

Scottish Fiscal Commission

2017/18 Annual Audit Report



 AUDIT SCOTLAND

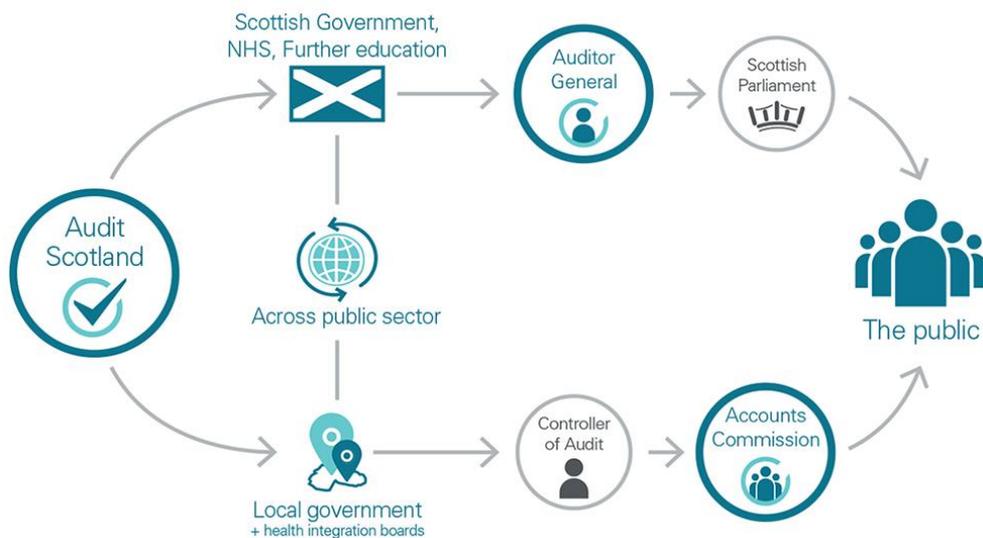
Prepared for the Scottish Fiscal Commission and the Auditor General for Scotland

05 September 2018

Who we are

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

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
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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

2017/18 annual report and accounts

- 1** The financial statements of the Scottish Fiscal Commission give a true and fair view of the financial position and its net expenditure for the year.
- 2** The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.
- 3** The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

Financial management, sustainability and governance

- 4** The Scottish Fiscal Commission reported an underspend of £186,000 in 2017/18 mainly due to recruitment taking longer than anticipated.
- 5** Budget monitoring procedures should be improved. Regular, timeous and accurate reports should be prepared and provided to management.
- 6** The information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Introduction

1. This report summarises the findings from our 2017/18 audit of the Scottish Fiscal Commission.

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

- an audit of the Scottish Fiscal Commission annual report and accounts
- consideration of aspects of financial sustainability, financial management and governance and transparency.

3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:

- financial sustainability
- financial management
- governance and transparency
- value for money.

4. The [Code of Audit Practice 2016](#) (the Code) requires the full wider scope of audit to apply to all bodies unless the auditor judges that it is not appropriate due to the size, nature and risks of the body. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services.

5. As advised in our 2017/18 Annual Audit Plan, in recognition of the Scottish Fiscal Commission's size and value and nature of transactions being processed, we adopted a small body audit approach to the financial statements audit.

6. We also recognised that, given the nature of the organisation, together with its risk and profile and stage in development, there were a number of wider dimension risks which in our view warrant specific wider scope work. This wider dimension work focused on development of governance arrangements and workforce planning.

7. The Scottish Fiscal Commission has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. The Scottish Fiscal Commission is also responsible for compliance with legislation and putting arrangements in place for governance, propriety and regularity that enable it 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 guided by the auditing profession's ethical guidance.

9. As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness

of the governance statement disclosures. In doing this, we aim to support improvement and accountability.

10. The 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.

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

12. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and we are not aware of any relationships that could compromise our objectivity and independence. We refer to the audit fee at paragraph 21 below.

Adding value through the audit

13. Our aim is to add value to the Scottish Fiscal Commission by providing insight and foresight on aspects of financial sustainability, financial management and governance and transparency and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the Scottish Fiscal Commission promote improved standards of financial planning, better management and decision making.

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

15. 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 2017/18 annual report and accounts



Main judgements

The financial statements of the Scottish Fiscal Commission give a true and fair view of the financial position and its net expenditure for the year.

The expenditure and income in the financial statements were incurred or applied 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.

Audit opinions on the annual report and accounts

16. The Audit and Risk Committee recommended to the Governance Board that the Chief Executive should approve the annual report and accounts for the year ended 31 March 2018 on 30 August 2018. We reported, within our independent auditor's report that in our opinion:

- the financial statements give a true and fair view and were properly prepared
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of those matters which we are required by the Auditor General to report by exception.

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

Submission of annual report and accounts for audit

17. 2017/18 was the first year that the Scottish Fiscal Commission prepared an annual report and accounts following its establishment on 1 April 2017.

18. We received the unaudited annual report and accounts on 31 July 2018. This was later than originally planned. The expected date of receipt was by 16 July 2018. The delay was largely due to the absence of suitably experienced and knowledgeable finance staff. A temporary member of staff was in post over the period April to August 2018 who had no prior experience of the financial processes.

19. We had recognised a risk in our annual audit plan that the financial statements would not be prepared in line with the appropriate guidance or in accordance with the statutory timetable. We can conclude that arrangements were put in place to ensure the accounts were of sufficient quality but as noted above the completion of the accounts were delayed.

20. We request a full set of supporting working papers with the draft accounts in order to ensure a smooth audit process. We provided management with a working paper checklist in April 2018 to assist with the accounts preparation. Working papers were not received until 31 July when the revised draft accounts were submitted for audit. Where provided, the working papers overall were of a lower quality than we had anticipated. In addition, due to the steep learning curve being experienced by the temporary member of staff and new staff in post, some audit queries were not answered as quickly as expected.

21. The delay has had an impact on the audit process. Additional audit input was required, to ensure the audit process could be completed in line with the pre-agreed timetable. We have advised management that we intend to seek an additional audit fee in addition to the 2017/18 agreed audit fee of £26,500 as set out in our Annual Audit Plan. This is required to cover our additional costs and will be discussed further with management.

22. The narrative provided in the performance and accountability reports was of good quality and covered all the required disclosures.

Risks of material misstatement

23. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

Materiality

24. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

25. We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the annual report and accounts we reviewed our planning materiality calculations and updated these to reflect the reported outturn at 31 March 2018 as summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality. This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2018.	£14,700
Performance materiality. This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 55% of planning materiality.	£8,100
Reporting threshold. We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality.	£1,000

How we evaluate misstatements

26. There were a number of amendments processed in the accounts during the audit. Net operating expenditure increased by £17,000 and total taxpayer's equity increased by the same amount. The misstatements breached performance materiality levels and as a consequence we considered the need to undertake further audit testing. As the majority of misstatements arose from isolated issues, for example the classification of software subscriptions as intangible assets, we concluded that this was not indicative of systemic misstatements within the financial statements and no further audit testing was required

27. All presentational and monetary adjustments to the accounts identified during the course of the audit were discussed with management who agreed to amend the financial statements. There are no unadjusted misstatements.

Significant findings from the audit (ISA 260)

28. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

29. The findings include our views about significant qualitative aspects of the board's accounting practices including: significant financial statements disclosures, the impact of any uncertainties, misstatements in the annual report and accounts, accounting estimates and judgements and the effect of any unusual transactions on the financial statements.

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Delays in audit process</p> <p>As reported above the draft financial statements were not provided in line with the agreed timetable and the working papers were of a poor standard.</p> <p>Several discussions were held with staff to clarify our expectations in respect of the Scottish Fiscal Commission's responsibility to provide a complete set of accounts together with full evidence.</p> <p>We have concerns over the financial expertise within the organisation which contributed to the delays in the accounts process.</p> <p>We recommended that the Scottish Fiscal Commission review their year-end processes and inhouse financial expertise to ensure production of the accounts together with all related working papers in compliance with agreed timetables.</p>	<p>Staff worked hard to provide the required evidence and explanations which enabled us to conclude on the audit.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>
<p>2. Revenue expenditure incorrectly classified as capital</p> <p>The accounts initially provided for audit recorded intangible assets purchased during the year of £26,000. Audit review established that these were in respect of annual subscriptions for software licences and had been incorrectly categorised as capital expenditure.</p>	<p>Management agreed that these payments should have been classified as revenue expenditure and have corrected the financial statements.</p>

Finding

Scottish Fiscal Commission should review their year end processes to ensure that they are capturing and coding all capital expenditure correctly.

3. Overpayment of commissioner fees

Scottish Fiscal Commission use the Scottish Government payroll system as part of a shared service agreement. During the accounts preparation process management identified an error relating to an overpayment of commissioner fees. The error arose due to an administrative error by the Scottish Government pay team; a change in the contract type changed the full time equivalent rate which in turn impacted on the level of fees paid.

The overpayment covered the period from June 2016 to July 2018.

Management review of the year-end position identified the error. We discuss budgetary control processes at para 38 below.

Resolution



[Recommendation 2 \(refer appendix 1, action plan\)](#)

Arrangements have been made for the full recovery of the overpayment which was due to a payroll processing error.

The financial statements correctly record the adjusted level of commissioner fees made during 2017/18.

Part 2

Financial management, sustainability and governance



Main judgements

The Scottish Fiscal Commission reported an underspend of £186,000 in 2017/18 mainly due to recruitment taking longer than anticipated.

Budget monitoring procedures should be improved. Regular, timeous and accurate reports should be prepared and provided to management.

The information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Financial management and financial sustainability

Financial performance in 2017/18

30. The main financial objective for the Scottish Fiscal Commission is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government. The Scottish Fiscal Commission has reported net operating costs of £1.484m, remaining within its budget of £1.67m. An underspend of £186,000 is reported against budget.

31. The financial statements report a net liability position of £77,000. This is due to Scottish Fiscal Commission having a very low asset base with limited non-current assets and no bank account. This is not considered an issue in relation to the going concern of the organisation as the Scottish Fiscal Commission receives all its funding from the Scottish Government. The accounts have been prepared on a going concern basis and we are content with that judgement.

Short term financial planning

32. As a non-ministerial department of the Scottish Administration, the Scottish Fiscal Commission has its own budget and is funded directly by block funding from the Scottish Government. Scottish Ministers consider this budget alongside the resourcing needs of other public bodies and portfolios. The Scottish Fiscal Commission is separate from and independent of the Scottish Government.

33. The draft budget for the Scottish Fiscal Commission for 2018/19 has been set at £1.63m which is £40,000 (2.4%) less than the 2017/18 budget allocation. The 2018/19 budget allocation was approved by the Scottish Parliament in February 2017.

34. Funding from the Scottish Government is the Scottish Fiscal Commission's sole source of income and there is a greater degree of certainty over future funding streams than for some other public-sector organisations who are involved in income generating activities. Therefore, the main focus for the Scottish Fiscal Commission is achieving a balanced financial plan to remain within their annual allocation.

Medium to long term financial planning

35. As part of the Scottish Fiscal Commission Corporate Plan 2018-20, the Cabinet Secretary for Finance and the Constitution has agreed that Scottish Ministers will provide the Commission with an indication of the Commission's funding over the

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

subsequent two financial years 2019/20 and 2020/21. Management have advised that this arrangement is not yet in place although a multi-year budget plan is soon to be prepared by the Scottish Fiscal Commission and shared with the Scottish Government.

36. The Scottish Fiscal Commission should use this future indicative budget as a basis for developing longer term plans.

Budgetary control

37. We reviewed the Scottish Fiscal Commission's budgetary processes and budget monitoring arrangements as part of our initial planning process. We noted in our annual audit plan that budgetary control reports had to date been provided as verbal updates to commissioners.

38. We identified a number of matters arising as part of our financial statements audit which indicate that budgetary control processes required to be improved. For example:

- an overpayment in commissioner fees was not identified until after the year end (Exhibit 2, point 3)
- the coding of revenue items to capital indicates an absence of specific monitoring across expenditure lines (Exhibit 2, point 2)
- expenditure was incurred in relation to early work undertaken by a contractor on the provision of a new link door between offices. The work was delayed but the charge was processed against the 2017/18 budget. A refund was not sought by management
- we experienced delays in obtaining access to invoices to support expenditure. This information should be routinely available as part of the checks being undertaken by commission staff as part of budget monitoring.



Recommendation 3

We recommend that budgetary control processes are reviewed so that senior management and members receive accurate, regular, timely and up to date financial information on the financial position.

(refer appendix 1, action plan).

Governance and Accountability

Governance Arrangements

39. The Scottish Fiscal Commission was established as a statutory body on 1 April 2016 by the Scottish Fiscal Commission Act 2016. The Commission is a non-ministerial department/office of the Scottish Administration and is separate and independent of the Scottish Government.

40. As noted in the accountability report within the financial statements, at 31 March 2018 there were 3 commissioners one of whom was chair. One of the commissioners, who was also chair of the Audit and Risk Committee, resigned in June 2018. Action has been taken to appoint a new chair of the Audit and Risk Committee and also increase the number of commissioners. Recruitment is currently ongoing to appoint two new commissioners with a view to making appointments in Autumn 2018.

41. As part of our 2017/18 audit work, we reviewed the development of key governance arrangements. The first corporate plan covering 2018-20 was finalised and issued in April 2018. This plan sets out strategic operations and is supported

by an annual business plan. The first business plan for 2018/19 was published in June 2018 and is available on the Scottish Fiscal Commission's website.

42. As part of our planning work we considered the Scottish Fiscal Commission's risk management arrangements. These arrangements have been developing throughout the year and the approach was fully agreed by the Governance Board in May 2018. The Governance Board discuss risks regularly and updates on key and emerging corporate risks are provided to the Audit and Risk Committee as a standing agenda item. We have concluded that risk management arrangements are appropriate. These arrangements now need to become fully embedded into the day to day operations of the organisation in order to become fully effective.

43. Internal audit conducted a corporate review of the current and developing governance and financial framework. They provided a substantial assurance opinion: the risk, governance and control procedures are effective in supporting the delivery of any related objectives. Five medium level recommendations were made, all of which were accepted by management.

Governance statement

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

45. The governance statement reflects a range of assurances received by the accountable officer in relation to the adequacy and effectiveness of the board's system of internal control which operated during the financial year. As the organisation develops and matures, the current processes may need to be refined to ensure the accountable officer receives the required assurances from the members of the senior management team covering their areas of responsibility.

46. We discussed a number of amendments to the draft governance statement to better reflect the position throughout the year which management agreed to implement. We concluded that the 2017/18 governance statement complies with the guidance issued by the Scottish Ministers and, based on our knowledge and work performed, presents an appropriate picture of the governance arrangements in place.

Internal audit

47. Internal audit provides the Accountable Officer and the Audit and Risk Committee with independent assurance on risk management, internal control and corporate governance processes. The internal audit function is carried out by the Scottish Government Internal Audit Division (SGIAD).

48. As noted in our Annual Audit Plan, Audit Scotland's Scottish Government audit team undertook a review of the effectiveness of the internal audit function to ensure it operates in accordance with the PSIAS. Their report which was issued in July 2018 noted that while the SGIAD meets some of the Public Sector Internal Audit Standards, it also does not comply with significant aspects of the standards. Our review of a sample of internal audit reports and supporting documentation found that significant improvements are required to comply with PSIAS and the Internal Audit Manual in audit planning, audit documentation, audit reporting and management review. No internal audit reports were identified where the underlying evidence would suggest an incorrect audit opinion or conclusion. Agreed actions have been put in place to address the issues raised.

49. We did not intend to place any reliance on the work of internal audit as part of our financial statements review but were able use the conclusions noted in their corporate review (see para 43 above) to inform our work.

Workforce planning

50. As noted in our Annual Audit Plan, the Scottish Fiscal Commission had experienced some initial difficulties in recruiting staff particularly into corporate roles during 2017/18; an underspend of £74,000 in the staff costs budget was reported for 2017/18.

51. We also reported in [*Managing the implementation of the Scotland Acts \(March 2018\)*](#) that the Scottish Fiscal Commission needed to establish longer-term staffing arrangements to maintain and build its capacity as its responsibilities widen.

52. We are pleased to note that by May 2018 all vacancies had been filled. As at August 2018, with the exception of the Chief Executive who is on loan from the Scottish Government until 2021, all senior staff were permanent appointments. Management are now looking to develop policies around staff learning and development and career progression. Action should continue to be taken to ensure the staff structure and staff in post are fit for purpose for the organisation.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Delays in audit process</p> <p>The draft financial statements were not provided in line with the agreed timetable and the working papers were of a poor standard.</p> <p>Detailed discussions were held with staff to clarify expectations.</p> <p>Risk</p> <p>The accounts are not delivered in accordance with guidance resulting in a delay in the audit process and a qualified audit opinion.</p>	<p>Scottish Fiscal Commission should review their year-end processes and inhouse financial expertise to ensure production of the accounts together with all related working papers in compliance with agreed timetables.</p> <p>Exhibit 2, point 1</p>	<p>Agreed.</p> <p>We have learned much from going through this first audit process. We have already started to review and refine our financial processes and to undertake additional finance training.</p> <p>We will review our year-end processes and planning for the annual report and audit in the light of our experience this year. We will consider our needs for in-house financial expertise, appropriate to our size, both throughout the year and to support the production of the annual accounts. We will consider our finance training needs as part of that review. We will present a recommendation to the ARC and Governance Board as to how the identified needs for financial expertise and training should be fulfilled.</p> <p>Responsible Officer: Head of Corporate Services</p> <p>Agreed dates: Consider in-house financial expertise & training – paper for October ARC & Governance Board decision</p> <p>Review year-end & audit planning processes – paper for January Governance Board decision</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
2	<p>Revenue expenditure incorrectly classified as capital</p> <p>Annual payments for software subscriptions of £26,000 were initially recorded as capital expenditure. These payments should have been recorded as revenue expenditure.</p> <p>Risk</p> <p>Expenditure is incorrectly categorised resulting in invalid expenditure being charged to revenue (as depreciation) and capital.</p>	<p>Scottish Fiscal Commission should review their year end processes to ensure that they are capturing and coding all expenditure correctly.</p> <p>Exhibit 2, point 2</p>	<p>Agreed.</p> <p>Again, we have learnt much through this process. We will continue to review and improve our year end processes in the light of the lessons learned and consider staff training needs. The year-end process review and paper will have a specific section on capital expenditure.</p> <p>Responsible Officer: Head of Corporate Services</p> <p>Agreed dates: Paper for January Governance Board decision</p>
3	<p>Budgetary control arrangements</p> <p>As part of our audit we identified a number of matters arising which indicate that budgetary control processes require to be improved.</p> <p>Risk</p> <p>Management are not aware of the up to date financial position resulting in an overspend against budget.</p>	<p>Budgetary control processes should be reviewed so that senior management and members receive accurate, regular, timely and up to date financial information on the financial position.</p> <p>Para 38</p>	<p>Agreed.</p> <p>We have started to review our budgetary control processes, as a result of our learning from going through this audit process. In particular we will ensure there are regular reconciliations between our tracker and SEAS, and that there are regular, accurate reports of outturn against budget and consequent risks.</p> <p>We have made some initial progress by improving budget control reports to Commissioners and instituting new purchasing processes. Additional staff finance training is underway.</p> <p>Responsible Officer: Head of Corporate Services</p> <p>Agreed dates: Paper for October ARC and Governance Board</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 our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Review of arrangements and policies for preventing and detecting fraud.</p> <p>Detailed testing of journal entries.</p> <p>Focused testing of payables and receivables.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Substantive testing of transactions after the year end to confirm expenditure and income have been accounted for in the correct financial year.</p> <p>Focused testing of accounting adjustments at the year-end.</p>	<p>We did not identify any issues as a result of our audit work that would indicate management override of controls affecting the year end position.</p>
<p>2 Accounts preparation</p> <p>This is the first year that the Scottish Fiscal Commission will require to prepare financial statements. While support will be provided by the Scottish Government Accountancy Services team, there remains a risk around the general accounts preparation process.</p> <p>There is a risk that the financial statements are not prepared in line with the appropriate guidance or in accordance with the statutory timetable.</p>	<p>Monitor ongoing recruitment.</p> <p>Ongoing discussions with management over accounts preparation.</p> <p>We shall provide a working paper requirements checklist together with links to appropriate guidance.</p>	<p>As reported in part 1 of this report, draft annual accounts were provided later than agreed and working papers were not provided to the required standards.</p> <p>We are content that following our audit review, that the financial statements have been prepared in line with appropriate guidance and there are no material misstatements.</p>

Audit risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Governance and transparency: development of governance arrangements</p> <p>The governance arrangements and general working relationships between commissioners and management continue to evolve.</p> <p>A number of key policies require to be finalised including the corporate risk register and business continuity plan. Budgetary control reports have to date been provided as verbal updates to commissioners.</p> <p>Until the governance arrangements and related relationships are completed and embedded into the ongoing organisational activity, there is a risk that senior managers and commissioners are unable to effectively fulfil their respective roles.</p>	<p>Review progress on finalising key policies.</p> <p>Review Internal Audit work on corporate governance arrangements.</p> <p>Monitor the ongoing development of the organisation through to steady state.</p> <p>Review budget monitoring information.</p> <p>Review disclosures in the governance statement.</p> <p>Review medium term financial planning arrangements.</p>	<p>The Scottish Fiscal Commission continues to develop their governance arrangements. Risk management processes have been agreed and the first corporate plan and annual business plan have been published.</p> <p>We raised some concerns around budgetary control processes.</p> <p>Refer to part 2 of this report.</p>
<p>4 Financial sustainability: Workforce planning</p> <p>As at March 2018, there were a number of unfilled vacancies across the organisation. In addition, several members of the senior leadership team were seconded from the Scottish Government.</p> <p>The Commission continues to develop and maintain its permanent staffing capacity going forward and as its responsibilities widen. As this work continues, there remains a risk that the Scottish Fiscal Commission has insufficient workforce capacity and capability to deliver its core and future expanding responsibilities.</p>	<p>Review Governance Board papers.</p> <p>Monitor staff costs financial performance against budget.</p> <p>Discussions with Scottish Fiscal Commission over workforce planning.</p>	<p>Senior management secondments largely continued during the year. As at August 2018 there were no unfilled vacancies and all senior staff were permanent with the exception of the Chief Executive whose assignment runs until 2021.. The finance officer is still being filled by a temporary member of staff rather than a permanent appointment. Management have advised that action has been taken to ensure that finance duties will be undertaken by permanent staff from September 2018.</p> <p>Refer to part 2 of this report.</p>

Appendix 3

Summary of national performance reports 2017/18



		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	 Scotland's colleges 2017
		Jul	 NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

Scottish Fiscal Commission

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