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1.1 Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Risk Assurance Committee (“ARAC”) of the Student Awards Agency Scotland (SAAS) for the 2022/23 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in March 2023.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date, we expect to issue an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of SAAS. We provided management with comments and suggested changes based on review of the first draft and an update has been received confirming compliance.

The auditable parts of the Remuneration and Staff report have been prepared largely in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page [9](#). SAAS reported an overspend of £281,000 against the approved budget which is considered satisfactory as it is within their tolerance level from the Scottish Government

No material errors have been identified to date and there are no uncorrected misstatements.

1.2 Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Outstanding matters to conclude the audit include:

- Final review of Notional Costs by Deloitte;
- Finalisation of internal quality control procedures;
- Receipt of final Annual Report and Accounts;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2023.

Conclusions from wider scope audit work

- **Financial management** – effective budget setting and monitoring arrangements in place.
- **Financial sustainability** – financial balance has been achieved in 2022/23 and is expected in 2023/24, therefore SAAS is financially sustainable in the short-term. Work is progressing as part of the Transformation Programme to reform the way services are provided. While the building blocks are there and plans in place to develop, no medium-to-longer term financial strategy is currently in place to be able to demonstrate that SAAS is financially sustainable in the medium-to-longer term. We will continue to monitor the progress with this during our audit appointment.

- **Vision, leadership and governance** – The SAAS current Corporate Plan clearly sets out the organisations purpose and ambitions. The transition to new Chief Executive has been well managed and there is a positive culture of collaboration and partnership working. The transition to the new Chair of the ARAC has also gone smoothly, with induction and training provided. The governance arrangements also continue to be strong, however, improvements can be made in following up on the Board’s annual self-assessment and performing a separate annual self-assessment of the ARAC in line with best practice.
- **Use of resources to improve outcomes** – SAAS has a clear performance management framework which was updated following agreement of the Corporate Plan. SAAS has also continued to perform well during 2022/23. The reporting systems are being reviewed in line with the updated Scottish Government Framework document with a view to reporting on a new set of measures from 2023/24. SAAS should consider as part of this review to incorporate clear targets, how the performance demonstrates achievement of outcomes and how continuous improvement is evidenced.
- **Best Value** - SAAS has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk.

1.3 Partner introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (continued)

- **Climate change** – Recognising the small size of the organisation, it is clear that SAAS is committed to take action to meet the Scottish Government’s ambitious targets in relation to sustainability and climate.
- **Cyber risk** – Cyber security has been a high priority for SAAS, particularly in view of the Transformation Programme and digital change.

Next steps

An agreed Action Plan is included on pages [38](#) to [42](#) of this report, including a follow-up of progress against prior year actions.

Added value

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

Pat Kenny
Associate Partner








Annual Report and Accounts Audit



2.1 Quality indicators

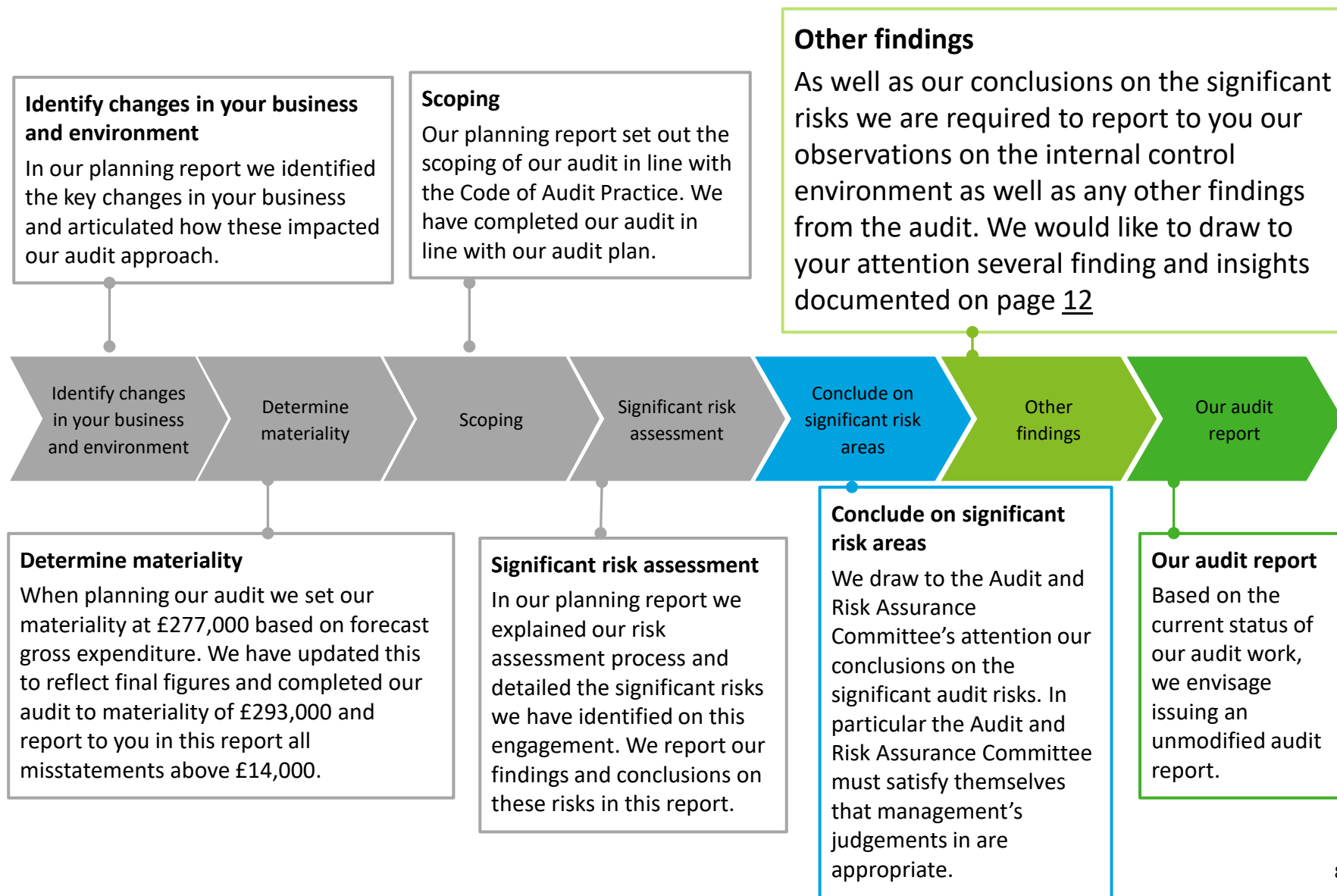
Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Information was provided by the requested deadline and covered the points required.	N/A
Adherence to deliverables timetable		Management provided deliverables within agreed timelines.	N/A
Access to finance team and other key personnel		The audit team always had access to the finance team and key personnel from beginning through to the end of the audit process.	N/A
Quality and accuracy of management accounting papers		The majority of working papers provided were of a good quality. Some areas required resubmission following clarification of exact requirements but this did not impact on audit quality or timelines of the audit	N/A
Quality of draft Annual Report and Accounts		Quality of draft was generally of a high standard although there were a few immaterial compliance issues which have subsequently been updated.	N/A
Response to control deficiencies identified		We have identified 3 findings in which management has accepted those findings and looking to review and update internal processes to address these findings	Page 12
Volume and magnitude of identified errors		To date, we have identified an error relating to notional costs which have been corrected and there are no uncorrected misstatements.	Page 43

2.2 Our audit explained

We tailor our audit to your business and your strategy






2.3.1 Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory	
Operating within the revenue budget			Satisfactory	

Level of management judgement

-  Limited management judgement
-  A degree of management judgement
-  Significant management judgement

Controls approach adopted

-  Assess design & implementation

2.3.2 Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:
- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls from our testing to date.

2.3.3 Significant risks (continued)

Operating within the revenue budget



Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We have concluded that this is not a significant risk for SAAS as there is little incentive to manipulate revenue recognition with all of revenue being from the Scottish Government which can be agreed to the Budget (Scotland) Act.

We therefore consider the fraud risk to be focused on how management operate within the revenue budget set by the Scottish Government. The risk is that SAAS could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end;
- Obtain independent confirmation of the resource limits allocated to SAAS via the Budget (Scotland) Act;
- Perform focused testing of a sample of accruals and prepayments made at the year end; and
- Performed focused cut-off testing of a sample of invoices received and paid around the year end.

Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing to date, we confirm that the SAAS final outturn reported an overspend of £281,000 which represents 1.7% of the budget and was a result of changes in the year that could not have been anticipated at the start of the year. This is considered satisfactory as it is within their tolerance level from the Scottish Government

2.4 Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>As per the SG leave policy, holidays carried over in excess of 10 days require manager approval. We noted that there were staff with holiday balances above 10 days which were used as part of the Holiday pay accrual which were not formally approved and were neither on long term sick or maternity leave.</p>	<p>We recommend that an update of the process be made to include approval of and evidence of approval for holiday balances above 10 days.</p>	<p>Refer to action plan on page 38.</p>
<p>Although we noted discussions around the disposal of PPE during the year, we however could not obtain the final approval for the disposals made. This was due to the email correspondence containing the approval being unavailable</p>	<p>We recommend that processes in place for disposal of PPE be well documented and archived.</p>	<p>Refer to action plan on page 39.</p>
<p>We noted that there was a historical basis for the notional cost calculation and this was based on an uplift from the prior year amount. We note duplications surrounding computer overhead charges as part of the notional cost which have been subsequently reversed. Management does not understand the current basis of the calculations other than that it has been set up in prior years.</p>	<p>We recommend that a clear basis and understanding of the notional costs be established including an agreement with the Scottish government showing exactly how the amount can be derived and calculated with an appropriate understanding of the components as this is material.</p>	<p>Refer to action plan on page 39.</p>

2.5 Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

SAAS's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FRM"). Following our audit work, we are satisfied that the accounting policies are appropriate.

Significant matters discussed with management:

SAAS initially had a notional cost of £598k within their net operating expenditure relating to shared services from SG. This amount was recognised on the basis of an uplift from prior year and not based on an actual agreement with the Scottish Government. We understand there was a duplication of the computer overhead costs component in which SAAS has been directly billed by SG and this is subsequently reversed for current year. The notional costs are now revised to £433k. This was discussed with management as no clear basis for recognising the remaining notional costs could be obtained from management. Deloitte has alternatively relied upon other bodies charges to get assurance on the remaining charges. A recommendation on this has been made on page [39](#).

Additionally, there was a Prior Year Adjustment (PYA) relating to PPE following a review of the fixed asset register. Based on discussions with management, the adjustment was related to fully depreciated assets which were not in use with net impact of £2k.

We therefore reviewed, challenged and consulted on this with an agreed conclusion with management to include additional details on the PYA. This is therefore linked to the disposal recommendation made on Page [39](#).

Regulatory change

IFRS 16, Leases, came into effect on 1 April 2022, therefore 2022/23 is the first year of implementation. This required adjustments to recognise on balance sheet arrangements previously treated as operating leases.

We tested the completeness of leases identified on transition. SAAS has one lease, being its office accommodation. We tested the transactions to assess accuracy of the Right of Use Asset and lease liability. A few disclosure issues were identified which have subsequently been updated, the main one was related to the transition adjustment from 31/3/2023 to 1/4/2023.

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

We will obtain written representations from SAAS on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

2.6 Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

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Our opinion on the Annual Report and Accounts

Our opinion on the financial statements is expected to be unmodified.



Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment that the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page [15](#).

2.7 Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines SAAS's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by SAAS.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We provided management with comments and suggested changes which management have updated in the revised draft.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions noted.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes which management have updated in the revised draft.</p> <p>We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts direction.</p>

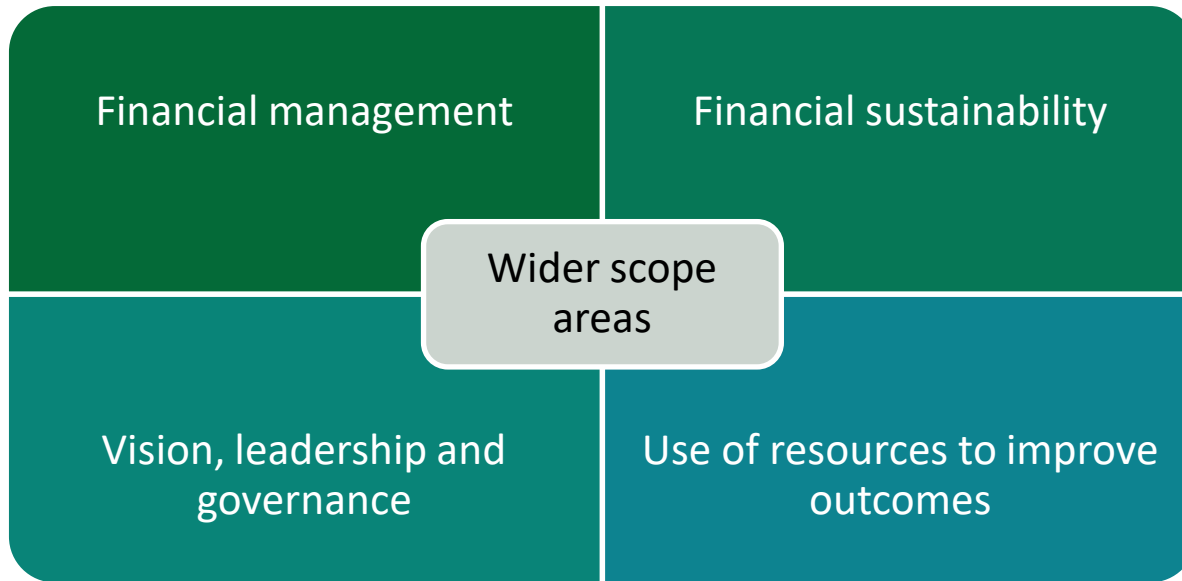
Wider scope audit



3.1 Wider scope requirements

Overview

As set out in our audit plan, Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



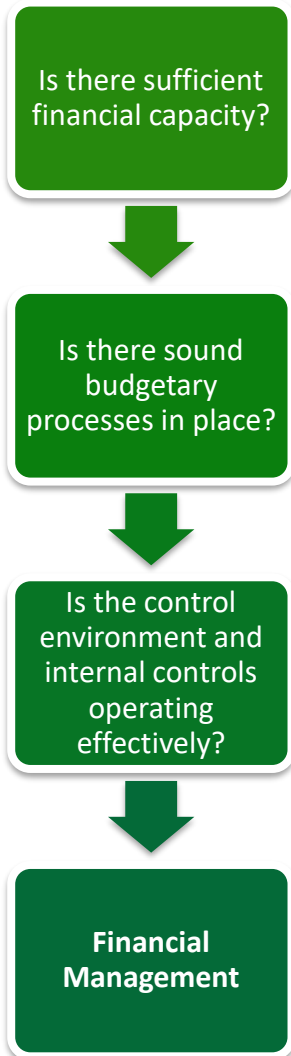
In its planning guidance, Audit Scotland has also highlighted the following national or sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits:

- Climate change.
- Cyber security.

Our audit work has considered how SAAS is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

3.2 Wider scope requirements (continued)

Financial management



Significant risks identified in Audit Plan

We did not identify any significant risks in relation to financial management during our planning work. We therefore restricted our audit work to reviewing the budget monitoring to the Board during the year to assess whether financial management and budget setting has continued to be effective.

Current year financial performance

As an Executive Agency of the Scottish Government, SAAS' budget allocation appears as distinct lines items in the Annual Scottish Budget Bill, split between operating costs and capital. The Board therefore do not approve the budget but instead receive regular reporting from the Executive Team on how SAAS is performing against the budget. After receiving the allocation, SAAS has flexibility to determine how that money is spent and is split at a high-level between staffing costs, non-staffing costs, non-cash and capital. Options were discussed with the SAAS Executive Team on 24 March 2022, including reviewing current staffing vacancies, non-staff and non-cash and capital requirements within each business area.

SAAS has reported an overspend of £281,000 at the end of the year against its budget allocation of £16.330 million. The key reasons for the variance was higher than anticipated non-staff costs in relation to accommodation charges, primarily driven by utilities and IT recharges. Staffing costs also came in over budget due to annual leave balances being more than anticipated.

The Executive Team, Board and Audit and Risk Assurance Committee (ARAC) regularly review progress against budget through the year, with quarterly reporting to the Board. Any variances arising during the year are clearly reported and there is a clear link between the financial information reported in the year and the Annual Report and Accounts. These reports could be further enhanced by including a section on key risks, for example inability to make the efficiency savings targets, and what mitigating action SAAS has put in place.

3.3 Wider scope requirements (continued)

Financial management (continued)

Finance capacity

The finance team has continued to be led by the Director of Finance during the year. While there have been a number of change at Business Partner and Assistant Business Partner level due to a combination of long term absence and a resignation, this is being actively managed.

Internal controls and internal audit

SAAS relies upon the financial systems provided by the Scottish Government, in particular the general ledger, purchase ledger and payment of invoices and payroll. A detailed Framework Agreement is in place, which was signed in 2012 and is in the final stages of being refreshed and updated. As part of this, SAAS use the services of the Scottish Government's internal audit team.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2022/23. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2022/23 Internal Audit Plan was approved by the ARAC in February 2022 and comprised four piece of assurance work covering risk management, quality assurance, compliance and transformation programme/project management, along with one advisory piece of work. Detailed reports are provided to the Committee for each project.

Standards of conduct for prevention and detection of fraud and error

We have assessed SAAS' arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularities 2021/22 – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the arrangements to be to be designed and implemented appropriately.

3.4 Wider scope requirements (continued)

Financial management (continued)

National Fraud Initiative (NFI)

A number of central government bodies, including SAAS are participating in the most recent NFI exercise. We have monitored SAAS' participation and progress in the NFI exercise. A report has been prepared by management, and shared with ARAC providing an update on the status of the matches. SAAS normally match against two datasets – one being the Metropolitan Police Operation Amberhill and one being the Home Office to check the immigration status of students. However, the Home Office withdrew participation from the NFI exercise in 2018 whilst they review safeguard. SAAS has concluded that benefit of participating in the NFI exercise is diminished with the non-release of matches from the immigration dataset. However, the results of this and previous exercise continues to be used by the Counter Fraud Team to evidence the fraud risk in SAAS identify verification processes.

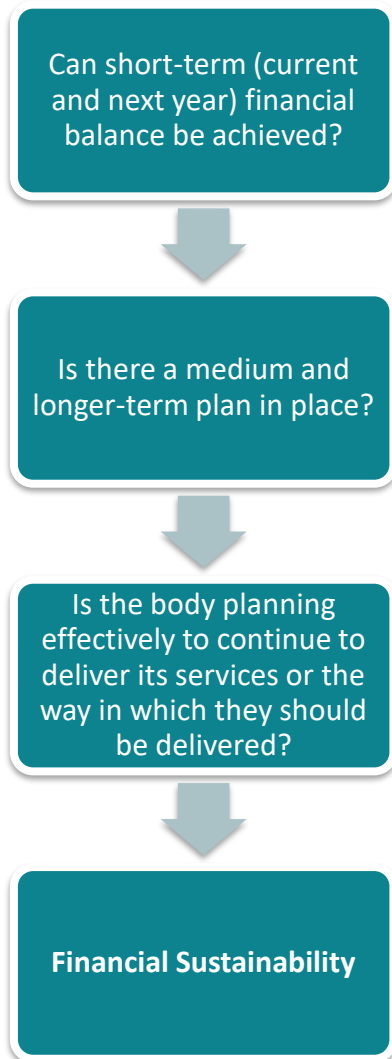
We have concluded that SAAS had progressed with its review and was therefore fully engaged in the exercise.

Deloitte view – financial management

SAAS continues to have effective budget setting and monitoring arrangements in place. This is supported by an experienced Director of Finance and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error. While there have been changes in the senior finance team during the year, this is being actively managed.

3.5 Wider scope requirements (continued)

Financial sustainability



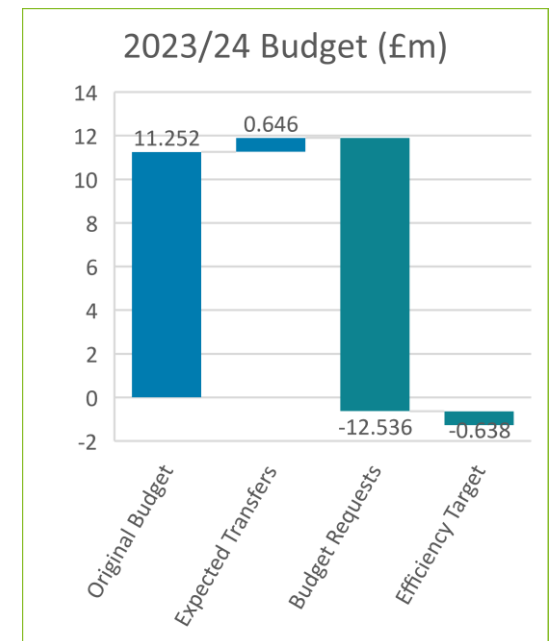
Significant risks identified in Audit Plan

In our audit plan we highlighted that while in recent years, SAAS has operated within the funding provided by Scottish Government, management recognise the need to continue to reform its services, including digitalisation of service delivery to continue to meet the needs of service users in a sustainable way. We therefore noted in our plan that there remained a risk that robust medium and long term planning arrangements are not in place, linking the financial projections with the Transformation Programme established in 2021/22, to ensure that SAAS can manage its finances sustainably and deliver services effectively.

2023/24 budget setting

As explained on page [18](#), as an Executive Agency, the Board does not approve the budget. However, as a change introduced this year to improve transparency, the Board will receive a copy of the approved budget for information, following the approval by the Executive Team.

The Executive Team approved the budget allocations per Directorate on 26 April 2023. This recognised that the budget requests were greater than the original budget allocation from the Scottish Government of £11.252m, adjusted for expected transfers of £0.646 million. As a result, an efficiency target of £0.638m has been allocated across Directorate areas, representing 6% of the overall budget. While some plans are in place to achieve these efficiencies, including reviewing MOTO charges and delaying IT recruitment, plans still need to be developed to set out how the full efficiency target is going to be met. This continues to be reported as a cost pressure in the monthly reporting to Scottish Government.



3.6 Wider scope requirements (continued)

Financial sustainability

2023/24 budget setting (continued)

As part of the Spending Review, the Scottish Government expects bodies to set an annual efficiency target of 3% and also expects them to explore the scope to maximise the use of shared services across the public sector landscape. We have considered each of these elements as applicable to SAAS as follows.

Savings targets

- As discussed on page [21](#), SAAS has incorporated an efficiency target of 6% within its 2023/24 budget, although further work is required by Directors to determine how that is going to be achieved.
- SAAS is progressing with its Transformation Programme which commenced in 2021 and is expected to drive efficiencies. We have considered this further under “Medium-to-long term financial planning” on page [23](#).

Use of shared services

SAAS currently have a number of shared service agreements in place including the Procurement, HR and finance functions with Scottish Government.

During 2022/23, SAAS has progressed a pilot with Disclosure Scotland of shared operational delivery resources between the two organisations. A memorandum of understanding was agreed by both organisations in December 2022 following extensive consultation with staff and Trade Unions.

This recognises that each organisation's peak periods were at different times of the year and therefore was beneficial to pilot this sharing of operational delivery resources to increase resilience within the teams whilst retaining independence, providing development opportunities, staff retention and job enrichment and help with strategic workforce planning.

The pilot began in March 2023 and will run till the end of 2023, following which it will be evaluated to assess success and whether this change should be made permanent.

Medium-to-long term financial planning

SAAS does not currently have a medium-to-longer term financial strategy in place. As reported by the previous years auditors, in recent years SAAS has operated within the funding resources provided by Scottish Government. However, there is a recognition by management of the need to continue to reform its services, including digitalisation of service delivery to continue to meet the needs of service users in a sustainable way. This is being taken forward as part of the Transformation Programme.

3.7 Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning (continued)

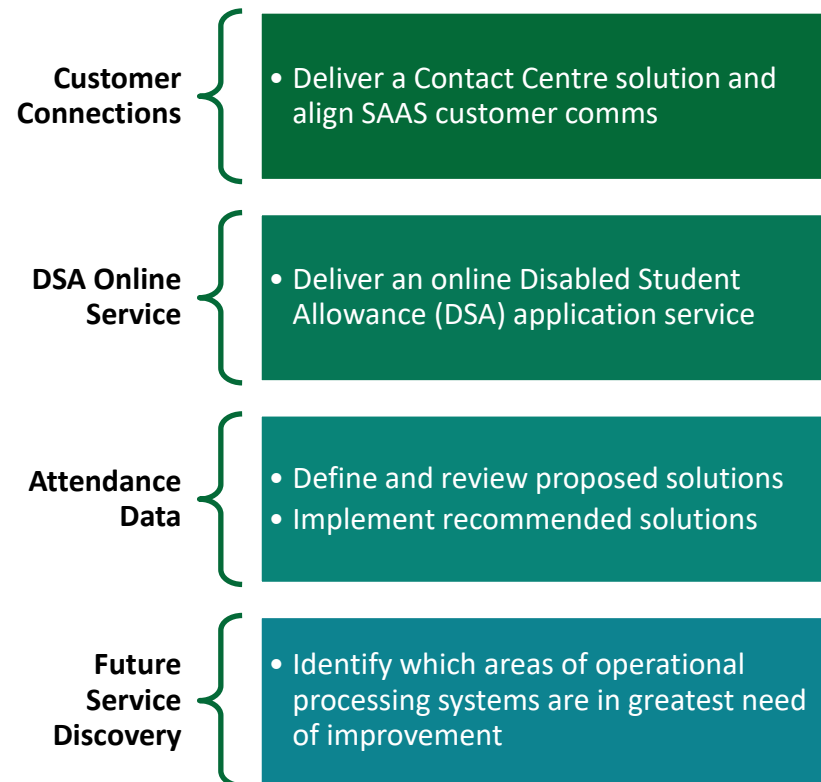
SAAS' transformation programme is governed by a Transformation Programme Board, led by a Senior Responsible Officer (SRO) and Programme Manager, which reports into the Steering Group, being the SAAS Executive Team. Each of the four projects, as summarised in the chart opposite has its own Project Board, SRO and Programme Manager.

In addition to these, there is a Data Workstream, reporting directly to the Transformation Programme Board, which is an enabler workstream for projects which will deliver IT products to establish data principles and build data models.

The Business Case for these projects was approved in 2021, with capital funding approved on an annual basis as part of the Scottish Government budget process. Capital funding of £1m was received in 2022/23 and £3m confirmed for 2023/24. The Business Case is currently being reassessed to reflect progress to date, however, £5m has been requested for 2024/25 based on current programme, although funding not yet confirmed.

During 2022/23, internal audit carried out a follow-up review of the agreed recommendations arising from its review of "Transformation Programme Budget Management". This confirmed that all four medium recommendations have been successfully implemented. This included the production of programme and project process documentation, formally documenting governance procedures and authorities, clear approval of programme budgets and improvements to the financial and risk reporting to the Transformation Programme Board.

Transformation Projects



3.8 Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning (continued)

Update reports have been provided to the Board during 2022/23 providing key highlights on progress, next steps and risks. A key risk is the ability to recruit to deliver on the objectives of the programme, particularly with digital expertise which is a challenging market.

The original Business Case set out the expected benefits associated with these projects, however, as noted on the previous page, this is being revisited and refined to get a clearer picture of the expected benefits.

Management has committed to develop a benefits realisation tool to allow SAAS to monitor the success of these projects and to help inform the medium-to-longer term financial planning. This is a critical element of any transformation programme to allow SAAS to capture all the data required to demonstrate whether the intended outcomes of each project have been achieved – both from a financial savings perspective but also to the wider improvement in outcomes and impact on the wider Scottish Government systems. We recognise that a number of the intended benefits of these projects are not directly associated with SAAS in the work that it does to administer expenditure on behalf of other Directorates within Scottish Government.

In addition to the work progressing under Transformation, SAAS is also reviewing its costing model in recognition that it administers expenditure for other Directorates, including:

- Providing financial support to higher education students, issued and collected by the Student Loan Company.
- Administering higher education student support and other schemes on behalf of the Scottish Government's Health Directorate.
- Distribute Discretionary Funds to Scottish Colleges and Universities.

Work is progressing during 2023/24 to establish the costs of providing each of these services, which will then feed into the Scottish Government budget development for 2024/25.

Once these key elements of planning are progressed with the development of a benefits realisation tool and a costing model, management has committed to develop a medium to long term financial strategy. This will closely align with the transformation programme, digital strategy and people strategy to direct and control SAAS' finances.

Audit Scotland's report in June 2014 [Scotland's public finances – A follow-up audit: Progress in meeting the challenges \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/2014-06-scotland-s-public-finances-a-follow-up-audit-progress-in-meeting-the-challenges) includes a helpful summary of important features of a financial strategy, as summarised on the following page. We would recommend that management use this as a reference for developing its medium-to-long term strategy.

3.9 Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning (continued)

Important features of a financial strategy

Period	A financial strategy should cover 5-10 years.
Cost	A clear understanding of the business model and the cost of individual activities within it
Savings options	Evidence based options for achieving savings
Savings details	Details of one-off and recurring savings
Scenario planning	Scenario planning to outline best, worst and most likely scenarios of the financial position and the assumptions used
Assets/Liabilities and Reserves	Details of assets, liabilities and reserves and how these will change over time
Capital Investment Activity	Details of investment needs and plans and how these will be paid for
Demand	An analysis of levels of service demand and project income
Funding shortfalls	Any income or funding shortfalls and how to deal with these
Strategy links	Clear links to the corporate strategy and other relevant strategies such as workforce and asset management
Risks and timescales	The risks and timescales involved in achieving financial sustainability

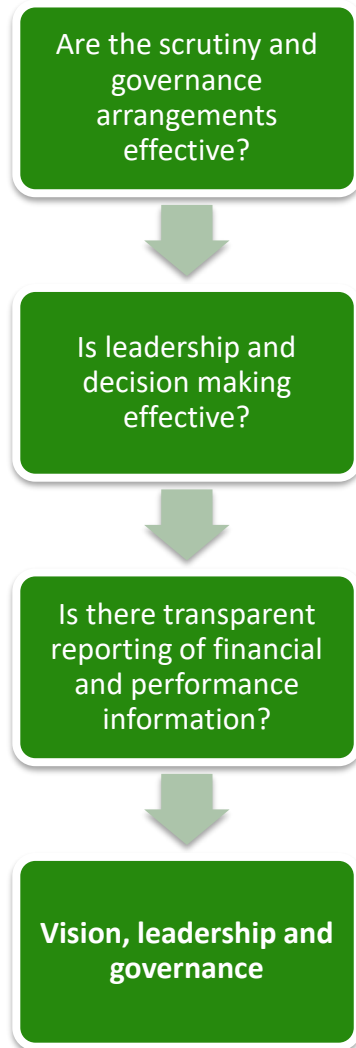
Deloitte view – Financial sustainability

SAAS has achieved financial balance in 2022/23 and has confirmed funding for 2023/24 and is therefore financially sustainable in the short-term.

Management has recognised the need to continue to reform its services, including digitalisation of service delivery to continue to meet the needs of service users in a sustainable way and work is progressing as part of the Transformation Programme. There is, however, no medium to longer-term financial strategy in place to be able to demonstrate that SAAS is financially sustainable in the medium-to-longer term. The building blocks for this are in progress. It is important that the costing model is progressed, along with the benefits realisation tool, to allow a clear financial strategy to be developed and aligned to the corporate strategy. The ability to recruit to deliver the Transformation Programme remains a risk. We will continue to monitor the progress with this during our audit appointment.

3.10 Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

In our audit plan, we identified an increased risk around the effectiveness of the governance and leadership arrangements in place as a result of a new Chief Executive being appointed in 2022/23 and a new Chair of the ARAC recently taking up post. We also highlighted the risk associated with the Framework Agreement being out of date, having last been updated in 2012.

Vision and strategy

SAAS' current Corporate Plan covers the period 2021-2025. This sets out the organisations purpose and high-level ambitions, with a focus on the following three strategic themes:

- Informing Choices.
- Funding Futures.
- Supporting Success.

Against each of these themes, clear expected outcomes have been set out.

Work is ongoing to refresh the Business Plan for 2023/24, following which work will commence to start the process for the next Corporate Plan. This will build on the work that is being done as part of the Transformation Programme discussed on page [23](#).

Leadership

As noted above, a new Chief Executive was appointed during 2022/23 and a new Chair of the ARAC took up post towards the end of 2022/23, therefore there has been a period of change. The transitions have been well managed and from our audit work we have identified a positive culture of cooperation and working constructively in partnership.

3.11 Wider scope requirements (continued)

Vision, leadership and governance

Leadership (continued)

A comprehensive induction pack was provided to the new Chair of the ARAC with separate Teams sessions held with the Senior Leadership Team and key members of staff. Ongoing training is being provided, and mentoring offered for example through the Chairs network, to ensure that the members have the knowledge required to fulfil their role.

Three members of the Board's current term is due to come an end at 31 March 2024. The Chief Executive is currently reviewing the succession planning arrangements to ensure a smooth transition and manage the risk of loss of knowledge.

In line with good practice and as recommended by the previous auditors, the Board carries out an annual self-assessment. The results have yet to be collated into a report to be shared with ARAC and Board members to consider. This should be progressed on a timely basis to ensure that an actions identified as a result of the self-assessment are addressed.

Governance and scrutiny arrangements

The Scottish Government Framework Agreement was last updated in 2012. Work has been ongoing to refresh and update the agreement based on the latest templates from Scottish Government and is expected to be signed in 2023 following formal sign off from Scottish Ministers. This sets out how SAAS operates, its relationship with Scottish Ministers and the Scottish Government.

It also sets out SAAS' vision and objectives, its accountabilities and approach to its people and organisational matters and therefore forms a key part of the governance and accountability framework within which OSCR operates.

The ARAC continues to be a key element of the governance arrangements in place. While all Board members have performed their annual self-assessment, no separate self-assessment as been carried out of the ARAC. In line with the Scottish Government Audit and Assurance Committee handbook, we would recommend that the Committee performs an annual self-assessment, following the checklist within the handbook [Audit and Assurance committee handbook - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/audit-and-assurance-committee-handbook/pages/introduction.aspx) to continually assess whether it is following best practice.

The ARAC also provide oversight and scrutiny of the risk management activity. An updated on the Corporate Risk Register is provided to each meeting and following the Annual Risk Workshop in April 2022, a refreshed register was developed. Internal Audit carried out a review of SAAS' Risk Management arrangements during 2022/23. This provided "substantial assurance", identified two medium recommendations and concluded that risk, governance and control procedures were effective in supporting the delivery of any related objectives..

3.12 Wider scope requirements (continued)

Vision, leadership and governance

Governance and scrutiny arrangements

We have reviewed meetings attendance from the past year and confirm that there has been well attended. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

Transparency of reporting

All Board and ARAC minutes are publicly available through SAAS' its website.

The SAAS website includes a comprehensive suite of information including links to strategies and policies and annual report and accounts, thereby demonstrating openness and transparency of decision making and performance information (which is considered further on page 21).

Deloitte view – Vision, leadership and governance

SAAS' current Corporate Plan clearly sets out the organisations purpose and ambitions. Work is ongoing to refresh the Business Plan for 2023/24, following which work will commence to start the process for the next Corporate Plan. This will build on the work that is being done as part of the Transformation Programme.

The transition to new Chief Executive has been well managed and there is a positive culture of collaboration and partnership working. The transition to the new Chair of the ARAC has also gone smoothly, with induction and training provided. The governance arrangements also continue to be strong, however, improvements can be made in following up on the Board's annual self assessment and performing a separate annual self-assessment of the ARAC in line with best practice.

SAAS continues to be open and transparent.

3.13 Wider scope requirements (continued)

Use of resources to improve outcomes



Significant risks identified in Audit Plan

In our audit plan we highlighted that, linked with the outdated Framework agreement discussed on page [26](#), there is a risk that performance reporting is not sufficient to demonstrate improved outcomes.

Performance management framework

SAAS had historically reported against a number of Key Performance Indicators (KPIs) as defined in the Scottish Government Framework Document. As noted on page [27](#), this was last updated in 2012 and currently in the process of being updated and agreed. These KPIs were therefore considered outdated and as part of the development of the Corporate Plan for 2020-25, a new performance measures framework was agreed. This is used to provide regular performance reports to the Board. These reporting systems are being reviewed in line with the updated Scottish Government Framework document with a view to reporting on a new set of measures from 2023/24.

The reporting to the Board is under the following seven themes:

- Informing choices;
- Funding futures;
- Supporting success of our students;
- Developing and valuing our people;
- Improving the way we work;
- Realising the potential of technology; and
- Environment.





As well as reporting on statistical information, such as volume of applications received, number on website users, the reporting has evolved to incorporate contextual information in the form of “what does success look like?” against each theme.


3.14 Wider scope requirements (continued)

Use of resources to improve outcomes

Performance data

A summary of the performance reported to the Board during the year, as at December 2022 (reported to the Board in February 2023) is provided below.

Theme	Data provided	What does success look like?	
Informing Choice	Outreach, website user visits, enquiries, calls handled, chats handled.	Website use is up relative to contact centre services and SAAS Account enquiries. Strong performance also indicated by low waiting time on phone (reduced from 06:19 to 03:51) and webchat (reduced from 10:20 to 03:19), and consistently high number of customers (and in particular, SIMD schools) visited via outreach.	
Funding futures	Applications received, processed fully, auto-calculated applications, applications received after Guarantee Date	Students increasingly applying before the Guarantee Date (99.5% consistent in current and prior year), high percentage of auto-calculation of applications (56% consistent in current and prior year).	
Improving the way we work	FOIs, Data Protection Requests, Subject Access Requests, Ministerial Correspondence, Complaints, Appeals, Invoices paid on time.	All external legislative requirements are met and complied with	
Realising the potential of technology	RAG status of Main Projects, systems availability.	Projects on track (mostly green/amber), high-level of critical systems available	

 Strong performance

3.15 Wider scope requirements (continued)

Use of resources to improve outcomes

Performance data (continued)

From this reporting it is evident that SAAS have a clear picture of its performance, with the contextual information to set out what success looks like. Overall, performance is strong. This reporting could be enhanced further by incorporating in the following:

- clear performance targets to allow performance to be measured against; and
- where performance is not in line with expectation or could be further improved as part of SAAS' commitment to continuous improvement, an action tracker to evidence what further action management plan to do.

As highlighted in his blog “Christie 10-years on” [Blog: Christie 10-years on | Audit Scotland \(audit-scotland.gov.uk\)](#), the Auditor General for Scotland noted that Christie challenged us to make a shift towards prevention and deliver improved long term outcomes for individuals and communities. But we still measure the success of public services by short-term, service specific measures. Public bodies need to rethink radically how we measure success and hold organisations to account for their performance.

The Annual Report and Accounts set out the National Performance Outcomes that SAAS make a major contribution to. Within the Corporate Plan, specific outcomes have been set against each strategic them. Reporting could be enhanced to demonstrate how the work being done is impacting on these outcomes.

Deloitte view –Use of resources to improve outcomes

SAAS has a clear performance management framework which was updated following agreement of the Corporate Plan.

SAAS has continued to perform well during 2022/23. Regular reporting on performance is provided to the Board. The reporting systems are being reviewed in line with the updated Scottish Government Framework document with a view to reporting on a new set of measures from 2023/24. SAAS should consider as part of this review to incorporate clear targets, how the performance demonstrates achievement of outcomes and how continuous improvement is evidenced.

3.16 Wider scope requirements (continued)

Best value

Requirements

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

The duty of BV in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
 - Vision and Leadership
 - Governance and Accountability
 - Use of resources
 - Partnership and collaborative working
 - Working with Communities
 - Sustainability
 - Fairness and equality

Conclusions

SAAS has a number of arrangements in place to secure best value. As noted elsewhere within this report, the Corporate Plan provides a clear vision and has specific focus on some of the BV characteristics including partnership and collaboration, fairness and equality and a focus on continuous improvement. The leadership has seen a period of change during 2022/23, with the transition managed well and a positive culture on collaboration.

Financial sustainability remains a key risk, as is the case across the public sector. SAAS is implementing an extensive Transformation Programme recognising the need to reform its services, including digitalisation of service delivery to continue to meet the needs of service users in a sustainable way. It is important that a benefits realisation tool is developed, to allow a clear financial strategy to be developed and aligned to the corporate strategy.

Deloitte view – Best Value

SAAS has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk.

3.17 Wider scope requirements (continued)

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below.

Question	SAAS position
1. What targets has the body set for reducing emission in its own organisation or in its local area?	No specific targets have been set for SAAS to reduce emissions other than the overall targets set out within the Climate Change (Scotland) Act 2009.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	SAAS agreed a Climate Action Plan in 2021, which outlines way in which SAAS can reduce its carbon footprint, contribute to meeting Scotland's targets on carbon emissions and help to slow climate change. SAAS has recognised that while it is responsible for very little direct emissions, it does have responsibility for significant indirect emissions, in particular through travel.
3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly?	Each Action is assigned an owner and progress is monitored through a cross-organisation Environment Group and key progress is monitored through the performance measurement framework. The latest update was provided to the Board in May 2023. All relevant data outputs have been published annually in the Sustainable Scotland Network (SSN) climate change report).

3.18 Wider scope requirements (continued)

Climate change

Question	SAAS position
4. Has the body considered the impact of climate change on its financial statements?	No specific consideration has been given to the impact of climate change on the financial statements. Given the small size of the organisation, being an Agency that is co-located in a Scottish Government building, the expected impact on the financial statements is minimal.
5. What are the areas of the financial statements where climate change has, or is expected to have, a material impact?	As above, given the small size of the organisation, the expected impact on the financial statements is minimal. The Scottish Government office space is managed through a lease agreement. As part of the SAAS Climate Action Plan, it is discussing with Scottish Government on options for Saughton House and areas where SAAS could make its own changes and improvements, which may then have an impact on the financial statements in the future.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	SAAS has included a section on “sustainability report” within the Annual Report and Accounts setting out its achievements to date, in particular around reduction in SAAS business travel.

Deloitte view – Climate change

As a relatively small sized organisation, and as a consequence relatively low carbon emissions, the opportunities for emissions reductions are limited. SAAS’ Corporate Plan sets out how it will contribute to the National Performance Framework. A Climate Action Plan was agreed in 2021/22, which set specific action for SAAS and the Annual Report and Accounts include a section on its achievements to date. It is therefore clear that SAAS is committed to take action to meet the Scottish Government’s ambitious targets.

3.19 Wider scope requirements (continued)

Cyber risk

Area	Management actions	Impact on OSCR's Annual Report and Accounts	Impact on our audit
Cyber risk	<p>SAAS recognise cyber risk as part of its strategic risk register which is monitored by ARAC.</p> <p>Cyber security has been a high priority for SAAS, particularly in view of the Transformation Programme and digital change.</p> <p>In line with Audit Scotland's recommendation, SAAS has applied the lessons learned from the SEPA cyber attack.</p>	<p>Reference to the IT infrastructure changes made in 2022/23 has been included in the "key challenges" section of the Annual Report. Reference to achieving Cyber Essentials accreditation also disclosed.</p>	<p>We have obtained an understanding the business and its internal controls in relation to cyber including assessing the maturity and coverage of the entity's cyber risk management programme.</p> <p>We obtained an understanding of the relevant laws and regulations in relation to the entity.</p>

4.1 Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Risk Assurance Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for SAAS, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.


What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to SAAS.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP
Glasgow | 4 August 2023

Appendices



5.1 Action Plan

The following recommendations have arisen from our 2022/23 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
1. Approval of annual leave balances in excess of 10 days As per the Scottish Government leave policy, holidays carried over in excess of 10 days require approval. We noted that there were staff with holiday balances above 10 days which were not approved and were neither on long term sick or maternity leave. We recommend that an update of the process be made to include approval of and evidence of approval for holiday balances above 10 days.	Agree. There is currently no formal approval process in the system required as this is not required by the SG leave guidance. There seems to be some discrepancy between the SG leave guidance and leave policy. However, discussions have taken place with the new CEO and formal processes are to be developed to ensure a formal process for all carry over above the 10 days.	Low	Director of Finance	30 November 2023

5.2 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>2. Proper archival of disposal approvals.</p> <p>Although we noted discussions around the disposal of PPE during the year, we however could not obtain the final approval for the disposals made. This was due to the email correspondence containing the approval being deleted and responsible staff for this being on maternity leave. Although we have been able to test the disposals using alternative procedures, we recommend that processes in place for disposal of PPE be well documented and archived. This is linked to the PYA discussed on Page 13.</p>	<p>Agree- This was the one off review of our assets following no disposals in prior years (so a number of assets), our opinion is that this is due to not having the email which had the disposal form attached (just the disposal form was saved). We have provided other forms on emails but on this occasion no email could be found due to staff member who it was sent from no longer having the email and the staff member it was sent to being off on maternity leave. We have evidenced the process around these disposals with email trails of reviews and evidence of meetings.</p>	Low	Head of Finance & Procurement	30 September 2023
<p>3. Clear Basis for Notional Cost</p> <p>We noted that there was a historical basis for the notional cost calculation and this was based on an uplift from the prior year amount. However, Management does not understand the historical basis calculations other than that it has been set up in prior years. We recommend that a clear basis and understanding of the notional cost calculations be established including an agreement with the Scottish government showing exactly how the amount can be derived with an appropriate understanding of the components as this is material.</p>	<p>Agree - The notional cost is an accounting adjustment (non-cash) to cover the costs provided by Scottish Government but not recharged.</p> <p>We have compared our costs with another organisation to give a level of confidence and are content we can justify each element as being required. We agree to revisit the calculation methodology in 2023/24.</p>	Medium	Director of Finance	31 December 2023

5.3 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>4. Financial sustainability Management should progress the development of a benefits realisation tracker to allow SAAS to demonstrate whether the intended outcomes of each project within the transformation programme have been achieved – both from a financial savings perspective but also to the wider improvement in outcomes and impact on the wider Scottish Government systems.</p>	<p>Agree - SAAS is currently developing a robust project benefits realisation tracker.</p>	<p>Medium</p>	<p>Head of Strategic Development</p>	<p>31 December 2023</p>
<p>5. Financial sustainability In developing its medium-term financial strategy, SAAS should consider the important features of a financial strategy, as set out in Audit Scotland’s report in June 2014 Scotland's public finances – A follow-up audit: Progress in meeting the challenges (audit-scotland.gov.uk).</p>	<p>Agreed</p>	<p>Medium</p>	<p>Director of Finance</p>	<p>31 October 2023</p>
<p>6. Vision, leadership and governance In addition to the Board self-assessment, SAAS should performing a separate annual self-assessment of the ARAC in line with best practice.</p>	<p>Agreed</p>	<p>Low</p>	<p>Head of Governance, Risk and CE Office</p>	<p>30 November 2023</p>

5.4 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p data-bbox="79 425 625 449">7. Use of resources to improve outcomes</p> <p data-bbox="79 462 716 568">SAAS should consider enhancing its performance reporting to incorporate the following:</p> <ul data-bbox="79 581 716 1252" style="list-style-type: none"><li data-bbox="79 581 716 644">• clear performance targets to allow performance to be measured against;<li data-bbox="79 656 716 868">• where performance is not in line with expectation or could be further improved as part of SAAS' commitment to continuous improvement, an action tracker to evidence what further action management plan to do; and<li data-bbox="79 881 716 1252">• as well as outputs, the reporting could be enhanced to also explain what these then mean in terms of outcomes. The Annual Report and Accounts set out the National Performance Outcomes that SAAS make a major contribution to. Within the Corporate Plan, specific outcomes have been set against each strategic them. Reporting could be enhanced to demonstrate how the work being done is impacting on these outcomes.	Agreed	Medium	Head of Governance, Risk and CE Office	November 2023

5.5 Action Plan (continued)

We have followed up the recommendations made in by the previous auditors. We are pleased to note that the recommendation is partially implemented.

Recommendation	Management Response	Status
<p>1. Board and committee effectiveness self-assessment</p> <p>Through our review of Board and committee minutes during the year we noted that there was no formal review of effectiveness or self-assessment of the performance of the Board / committee. The Scottish Government's On Board: A guidance for members of statutory boards, including recommended guidance around board self-assessment to ensure they continue to look at opportunities to operate as efficiently and effectively as possible. We recommend that SAAS consider undertaking regular self-assessment of the Board and committees to look at opportunities for continuous improvement in the functioning of governance arrangements.</p>	<p>This self-assessment will take place during 2022/23</p> <p>Responsible officer: Head of Strategic Development</p>	<p>Partially implemented.</p> <p>As discussed on pages 27, while a Board self-assessment has been carried out during 2022/23, the results have yet to be collated into a report to be shared with ARAC and Board members to consider. In addition, no separate self-assessment has been carried out of the ARAC effectiveness.</p> <p>Management response: Agreed This will be revisited for 2023/24</p> <p>Responsible officer: Head of Governance, Risk & CE Office</p> <p>Target completion date: 30 November 2023</p>

6.1 Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/(credit) SOCNE £	Debit/(credit) in net assets £	Debit/(credit) prior year reserves £	Debit/(credit) Equity £	If applicable, control deficiency identified
Overstatement of Notional costs	[1]	(164,010)			164,010	N/A
Total		(164,010)			164,010	

[1] SAAS initially had a notional costs of £598k within their net operating expenditure relating to shared services from SG, This amount was recognised on the basis of an uplift from prior year and not based on an actual agreement with the Scottish Government. We understand there was a duplication of the computer overhead costs in which SAAS has been directly billed by SG and subsequently reversed for current year. The notional costs are now revised to £433k. This has therefore been linked to the significant matters discussed with management on Page 13.

7.1 Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked SAAS to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the Accountable Officer to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in management override of controls and operating within the revenue budget as key audit risks.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit and Risk Assurance Committee on the process for identifying, evaluating and managing the system of internal financial control

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No issues or concerns have been identified in relation to fraud.

7.2 Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of SAAS, and our objectivity is not compromised.

Fees The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below:

	£
Auditor remuneration	32,070
Audit Scotland fixed charges:	
• Pooled costs	2,130
• Audit support costs	1,130
• Sectoral cap adjustment	(10,950)
Total expected fee	24,380

There are no non-audit fees.

Non-audit services In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Board's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise, as necessary.

Relationships We have no other relationships with the Board, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



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