

Scotland Excel

2019/20 Annual Audit Report



 AUDIT SCOTLAND

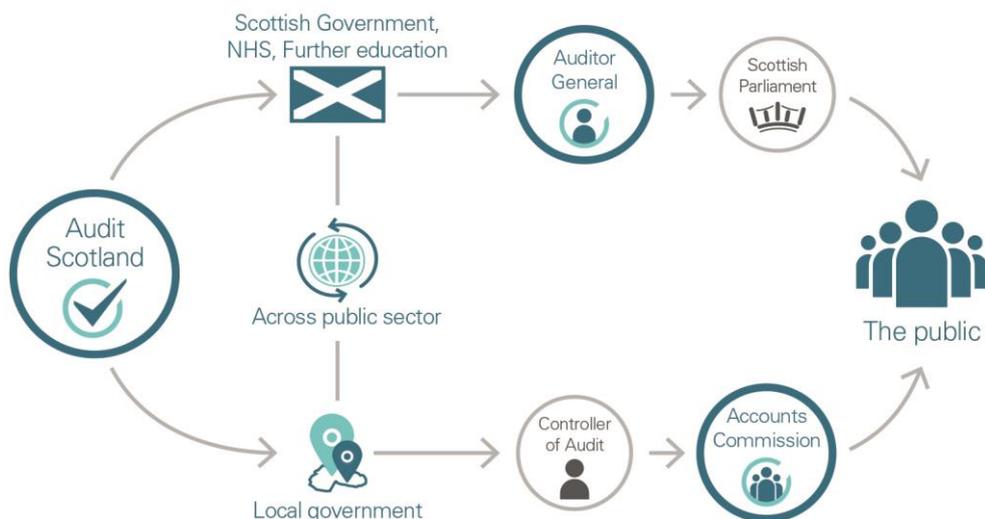
Prepared for Scotland Excel Executive Sub-Committee and the Controller of Audit

November 2020

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- The Auditor General for Scotland 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.
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- Audit Scotland is governed by a board, consisting of the Auditor General for Scotland, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



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- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual accounts

- 1** Our audit opinions on the annual accounts are unqualified and report that the accounts present a true and fair view of the financial position of Scotland Excel.
- 2** The Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.
- 3** On 16 July 2020, the UK Government released a consultation document on the remedy to the issues identified by the McCloud case. Scotland Excel has included an adjustment of £0.129 million in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy.
- 4** Covid-19 created additional challenges for both Scotland Excel and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

Financial sustainability

- 5** Scotland Excel achieved an overall surplus of £0.120 million in 2019/20. This comprised a deficit of £0.006 million for core services and a surplus of £0.126 million for projects. The deficit for core services included the planned application of £0.173 million of project surpluses.
- 6** The audited annual accounts for 2019/20 confirm a useable reserves balance of £0.998 million as at 31 March 2020. Reserves of £0.763 million have been earmarked for specific uses or projects and the remaining £0.235 million is uncommitted.
- 7** Future planning estimates a breakeven position in 2021/22 and 2022/23. Scotland Excel is sustainable into the foreseeable future, although it should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

Introduction

1. This report summarises the findings from our 2019/20 audit of Scotland Excel. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the 27 March 2020 meeting of the Executive Sub-Committee. This report comprises the findings from:

- an audit of the Scotland Excel annual report and accounts; and
- consideration of the financial sustainability and Annual Governance Statement.

2. After the publication of the Annual Audit Plan, in common with all public bodies, Scotland Excel has had to respond to the global coronavirus pandemic. The impact of the global coronavirus pandemic during the final month of 2019/20 will continue to be felt into financial year 2020/21 and beyond. This has, and will continue to have, significant implications for the provision and costs of services. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

3. Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We issued a paper, [Covid-19 How public audit in Scotland is responding](#), setting out Audit Scotland's strategy and approach to our financial and performance audit programmes. It provided detail about the scope, timing and areas of focus for our audit work.

Adding value through the audit

4. We add value to Scotland Excel through the audit by:

- having regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed and presenting to Executive Sub-Committee on key challenges in the Covid-19 environment
- sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2019/20 accounts within a revised annual accounts and audit timetable
- making use of remote working to meet the revised 27 November 2020 audited annual accounts deadline ahead of the new statutory deadline of 30 November 2020
- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence from our wider work programme with management and facilitating discussions with Audit Scotland colleagues in areas where Scotland Excel operates.

5. In so doing, we aim to help Scotland Excel promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

- 6.** Scotland Excel has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Scotland Excel is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
- 7.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on Scotland Excel's' Best Value arrangements is focussed on the bodies use of resources to secure financial sustainability.
- 8.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.
- 9.** The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2019/20 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2019/20 audit.
- 10.** This report raises matters from our audit. 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](#). It sets out specific recommendations, responsible officers and dates for implementation.

Auditor Independence

- 12.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £6,010 as set out in our Annual Audit Plan, remains unchanged.
- 13.** We are not aware of any relationships that could compromise our objectivity and independence.
- 14.** This report is addressed to both Scotland Excel and the Controller of Audit 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. This is especially appreciated during the particularly challenging circumstances arising due to the Covid-19 pandemic.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Our audit opinions on the annual accounts of Scotland Excel are unqualified and report that the accounts present a true and fair view of the financial position of Scotland Excel.

The Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

On 16 July 2020, the UK Government released a consultation document on the remedy to the issues identified by the McCloud case. Scotland Excel has included an adjustment of £0.129 million in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy.

Covid-19 created additional challenges for both Scotland Excel and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

Our audit opinions on the annual accounts are unmodified

16. The annual accounts are the principal means of accounting for the stewardship of Scotland Excel's resources and its performance in the use of those resources.

17. The annual accounts for the year ended 31 March 2020 were approved by the Executive Sub-Committee on 27 November 2020. As reported in the independent auditor's report:

- the financial statements give a true and fair view of the financial position of Scotland Excel and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report, Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

The annual accounts were signed off in line with the revised statutory deadline

18. The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local government body to determine its own revised timetable for the annual accounts. Scotland Excel did not need to use the powers in the 2020 Act to postpone the publication of the unaudited annual accounts, and these were submitted to us for audit on 27 June 2020 in line with the original timetable.

19. Remote working brought additional challenges to the audit process. This affected how we were able to work as an audit team and with Scotland Excel staff. Our planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards. Despite these challenges, we were able to deliver the audit in line with the revised statutory deadline.

No objections were received on the annual accounts

20. The Local Authority Accounts (Scotland) Regulations 2014 require a local government body to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. Scotland Excel complied with the regulations. There were no objections to the 2019/20 accounts.

Overall materiality is £67,000

21. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual accounts. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

22. On receipt of the unaudited annual accounts, we reviewed our assessment of materiality as summarised in [Exhibit 1](#). This had no impact on our audit approach, and we remained focussed on the significant audit risks for the 2019/20 accounts.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£67,000
Performance materiality	£50,000
Reporting threshold	£3,000

Source: Audit Scotland

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

23. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

We have no significant findings to report on the accounts, except for those included in Exhibit 2

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report around the qualitative aspects. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>Pension valuations – McCloud liability revision</p> <p>In January 2017, an employment tribunal ruled that a group of claimant judges had been subject to age discrimination when they were transferred to a new career average scheme, known widely as the McCloud case.</p> <p>On 16 July 2020, the UK Government released a consultation document on the remedy to the issues. This identified a proposed treatment for pension members affected.</p> <p>Following this Hymans Robertson (actuary) contacted Scotland Excel to advise them that the proposed remedy indicated that the estimated liability included in the IAS 19 report for 2019/20 should be reduced as the basis for determining who the remedy applied to was more onerous than the actuary's previous estimate.</p>	<p>Scotland Excel requested a revised valuation report from the actuary taking into account this remedy.</p> <p>The amendments resulted in a decrease of £0.129 million for the pension liability in the accounts.</p> <p>Conclusion: The accounts now include the revised estimate for "McCloud".</p>

Source: Audit Scotland

Other findings

25. Management recognised a provision of £54,035 in the 2019/20 financial statements in relation to untaken staff leave. This had been recognised as an accrual in prior years' financial statements. Following discussions with management, it was agreed that recognising this as a provision was not appropriate and should continue to be recognised as an accrual. Management agreed to this adjustment and reclassified the balance. As this was a classification adjustment, this did not impact on net expenditure for the year or the net Balance Sheet position.

26. Our work identified £37,917 of project income that related to services delivered in 2018/19, but this had been recognised as income in 2019/20. This resulted in income and reserves being understated in 2018/19 and income being overstated in 2019/20. Management processed an adjustment to recognise this income in the correct year and this has been reflected in the useable reserves balance in both years. The usable reserves balance as at 31 March 2020 is unchanged by this adjustment.

Adjustments of £0.221 million were processed in the annual accounts. These were greater than out performance materiality, but we did not need to revise our audit approach

27. Total adjustments of £0.221 million were processed in the financial statements. These related to the pension liability discussed in [Exhibit 2](#) and adjustments discussed in paragraphs 25 and 26. We have concluded that the adjustments were due to the specific circumstances around the item in question, were isolated and identified in their entirety and do not indicate systemic error.

28. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. Although, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

29. There were no adjustments, other than those outlined at paragraph 27, above our reporting thresholds identified from our audit.

Part 2

Financial sustainability and Annual Governance Statement



Main judgements

Scotland Excel achieved an overall surplus of £0.120 million in 2019/20. This comprised a deficit of £0.006 million for core services and a surplus of £0.126 million for projects. The deficit for core services included the planned application of £0.173 million of project surpluses.

The audited annual accounts for 2019/20 confirm a useable reserves balance of £0.998 million as at 31 March 2020. Reserves of £0.763 million have been earmarked for specific uses or projects and the remaining £0.235 million is uncommitted.

Future planning estimates a breakeven position in 2021/22 and 2022/23. Scotland Excel is sustainable into the foreseeable future, although it should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

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.

Financial performance in 2019/20

30. The Joint Committee approved the 2019/20 budget in December 2018 and some minor adjustments were made to the budget over the year. Budgeted income for core services was £4.002 million and budgeted expenditure was £4.016 million, resulting in a budgeted deficit of £0.014 million. This position included £0.120 million planned use of reserves and the application of net project income of £0.173 million (i.e. the budgeted surplus from projects). Budgeted income for projects was £1.601 million and budgeted expenditure was £1.428 million, resulting in the budgeted surplus of £0.173 million outlined above.

31. The 2019/20 budget included a two per cent increase in requisition income that was approved by the Joint Committee. This resulted in requisition income increasing from £3.484 million in 2018/19 to £3.554 million in 2019/20.

32. An overall surplus of £0.120 million was achieved in 2019/20 and this was driven by income generated from projects ([Exhibit 3](#)). Actual outturn for core services was expenditure of £4.067 million and income of £4.061 million, resulting in a deficit of £0.006 million.

33. The planned use of reserves of £0.120 million outlined above was not required. Actual outturn for projects was expenditure of £1.805 million and income of £2.105 million. This resulted in a gross surplus of £0.299 million, with £0.173 million of this being applied to core services, resulting in a net surplus of £0.126 million. The main factors that contributed to variances between budget and actuals are set out in the Management Commentary in the annual accounts.

Exhibit 3

Budgeted and actual outturn

	Income (£m)	Expenditure (£m)	Net (income) / expenditure (£m)	Application of project income (£m)	Outturn (£m)
Budgeted core	(3.829)	4.016	0.187	(0.173)	0.014
Budgeted project	(1.601)	1.428	(0.173)	0.173	-
Budgeted total	(5.430)	5.534	0.014	-	0.014
Actual core	(3.888)	4.068	0.179	(0.173)	0.006
Actual project	(2.105)	1.805	(0.299)	0.173	(0.126)
Actual total	(5.993)	5.873	(0.120)	-	(0.120)
Variance core	(0.059)	0.052	(0.008)	-	(0.008)
Variance project	(0.504)	0.377	(0.126)	-	(0.126)
Variance total	(0.563)	0.429	(0.134)	-	(0.134)

Source: Scotland Excel's annual accounts 2019/20

34. The overall surplus of £0.120 million resulted in useable reserves increasing from £0.878 million in 2018/19 to £0.998 million as at 31 March 2020. Reserves of £0.763 million have been earmarked for specific use or projects. The remaining £0.235 million is uncommitted and can be applied to any aspect of service delivery.

35. The uncommitted reserves balance represents 5.6 per cent of net service expenditure. This is considered to be a prudent level of uncommitted reserves and will provide management flexibility to address unplanned and unforeseen developments if they occur.

Short term financial planning

36. The largest source of income for Scotland Excel is requisitions from members of the Joint Committee. However, the level of income generated from other sources has increased in recent years and makes up approximately 35 per cent of total income in 2019/20. The other sources of income include rebates, associate memberships, projects and the Academy.

37. The Joint Committee approved the 2020/21 budget in December 2019. Budgeted income and expenditure for core services was £4.372 million, resulting in a breakeven position. Budgeted income included £0.120 million planned use of reserves and net project income of £0.315 million (i.e. the budgeted surplus from projects). Budgeted income from projects was £1.996 million and budgeted expenditure was £1.681 million, resulting in the project surplus of £0.315 million applied to core services.

38. A three per cent increase in requisition income was also agreed by the Joint Committee and this resulted in requisitions increasing from £3.554 million in 2019/20 to £3.660 million in 2020/21.

39. Delivery of plans over the year will allow Scotland Excel to achieve a breakeven position in 2020/21. However, new uncertainties have arisen since the approval of the budget due to the Covid-19 pandemic and this could have a significant impact on Scotland Excel's ability to achieve planned income and surpluses from projects. Further details on the impact of Covid-19 are outlined in the section below.

Medium term financial plans are in place but will have to be updated for the impact of Covid-19

40. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

41. As part of the budget setting process, revenue estimates are prepared for a three-year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

42. Forecasts up to 2022/23 were included within the 2020/21 budget. The forecasts estimate a breakeven position in 2021/22 and 2022/23. This position is based on a three per cent increase in requisition income for 2021/22 with no increase proposed in 2022/23. This position also assumes surpluses from projects of £0.395 million in 2021/22 and £0.327 million in 2022/23 will be achieved.

43. From the work carried out, we have concluded that Scotland Excel has sound financial planning arrangements in place however cost pressures continue as outlined above.

44. Covid-19 is expected to have a considerable impact on public sector organisations in the coming years and will affect the way they deliver services and on their financial position. Many organisations have seen increased costs in responding to the pandemic and income generated from services has also been impacted. Scotland Excel's funding model relies on both requisition income and generated income to allow Scotland Excel to develop as an organisation.

45. Due to the additional challenges presented by the Covid-19 pandemic, the existing financial outlook will require to be reviewed to ensure it remains relevant and appropriate. It is important that Scotland Excel updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

46. In addition to the pressures presented by Covid-19, the UK's withdrawal from the European Union could present challenges to many organisations and businesses. Scotland Excel has documented a summary position regarding key commodity areas that have been impacted, and are likely to be further impacted, if a second wave of Covid-19 peaks in Scotland at the same time as the potential of a "No Deal" withdrawal from the European Union. Scotland Excel will continue to develop further contingency planning and work with all partners and stakeholders.



Recommendation 1

Scotland Excel should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.

Annual Governance Statement

47. Our review of the Annual Governance Statement assessed the assurances which are provided to the Director regarding the adequacy and effectiveness of the Joint Committee's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal

Auditor's annual assurance statement concluding that 'a reasonable level of assurance can be placed upon the adequacy and effectiveness of Scotland Excel's internal control, risk management and governance arrangements'.

48. We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial Sustainability</p> <p>The Covid-19 pandemic has introduced further financial challenges for the organisation.</p> <p>Risk:</p> <p>Scotland Excel may not be able to deal with future financial challenges without adversely impacting service delivery.</p>	<p>Update medium-term financial plans to reflect the impact of Covid-19 at the earliest appropriate opportunity.</p>	<p>Financial impacts of the pandemic will continue to be reported to the Executive Sub-Committee along with regular budget monitoring updates. The Revenue Estimates for 2021/22 to 2023/24 will take cognisance of medium-term effects of COVID-19 on Scotland Excel's ability to recruit staff and generate income, as appropriate.</p> <p>Responsible officer: Treasurer and Chief Executive</p> <p>Agreed date: 31 December 2020</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.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by 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 to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2 Risk of material misstatement caused by fraud over income</p> <p>As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be materially misstated in the financial statements.</p> <p>While the majority of Scotland Excel's income is requisitions from member authorities, a significant amount is generated through projects and other work. The extent and complexity of this other income means that there is an inherent risk of fraudulent or erroneous reporting of income to achieve a desired financial position.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of income transactions focusing on whether income is processed in the correct accounting year.</p>	<p>Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over income.</p>
<p>3 Risk of material misstatement caused by fraud over expenditure</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions</p>	<p>Analytical procedures were carried out over all expenditure streams and satisfactory</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>Scotland Excel incurs expenditure on a range of activities. The extent and complexity of expenditure means that there is an inherent risk of fraudulent or erroneous reporting of expenditure to achieve a desired financial position.</p>	<p>focusing on whether expenditure is processed in the correct accounting year.</p>	<p>responses were provided for all significant variances.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over expenditure.</p>
<p>4 Risk of material misstatement caused by accounting for pensions</p> <p>Scotland Excel recognised a net liability of £3.621 million relating to its share of Strathclyde Pension Fund at 31 March 2019. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.</p> <p>Additionally, successful legal action was brought against the UK government in relation to pension schemes for judges and firefighters in 2018/19, on the grounds of age discrimination. The judgements for these pension schemes will impact on Strathclyde Pension Fund as it had similar arrangements in place. Uncertainty remains over the remedy for the legal judgements. The expected impact of the legal judgements, or remedy if agreed, will need to be reflected in the pension fund liability valuation in 2019/20.</p>	<p>Completion of 'review of the work of Management's expert' for the pension fund actuary.</p> <p>Review of the estimates used, and assumptions made in calculating the pension fund liability.</p>	<p>A review of the actuary and the assumptions made in calculating the estimated pension liability was carried out and found the approach and assumptions used by the actuary to be reasonable and in line with expectation.</p> <p>As outlined in Exhibit 2, an adjustment was processed to reflect an updated estimate of the impact of the McCloud legal judgement.</p> <p>Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.</p>

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

<p>5 Financial sustainability</p> <p>The 2019/20 Revenue Estimates highlight increasing operating costs in the medium-term, putting pressures on available resources. Part of these pressures are being mitigated by increasing income and surpluses from projects. However, the</p>	<p>Review of budget monitoring reports and future Revenue Estimates and discussions with management on Scotland Excel's medium-term financial position.</p> <p>Conclude on financial position and financial</p>	<p>A review of budget monitoring reports and the financial statements highlight reserves have increased in year. Breakeven budgets are forecast in the medium-term to 2022/23 and will require the use of reserves and / or surpluses from projects to support core services.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>extent and timing of project income is not certain and varies year to year. Even with increases in project income and surpluses, it is likely savings will be required in the medium term to achieve a breakeven position and maintain reserves at an appropriate level.</p>	<p>sustainability within the Annual Audit Report.</p>	<p>Covid-19 will present additional challenges and the existing financial outlook is no longer accurate. It is important that Scotland Excel updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.</p> <p>Conclusion: Scotland Excel continues to operate in a challenging financial climate. Medium-term financial plans should be updated to reflect the impact of Covid-19.</p>

Scotland Excel

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