulting risk that under central government rules RoS will not be allowed to carry forward its current surplus.</p>	<p>Tested transactions and balances to ensure compliance with the regulations, Scottish Government requirements, and the FRoM etc.</p> <p>Reviewed disclosures in the annual report and accounts for compliance with the change in status.</p>	<p>We concluded that the transfer of reserves was accounted for, and that all disclosures were appropriate.</p> <p>A creditor was created for the remaining amount due to the Scottish Consolidated Fund.</p> <p>We have recommended that staff are provided with appropriate training in relation to new financial management arrangements.</p> <p>Action point 2 in action plan at Appendix 1</p> <p>Satisfactory.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>5 Financial management and sustainability</p> <p>RoS's existing Strategic Plan was predicated on the use of substantial reserves in the next 5 years to invest in the business, complete the Scottish Land Register and thereby drive out operational efficiencies. The change of status to a central government body however removes RoS's ability to hold reserves and they will be returned to the Scottish Consolidated Fund.</p>	<p>Reviewed Corporate Plan, financial plans and strategies.</p> <p>Reviewed budget monitoring and reporting to governance boards.</p> <p>Ongoing discussions with finance team about financial position and plans.</p> <p>Reviewed benefits reporting to governance boards.</p> <p>Considered internal audit work on financial planning.</p>	<p>From 1 April 2020, RoS's financial management and budgeting regime fundamentally changed with its change in status.</p> <p>RoS published its latest 5-year Corporate Plan in April 2020. This projected RoS drawing down money for revenue and capital expenditure from the Scottish budget to supplement income from fees over the next 5 years (Exhibit 5). The plan was prepared prior to the Covid-19 pandemic.</p>
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The reclassification means a fundamental change to RoS's existing funding and investment model. This will require a significant change to its current financial planning and budgeting processes and arrangements to ensure RoS continues to deliver its objectives and overall financial sustainability.

There is a risk that longer-term plans are no longer affordable as a result of not having reserves to call upon.

There is a risk that RoS is unable to demonstrate the long-term benefits and value for money of its investments and completed transformation programme.

Considered the impact of the Covid-19 pandemic including internal audit advisory work.

RoS will need to be flexible and alert in its financial planning throughout 2020/21 to manage the impact of Covid-19 pandemic and the uncertainty that this brings. Financial scenario planning is already well underway.

In addition, budgeting procedures and reporting will have to become aligned to Scottish Government requirements. Due to its change in status, RoS's long term financial position will require careful management as it no longer has access to reserves to deal with any volatility in the housing market. RoS will need to continue work closely with the Scottish Government on financial planning.

We have made recommendations in relation to this at Action points 2 and 4 in action plan at [Appendix 1](#)

6 Organisational change and workforce planning

There is a risk that RoS is not adequately organised and resourced to carry out its core functions in the future. A strategic workforce plan is in place. The current Strategic Plan projects staff levels will decrease by around 9 per cent over the life of the plan.

Reviewed governance board minutes and reports relating to workforce planning.

Considered internal audit report on workforce planning.

Considered the impact of the Covid-19 pandemic including internal audit advisory work.

RoS has appropriate arrangements in place for workforce planning. Governance boards received regular updates on progress throughout the year.

The Covid-19 pandemic meant RoS had to quickly adapt processes and procedures and working arrangements for its staff. It did this effectively and transparently. The current situation is likely to have a significant impact on RoS's longer term workforce plans, requiring it to reassess what people and skills it will need in the future.

We have made recommendations in relation to this in Action point 7 at Appendix 1

7 Governance and transparency

RoS continues to increase openness and transparency.

A transparency project team has been established to progress work in this area.

There is still scope for increasing the transparency of governance arrangements and in particular performance reporting.

Reviewed board minutes and reports on the transparency project to governance boards.

Ongoing discussions with management.

Reviewed the RoS website for publications.

RoS undertook a review of the transparency of its reporting during the year. This included a gap analysis and review of the RoS Guide to Publication. The Board agreed to publish more information in February 2020 and more documents are now available on the RoS website. The project team will review statistics and is considering publishing more papers such as Audit and Risk Committee papers and minutes.

Satisfactory.

Appendix 3

Summary of national performance reports 2019/20

		 2019/20 Reports	
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

Central Government relevant reports

[Social security: Implementing the devolved powers](#) – May 2019

[Enabling digital government](#) – June 2019

[Scotland's City Region and Growth Deals](#) – October 2019

[Privately financed infrastructure investment: The Non-Profit Distributing \(NPD\) and hub models](#) – Jan 2020

[Early learning and childcare: follow-up](#) – March 2020

Registers of Scotland

2019/20 Annual Audit Report

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