Annual Audit Report for Mental Welfare Commission for Scotland

Financial year ended 31 March 2024

Prepared for those Charged with Governance and the Auditor General for Scotland

25 June 2024

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Mental Welfare Commission for Scotland or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary (1)

This table summarises the key findings and other matters arising from the external audit of Mental Welfare Commission for Scotland and the preparation of the financial statements for the year ended 31 March 2024 for those charged with governance (Audit, Performance and Risk Committee) and the Auditor General for Scotland.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The Commission's financial statements give a true and fair view of the financial position of the Commission at 31 March 2024, and of the net expenditure of the Commission for the year then ended;
- the Commission's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (FReM);
- the Commission's financial statements and the audited parts of the Remuneration Report and Staff Report have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the Governance Statement is prepared in accordance with the FReM and NHS Scotland Manual for Accounts.

We are required to report whether other information published together with the audited financial statements in the Annual Report and Accounts is consistent with the financial statements and has been prepared in accordance with the requirements.

We are required to express an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

We issued an unmodified opinion on 25 June 2024. We have concluded that the other information to be published alongside the financial statements is consistent with our knowledge of the Commission.

Our audit work on the Remuneration and Staff Report, subject to audit, has been prepared in accordance with requirements. We have concluded the work on the Governance Statement has been prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The Annual Report and Accounts were presented for audit to agreed deadlines on 10 May. Officers kept us informed about the draft financial statements progress.

The trial balance presented for audit was not fully complete. There were nine adjustment journals (considered Period 13 journals) which Mental Welfare Commission had not sent to Scottish Government to be posted prior to the start of our audit. The accounts presented for audit showed the position as if these journals had been posted and we confirmed as part of our audit procedures that this process had been carried out correctly. However, the fact these journals had not been posted added additional complexity to some of our audit procedures, particularly our agreement of balances and sample selection, as we needed to consider the impact of the Period 13 journals when carrying out our audit work.

The finance team have been very helpful in supporting the audit process, and in the timeliness in answering queries and providing evidence to samples and working papers.

Executive Summary (2)

Financial Statements

There were two adjustments made to the primary financial statements of Mental Welfare Commission for Scotland that were identified by the audit team.

These adjustments related to:

- The recording of the new five-year lease liability as a right of use asset of £0.818 million and the corresponding lease liability of £0.818 million within the Statement of Financial Position. The new lease liability was agreed post-year end and was not reflected in the draft version of the financial statements presented for audit. The overall impact of the error is nil as there was both an asset and a liability. This issue also impacted prior period balances and a prior period adjustment disclosure note was added to the notes to the accounts.
- The Statement of Cash Flows presented for audit was not complete. Whilst the final closing cash position agreed to the bank letter, the adjustments did not total correctly. This was a result of the Mental Welfare Commission not including the repayment of borrowings and leasing liabilities figure of £0.163 million required as part of the IFRS 16 entries.

Further detail is set out at page 26 of this report.

We also identified one further potential misstatement during the audit from our testing relating to expenditure which should have been recorded in 2022/23. This totalled £0.030 million and was not material. Management have decided not to adjust the financial statements for this misstatement as it had no material impact on the financial statements. Further detail is set out in Appendix 1.

We have raised five financial statements recommendations for management as a result of our audit work on the financial statement and one further recommendation based on the results of our wider scope audit work. These are set out in Appendix 2 and Appendix 3 and will aid the future closedown process.

Our follow up of the seven recommendations made as part of our 2022/23 audit are detailed in Appendix 4. Progress towards these recommendations is as follows:

- Two recommendations have been superseded by recommendations made as part of the 2023/24 audit
- Three recommendations remain valid and have been carried forward into our 2024/25 audit
- Two recommendations have been closed.

Executive Summary (3)

Financial Statements

Our audit team and the Commission finance team continue to work together to complete the audit.

As an audit team we have focused on concluding our work on the significant audit risks and the significant classes of transactions. These are the areas of the accounts that are, in our view, at greater risk of material misstatements, with a potential to impact our auditor's opinion.

We have completed our work, and we presented the Annual Audit Report to the Audit, Performance and Risk Committee on 17 June 2024. Any outstanding work noted in the Annual Audit Report at that date is now cleared.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team.

Executive Summary (4)

Wider Scope

In accordance with Code and supporting guidance: “supplementary guidance - wider scope audit, less complex bodies and best value”, we have concluded that Mental Welfare Commission for Scotland is a ‘less complex body’ and therefore, carried out more limited wider scope work.

As required by the Code and this supporting guidance. we have assessed both the quantitative and qualitative risk factors related to Mental Welfare Commission for Scotland and concluded that Mental Welfare Commission for Scotland qualifies for this exemption for 2023/24.

A review of the Annual Governance Statement and concluding on financial sustainability are the areas of scope for the wider scope work.

We did not raise any significant issues in relation to the disclosure within the Annual Governance Statement.

With regard to financial sustainability, Mental Welfare Commission received a letter of intent on 07 May 2024 detailing the funding allocation for 2024/25. The late confirmation of this funding has presented some difficulties with forward financial planning. We have raised a wider scope recommendation around longer-term financial planning (see wider scope conclusions and Appendix 3).

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year at Mental Welfare Commission for Scotland. The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2023/24 have been:

- An audit of the Commission's annual report and accounts for the financial year ended 31 March 2024 [findings reported within this report];
- Consideration of the wider scope work and the exemption applied, as set out in Audit Scotland's Code of Audit Practice 2021 ('the Code') [within this report];
- Any other work requested by Audit Scotland.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

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

Responsibilities

The Commission has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The Commission is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

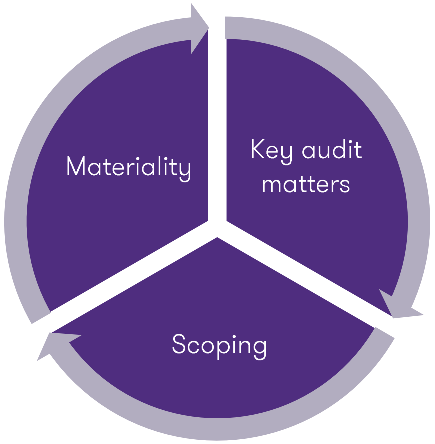
The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to the Commission throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward-looking recommendations where we identify areas for improvement and encourage good practice around financial management and financial sustainability, risk management and performance monitoring. In so doing, we aim to help the Commission promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Overall materiality

Commission: £116,960, which represents 2% of the Commission's gross expenditure. (Prior Year: £87,000 and 1.75%)

This has increased from the Audit Plan value of £101,000 due to the update of materiality based upon the values within the 2023/24 draft financial statements.

Key audit matters

We did not identify any key audit matters at the planning stage or during the audit.

Significant and other risks

We identified the following significant risks:

- Management override of controls (ISA (UK) 240); and
- Risk of fraud in expenditure recognition – non payroll expenditure (cut-off) (PN10).

Internal control environment

In accordance with ISA requirements we have developed an understanding of the Commission's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Recap of our audit approach and key changes in our audit strategy

Since we issued our audit plan, the only risk that has changed is in relation to the migration of data of the finance system. This is not a risk in 2023/24 as the date of implementation has changed, and we will cover this risk in our 2024/25 Plan.

Status of Audit Work

Our audit team and the Commission finance team continue to work together to complete the audit.

As an audit team we have focused on concluding our work on the significant audit risks and the significant classes of transactions. These are the areas of the accounts that are, in our view, at greater risk of material misstatements, with a potential to impact our auditor's opinion.

We have completed our work, and we presented the Annual Audit Report to the Audit, Performance and Risk Committee on 17 June 2024. Any outstanding work noted in the Annual Audit Report at that date is now cleared.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

Our audit opinion

Auditor's report on the financial statements

We issued an unmodified opinion on 25 June 2024.

We draw your attention to two adjusted misstatements to the primary statements, in relation to the recognition of the new building lease as a Right of Use asset in the 2023/24 Statement of Financial Position.

The impact upon the financial statements is neutral as there is an associated asset and liability balance of £0.818 million and the adjustments are noted at Appendix 1.

There is one unadjusted misstatements at Appendix 1. There is no impact upon the proposed opinion for the unadjusted misstatements identified. These are set out at Appendix 1.

As reported in the independent auditor's report, our opinion covers:

- The Commission's financial statements give a true and fair view of the financial position of the Commission at 31 March 2024, and of the net expenditure of the Commission for the year then ended;
- the Commission's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (FReM);
- expenditure and income were in accordance with applicable enactments and guidance (regularity);
- the Commission's financial statements and the audited parts of the Remuneration and Staff Report have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the Governance Statement is prepared in accordance with the FReM and NHS Scotland Manual for Accounts.

Our work relating to the review of the Annual Report and Annual Governance Statement is complete and we have no significant or material matters to report to you.

Receipt of the draft financial statements

We received the first draft of the financial statements, including supporting working papers, on 10 May 2024, in line with the agreed timetable. The first draft of the financial statements received did not include all the entries and disclosures, as Mental Welfare Commission had not passed on nine journal entries to Scottish Government. This led to difficulties in reconciling the draft financial statements to the trial balance. This has led to additional audit work needing to be performed on in order for us to gain assurance that the balances in the financial statements were correct. A recommendation has been added for this issue at Appendix 2.

All amendments have been adjusted in the final set of financial statements and are set out at Appendix 1.

There were several issues noted in our review of the financial statements whereby figures did not add up correctly. There were also instances where disclosures were presented incorrectly and required to be updated in the finalised version of the financial statements presented to the Board for approval.

An improved quality review of the account prior to presentation will aid these issues. A recommendation has been added for this issue at Appendix 2.

Financial performance during 2023/24

The Scottish Government requires Mental Welfare Commission to meet two key financial targets:
- Revenue resource limit
- Capital resource limit

Mental Welfare Commission's financial performance can be seen in the table below:

	Resource Limit £'000	Outturn Expenditure £'000	Variance (over) / under £'000
Core Revenue Resource Limit	6,191	5,627	564
Non-core Revenue Resource Limit	58	58	-
Total	**6,249**	**5,685**	**564**
Core Capital Resource Limit	151	163	(12)
Total	**6,400**	**5,848**	**552**

Mental Welfare Commission for Scotland achieved a budget surplus of £0.564 million against its Revenue Resource Limit and a £0.012 million deficit on its Core Capital Resource Limit. Mental Welfare Commission agreed with the Scottish Government that the deficit on the Core Capital Resource Limit could be offset against the revenue budget surplus.

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Financial performance during 2023/24 (cont.)

Mental Welfare Commission did not receive confirmation of its funding allocation for 2023/24 until late August 2023. Following confirmation of the funding, a revised budget was presented to the Board in November 2023.

On receipt of the final budget letter, the revenue funding allocation was as follows:

- core funding allocation of £4.900 million.
- funding received in relation to the Death in Detention Review (DIDR) of £0.300 million
- funding received in relation to the joint project to allow a Practitioner from the Commission to develop masterclasses to provide multidisciplinary learning opportunities of £0.155 million
- further funding for the IMS Replacement Project of £0.836 million.

As outlined on the table at page 11, core commission costs were significantly below budget for the year (£0.564 million). A significant amount of this underspend was used to fund the sustained higher levels of DMP fees in 23/24. Total DMP fees for the year were £0.604 million.

The core capital resource related to funding of £0.151 million for office lease costs. Total expenditure in the year was £0.163 million, an overspend of £0.012 million. Mental Welfare Commission confirmed with their sponsor department that the overspend could be covered by the underspend in the core revenue budget noted above.

A non-core revenue resource limit was provided of £0.058 million to cover depreciation of the building in 2023/24.

Due the late confirmation of the 2023/24 budget, this has added complexity around Mental Welfare Commission's ability to forward plan. Further detail around this can be found in the Wider Scope section of our report at page 34.

The Remuneration Report provides detail on Mental Welfare Commission's sickness absence data during 2023/24. There was a marked increase to 5.21% in 2023/24 (2022/23 - 2.15%) due to longer-term staff absences. As Mental Welfare Commission have a relatively small workforce, absences of this type can have a significant impact on this percentage.

Our application of materiality (1)

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Basis for our determination of materiality

- **Materiality for financial statements as a whole** - We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
- **Performance materiality used to drive the extent of our testing** - We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
- We have determined planning materiality in the context of our knowledge of the business, including consideration of factors such as key stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.
- We have used gross expenditure as the basis for determining materiality. Our materiality set was £116,960 representing 2% of gross expenditure (Prior Year: £87,000 and 1.75%).

Specific materiality

- We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
- Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We apply heightened auditor focus in the completeness and clarity of disclosures in this area and request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.
- Lower materiality of £25,000 was determined for the auditable elements of the Remuneration and Staff Report.

Reporting threshold

- We determine a threshold for reporting unadjusted differences to the Audit, Performance and Risk Committee.
- We will report to you all misstatements identified in excess of £5,800, in addition to any matters considered to be qualitatively material.

Our application of materiality (2)

As communicated in our Audit Plan dated 12 February 2024, we determined our materiality at the planning stage as £101,000 based on 2% of gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements for 2023/24. Materiality was determined as follows:

Materiality for financial statements as a whole	Commission
Materiality threshold	Overall materiality has been set at £116,960 which represents 2% of the Commission's gross expenditure. Overall materiality is £29,960 higher than the materiality level set in the prior year audit.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.
Significant revision of materiality threshold that was made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual expenditure for the year ended 31 March 2024 and adjusted our audit procedures accordingly.

Performance materiality (used to drive the extent of our testing)	Commission
Materiality threshold	Performance materiality for the year has been set at £87,720 which represents 75% of financial statement materiality. Performance materiality is £31,170 higher than the materiality level set in the prior year audit.
Significant judgements made by auditor in determining the materiality	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the significant judgement in selecting a lower level of performance materiality as first year auditors.
Significant revision of materiality threshold that was made as the audit progressed	We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial performance materiality based on actual expenditure for the year ended 31 March and adjusted our audit procedures accordingly.

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Commission's business and in particular matters related to:

Understanding the Commission and the environment and controls

The engagement team obtained an understanding of the Commission, and its environment, including controls, and assessed the risks of material misstatement.

Work to be performed on financial information of the Commission

The engagement team carried out testing on material balances and transactions.

Changes in approach from the Plan

Since we issued our audit plan, the only risk that has changed is in relation to the migration of data of the finance system. This is not a risk in 2023/24 as the date of implementation has changed, and we will cover this risk in our 2024/25 Plan.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Mental Welfare Commission for Scotland and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2023/24 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, concerning the Commission's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Commission's financial statements to material misstatement, including how fraud might occur, by evaluating officers incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Commission's financial performance for the year and the risk of fraud in expenditure recognition. Our audit procedures are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - Mental Welfare Commission for Scotland, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Commission's control environment, including the policies and procedures implemented by the Commission to ensure compliance with the requirements of the financial reporting framework.

Overview of audit risks

The table below summarises the significant and other risks discussed in more detail on the subsequent pages.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work
Management override of controls	Significant	↔	✓	×	Low	Substantive	●
Risk of fraud in expenditure	Significant	↔	✓	×	Medium	Substantive	●

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

Green - Not considered likely to result in material adjustment or change to disclosures within the financial statements

Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements

Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks and Key Audit Matters (1)

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Key audit matters

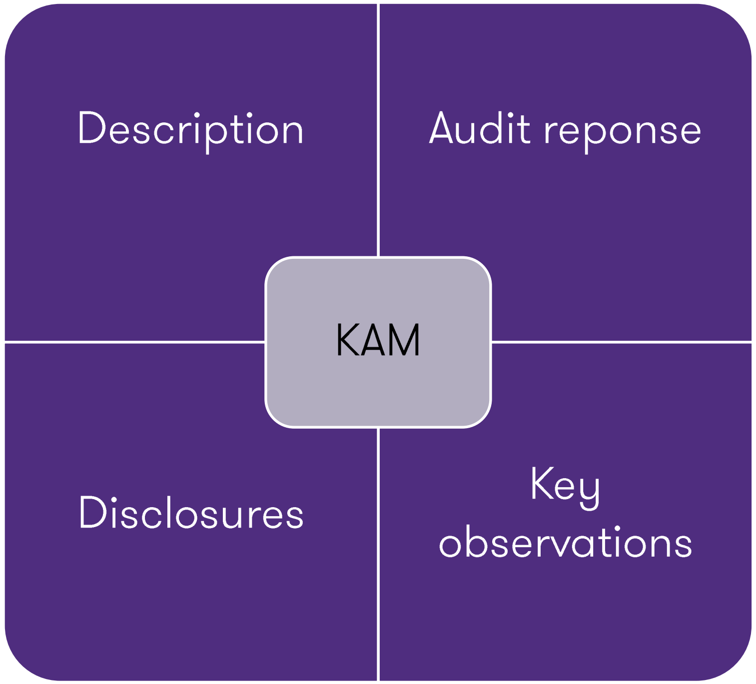
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Commission's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have not identified any key audit matters.



Other risks

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Significant risks and Key Audit Matters (2)

Significant risk in our Audit Plan	How our scope addressed the matter
Risk 1: Management Override of Controls (as required by Auditing Standards – ISA (UK) 240) As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions. All journals are posted by Scottish Government into the centralised SEAS accounting system. Therefore the risk of management override is lower if management do not have an ability to override journals. Our testing approach therefore covered any journals that were posted internally and those that were requested to be posted by officers to Scottish Government.	In response to the risk highlighted in the audit plan we carried out the following work: • Documented our understanding of and evaluated the design effectiveness of management's key controls over journals; • Analysed your full journal listing for the year and used this to determine our criteria for selecting high risk journals; • Tested the high-risk journals we have identified; • Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness; • Gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates.; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Our results** Our testing of journals has not identified any issues to bring to your attention and we have not identified any indication of management override of controls. The trial balance presented for audit was not fully complete. There were nine adjustment journals (considered Period 13 journals) which Mental Welfare Commission had not sent to Scottish Government to be posted prior to the start of our audit. The accounts presented for audit showed the position as if these journals had been posted and we confirmed as part of our audit procedures that this process had been carried out correctly. Once these journals have been posted by Scottish Government, we have requested that Mental Welfare Commission provide the audit team with a revised trial balance, which we will review and agree to the financial statements as part of our review over closing balances.

Significant risks and Key Audit Matters (3)

Other significant risks identified in our Audit Plan	Commentary
Risk 2: Risk of fraud in expenditure As set out in practice note 10 (Revised 2020) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition. Mental Welfare Commission for Scotland's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such, we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area. We therefore focus our risk on the following non-payroll expenditure streams: other operating expenditure. Our testing will include a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals and provisions, in relation to non-payroll/non finance expenditure.	In response to the risk highlighted in the audit plan we carried out the following work: • Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the NHS Accounting Manual and FReM; • Performed detail testing of expenditure transactions at and around year end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period; and • Reviewed the judgements and estimates made by management when recognising accruals and provisions at year end within the financial statements and where appropriate challenge management accordingly • Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll expenditure. **Our results** Our testing of the risk of fraud in expenditure did not identify any material issues in relation to expenditure recognition. We did identify an issue in our audit testing of inward secondees where two invoices related to 2022/23 were incorrectly recorded in 2023/24. These costs should have been accrued at the end of 2022/23. As the invoices totalled £0.030 million and are below performance materiality, Mental Welfare Commission have not adjusted the accounts. We have noted this as an unadjusted misstatement in Appendix 1 of this report.

Other risks

Other risks identified in our Audit Plan	Commentary
Migration of data to the new finance system is not accurate and complete. As part of its corporate transformation, the Scottish Government Shared Services Programme (SSP) is set to deliver a new HR and Finance system (Oracle Cloud), which replaces decades-old systems and is expected to provide shared services to the Scottish Government core and over 30 other public bodies including Mental Welfare Commission for Scotland. The go-live date for the project was April 2024 however, this has been delayed due to several issues and the new implementation date is to be confirmed.	In response to the risk highlighted in the audit plan we carried out the following work: • Obtained an understanding of the implementation position and updates in terms of the go-live date. **Our results** The Shared Services Programme, originally scheduled to go-live on 1st April 2024, was delayed at the beginning 2024 and a revised implementation date of 1st October 2024 has been confirmed for both the HR and Finance systems. A previously proposed move to set up all entities currently operating within the SG ledger with their own bank accounts has been postponed. The way the Commission interacts with Scottish Government payroll will still change from 1st October 2024. This will now be online and training will be required for all staff. Finance and HR staff are responding to requests for information and testing of data from the SG project team as they arise. As at May 2024, Mental Welfare Commission staff have yet to have any training on how to use the new software, but this is expected to be delivered shortly. Due to the delay in the implementation of the new finance system until October 2024, this risk will therefore be considered and reviewed as part of our 2024/25 programme of audit work. This work will include a review over the process of moving balances to new system and confirming how Mental Welfare Commission gained comfort that the process had been successful.

Financial Statements – key judgements and estimates (1)

As required in the Commission's Accounting Polices note, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – key judgements and estimates (2)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Property, Plant and Equipment and Right of Use asset: depreciation including useful economic lives (UELs). – **£0.210 million**	Mental Welfare Commission for Scotland's approach to depreciation is set out in accounting policies: **Note 1e – Property, plant and equipment and right of use asset - depreciation** Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Property assets lives are provided by the appointed valuer. Assets which are held in the course of construction are not depreciated until the asset is brought into use by the Commission.	Our testing of both property, plant and equipment included reviewing the useful lives of assets. **Conclusion** We were able to gain reasonable assurance over the depreciation charge of property, plant and equipment and the right of use asset. Our work is concluded in this area, and we have no matters to raise.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – key judgements and estimates (3)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Accruals - £0.244 million Note 10 Trade and other payables	Mental Welfare Commission for Scotland accrues for expenditure to ensure that all expenditure that is incurred during the financial year, but has not yet been billed, invoiced or paid for, is recording in the year to which it relates. Mental Welfare Commission for Scotland has one main type of accruals: Manual accruals These are largely based on non-purchase order-based accruals. Examples include second opinion doctor fees accruals and agency cost accruals. These are often based on best available information.	We have performed substantive testing on a sample of accruals. Our work has identified two minor trivial errors that do not require reporting or amendments. **Conclusion** Our work is concluded in this area, and we have no matters to raise.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – key judgements and estimates (4)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Assessment of leases – £0.818 million Net book value of right of use assets (Note 7a)	Mental Welfare Commission for Scotland determines the amounts to be recognised as the lease liability as the present value of the payments for the remaining lease term, net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. Right-of-use assets held under "peppercorn" leases are measured at existing use value.	We reviewed your assessment of the estimate considering the requirements of ISA (UK) 540 requirements. Please see page 26 which provides full details on the outcome of the work performed over the assessment of lease. **Conclusion** Our work is concluded in this area. The right of use asset and lease liability are now being reflected in the accounts and we can confirm the disclosure is appropriate following the amendments processed.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Audit findings– significant matters discussed with management

Significant matter	Commentary	Outcome
Assessment of leases – £0.818 million IFRS 16 was implemented by central government bodies under the FReM from 1 April 2022. Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to exemptions). IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	The Statement of Financial Position included in the draft financial statements outlined that the net book value of both the right of use asset and the lease liability was £0. This was due to the previous lease of the building expiring in March 2024. Post-year end, Mental Welfare Commission agreed a five-year extension to the lease of the building. This new lease agreement should have been reflected in the financial statements. Mental Welfare Commission carried out an assessment of the terms of the new lease agreement and calculated the updated value of the right of use asset in line with IFRS 16. The impact of this assessment was that an updated right of use asset totalling £0.818 million and a subsequent lease liability which also totalled £0.818 million should be included in the Statement of Financial Position at 31st March 2024. The above also has implications on the opening balance position which requires to be updated to reflect the impact of the new lease. As such, a prior period adjustment disclosure note needed to be included in the 2023/24 accounts. The impact of the prior period adjustment is neutral with an associated asset and liability balance.	We reviewed the underlying calculations completed by Mental Welfare Commission and confirmed the updated value of the right of use asset and lease liability had been calculated in line with the requirements of IFRS 16. The assessment of the lease liability involved performing a present value calculation and we confirmed the correct discount rate was used in calculating the total liability. A Right of Use asset of £0.818 million and a Lease Liability of £0.818 million is now included on the Statement of Financial Position and the associated disclosures. A prior period adjustment note was added at Note 2 of the accounts which provided context on the reasoning for the adjustment required to opening balances. Our work is concluded in this area, and we have no matters to raise.

Other key elements of the financial statements (1)

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is the Commission's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding the Commission's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of Mental Welfare for Scotland's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix 1.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at the Commission.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified from work performed.

Other key elements of the financial statements (2)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Governance Statement is consistent with the financial statements and prepared in accordance with the requirements of the NHS Scotland Manual for Accounts and the FReM. The Governance Statement is included within the Accountability Report and sets out how the Commission has been governed during 2023/24 and would reference any significant issues to the date of the audit opinion. The report sets out how Mental Welfare Commission for Scotland has been governed during 2023/24, including membership and organisation of its governance structures and how they support the achievement of the Board's objectives. The report includes the Directors' Report, the Statement of Board Members' Responsibilities and the Governance Statement and has been prepared in accordance with the FReM and NHS Scotland Manual for Accounts. Wider assurances through financial and non-financial performance and internal controls and governance arrangements, provide assurances to the Chief Executive to express an opinion on the status of governance arrangements during the year for the purposes of updating the governance statement in the annual report. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Opinion on other aspects of the annual report and accounts	We are required to given an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been properly in accordance with the requirements of the National Health Service (Scotland) Act 1978, and directions thereunder. We have identified minor changes to the disclosures, which are reported fully in Appendix 1.

Other key elements of the financial statements (3)

Issue	Commentary
Regularity	The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance Accountability (Scotland) Act 2000. In our opinion in all material aspects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
Written representations	A letter of representation has been requested from the Commission as required by auditing standards. We have not requested any specific representations in this letter.
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Commission recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by Mental Welfare Commission for Scotland meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management's (senior officer's) assessment of the appropriateness of the going concern basis of accounting and conclude that: • a material uncertainty related to going concern has not been identified • management's (senior officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other key elements of the financial statements (4)

Issue	Commentary
National Fraud Initiative	The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including the Commission, receive matches for investigation. No issues were identified to highlight to the Committee and the Commission continue to be committed to the NFI exercise. A recommendation was raised during the 2022/23 audit on Mental Welfare Commission's approach to NFI and an update has been provided at Appendix 4. Mental Welfare Commission had not progressed this recommendation during 2023/24 but have confirmed they will review the self-appraisal checklist in 2024/25.
Review of accounts consolidation schedules and specified procedures on behalf of the group auditor	In line with ISA (UK) 600, the Scottish Government audit team are required to evaluate and review the work performed by component auditors in relation to the significant risks of material misstatement for the purpose of their group audit. As Mental Welfare Commission falls within the Scottish Government consolidation boundary, they must submit an audited consolidation pack to the Scottish Government once the annual accounts have been audited. This information is used by the Scottish Government to prepare its consolidated accounts and must be provided to the Scottish Government by 29th August 2024. Following the submission of the data by Mental Welfare Commission, we are required to provide an audited consolidation pack, a signed consolidation certificate and signed accounts to the Scottish Government audit team. We will aim to do this as soon as possible following Mental Welfare Commission submitting the data to the Scottish Government.

Other key elements of the financial statements (5)

Issue	Commentary
Cash and cash equivalents	Our audit testing over the cash and cash equivalents balance identified three reconciling differences between the general ledger and the bank letter as at 31st March 2024. Two of the differences relate to unadjusted differences from a previous financial year, whilst the other related to a petty cash balance. Mental Welfare Commission no longer hold any petty cash balance on-site, but no journal has been posted to reflect this in the ledger. Mental Welfare Commission should review the reconciling items identified in the bank reconciliation and ensure these are rectified before next year end. A recommendation is raised on this issue at Appendix 4.
Bank reconciliation	Mental Welfare Commission prepare a year-end bank reconciliation which reconciles the general ledger to the bank statement. Our audit work identified that the bank reconciliation is not dated when prepared. Furthermore, there is no evidence that the bank reconciliation has been subject to review by a senior member of the finance team. A recommendation is raised on this issue at Appendix 4.
Follow-up of audit recommendations	Our follow up of the seven recommendations made as part of our 2022/23 audit are detailed in Appendix 4. Progress towards these recommendations has been mixed, with three recommendations carried forward into the 2024/25 audit, and another two recommendations superseded by recommendations made in our 2023/24 audit. Only two recommendations raised in the previous year have been closed. The status of external audit recommendation should be monitored at the Audit, Performance and Risk Committee to provide assurance over their completion. A recommendation has been added for this issue at Appendix 2.

Other findings – Information Technology (1)

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
SEAS	ITGC assessment (design, implementation and operating effectiveness)	● Green	● Green	● Green	● Green	Fraud in expenditure recognition
PECOS	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	Fraud in expenditure recognition

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

Other findings – Information Technology (2)

Service Auditors Reports

Mental Welfare Commission for Scotland utilise a number of shared IT systems, IT applications and processes with Scottish Government. Assurance reports are prepared by service auditors under ISA (UK) 402 covering the national systems/ arrangements.

During 2023/24 the service audit reports relevant were:

- Audit Scotland provide a management report with regards to Scottish Government systems

We adopt a fully substantive audit approach and therefore while we consider the findings from the Service Auditor reports and the impact on our audit procedures, we do not place reliance on their work. From consideration of the report, we are therefore satisfied that the unqualified opinion does not impact on our audit work.

Wider scope conclusions

Wider scope audit (1)

This section of our report sets out our conclusions from our audit work on the wider scope area of financial sustainability.

Wider scope dimension	Plan risk	Wider scope audit response and findings
Financial Sustainability We are required to look ahead to the medium and longer term to consider whether the Commission is planning effectively so that it can continue to deliver services.	Significant	2023/24 Plan and Outturn Mental Welfare Commission's funding allocation for 2023/24 was not confirmed until the end of August 2023. Following confirmation of the funding to be received in 2023/24, a revised budget was presented to the Board in November 2023. The budget included the following: ▪ a core budget allocation of £5.051 million ▪ funding of £0.836 million in relation to the replacement of the Information Management System (IMS) ▪ £0.300 million in relation to the Death in Detention Review (DIDR). ▪ £0.155 million in relation to a joint project which Mental Welfare Commission for Scotland are partaking in alongside NHS Education for Scotland to allow a Practitioner from the Commission to develop masterclasses to provide multidisciplinary learning opportunities. ▪ Non-core revenue resource limit was provided of £0.058 million At the November Board meeting, the Board also recommended that the Commission followed the 23/24 pay award of a 5% consolidated increase for all pay ranges from 1 April 2023. Following this, further smaller incremental pay rises were agreed across the remainder of the financial year. The outcome was that individual pay steps increased by 5.5% and 7% dependant on the pay scale. Mental Welfare Commission delivered a £0.564 million budget surplus in 2023/24. The main reason behind the underspend was due to the late agreement of the 2023/24 budget, with Mental Welfare Commission being unaware of what their final budget would be.

Wider scope audit (2)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Financial Sustainability (continued)		**2024/25 Financial Planning and Beyond** As was the case in 2023/24, there has been a delay in agreeing Mental Welfare Commission's 2024/25 budget, with the the budget not being approved prior to the start of the financial year. On 8th May 2024, the Scottish Government provided Mental Welfare Commission with a Letter of Comfort which confirmed the indicative budget for 2024/25 as follows: ▪ Core budget allocation - £5.000 million ▪ Funding in relation to the replacement of the Information Management System (IMS) - £3.398 million ▪ Mental Welfare Commission & NHS Education for Scotland joint project - £0.245 million ▪ Non-core capital allocation - £0.151 million This represents an increase to Mental Welfare Commissions core funding of £0.100 million. The Scottish Government have also allocated the remainder of the funding for the IMS system. Since the presentation of the Annual Audit Report to the Audit, Performance and Risk Committee on 17 June 2024, Mental Welfare Commission have received their final budget allocation letter for 2024/25. This confirmed they will receive a core budget allocation of £5.013 million. The Commission prepares a three-year financial plan which is updated on an annual basis. As such, until this formal notification is received, the three-year plan cannot be updated which adds difficulty to the forecasting and planning process. Due to the late agreement of the 2023/24 budget and the resultant uncertainty in the timeline for the agreement of the 2024/25 budget, Mental Welfare Commission have not updated the three-year financial plan. The current version of the three-year plan covers the period 2023/24 to 2025/26 however this iteration of the plan was last reviewed in June 2022 and is out of date. The Commission should refresh their forward planning and review the underlying assumptions within their plans to ensure these are realistic and in line with inflationary changes and public sector pay awards. Regular updates around the current financial position should be evidenced in reporting to the Board. A recommendation for this issue is raised at Appendix 4.

Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Financial Sustainability (continued)		Scottish Government Pay Deal 2023 The Scottish Government pay deal agreed in 2023 included a commitment to deliver a 35-hour working week by 1st October 2024. Following consultation with Scottish Government colleagues, Mental Welfare Commission have begun the process to move all applicable staff to a 35-hour week (except for NHS Consultants who have separate contractual arrangements). This move is also required as part of the move to Oracle Cloud, the new HR and Finance platform. Information Management System (IMS) The 2024/25 funding letter of intent confirmed that Mental Welfare Commission have secured the remainder of the funding it required to deliver the IMS project. Funding to be received in 2024/25 totals £3.399 million. Mental Welfare Commission have been successful in selecting the new IMS supplier (pending completion of the contract). Corporate Document Services Ltd (CDS) was the winning bidder following a competitive and lengthy procurement process. It is anticipated that the it will take approximately a year to develop, test and deliver the new system and all project roles within Mental Welfare Commission are filled and working to capacity to the delivery the project. We will review the delivery of the new system as part out 2024/25 Audit Plan.

Appendices

1. Audit Adjustments (1)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement, the Statement of Financial Position, and the reported net expenditure of the Commission for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Right of Use Asset and Lease Liability – New Lease			
Dr Right of Use Asset		818	
Cr Lease Liability		(818)	
Being the inclusion of the new five year-lease agreement to the Statement of Financial Position following lease being approved post-year end in line with IFRS 16			

1. Audit Adjustments (2)

Impact of unadjusted misstatements

The table below provides details of all non-trivial errors which we identified during the course of our 2023/24 audit which management decided not to amend within the final set of financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Inward Secondees Expenditure			(30)
Dr Accruals	30		
Cr Operating Expenditure		(30)	
Being the non-accrual of inward secondees in 2022/23 with costs incorrectly recognised as 2023/24 expenditure			
Overall impact	**30**	**(30)**	**(30)**

1. Audit Adjustments (3)

Impact of unadjusted misstatements in the prior year

The table below provides details of all unadjusted misstatements brought forward from the 2022/23 audit.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Being the increase in the holiday pay accrual	(7)	7	(7)
Being the expenditure in relation to a NHS Scotland payable disputed balance	5	(5)	5
Being expenditure relating to 23/24 which should be recorded as a prepayment	(12)	12	(12)
Being the write off of outstanding balances which have been incorrectly classified	18	(18)	18
Overall impact	**4**	**(4)**	**4**

The above unadjusted misstatements had no impact on the 2023/24 financial statements.

1. Audit Adjustments (4)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team, including typos and formatting requests.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the Commission's reported financial position.

Disclosure	Auditor recommendations	Adjusted?
Review of Annual Report and Accounts (General)	We identified a number of minor casting errors, figures had not yet been included, formatting issues, page referencing and linking errors were identified as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	Yes
Remuneration and staff report	We identified the following issues within the Remuneration and Staff Report which were subsequently amended: **Formatting:** Changes were made to improve the presentation of the information in the Remuneration and staff report and to the clarity of which elements are subject to audit. **Remuneration Table:** One member of the Executive Team's full salary was not fully disclosed due to additional hours worked not being included. This resulted in the banding changing from £140,000 – £145,000 to £150,000 - £155,000. **Staff Costs and Numbers Table:** Changes were processed to the above table due it being incomplete and not adding up correctly. The end total was correct, but the mix of the note was incorrect. This resulted in the following changes: - Permanent staff moved from £3.600 million to £3.517 million - Inward secondees moved from £0.102 million to £0.121 million - Other staff moved from £0.861 million to £0.823 million	Yes – For all items noted

1. Audit Adjustments (5)

Disclosure	Auditor recommendations	Adjusted?
Remuneration and staff report (cont.)	The FTE figures were also updated to reflect the average for the year and not the position at March 2024. This moved from 67.6 to 65.6. **Pension Benefits:** The draft accounts did not include details of the Executive pension disclosures due to issues in the calculation of CETV across the health sector. This meant Mental Welfare Commission were unable to include CETV figures in the draft annual accounts but they were inserted once received. As a result of some assurance over pension costs from SPPA external auditors, it was identified that the CETV opening balances included in the accounts included an element of inflation, which was incorrect. The CETV opening balances were then adjusted to show the opening balance without inflation. The impact of this was total CETV opening balances changing from £1.408 million to £1.319 million	Yes – For all items noted
Governance Statement	We identified that the governance statement should include a reference that the controls in place are to the point of the date of the authorisation of the accounts.	Yes
Statement of Financial Position	We identified the following issues within the Statement of Financial Position which were subsequently amended: • the intangible assets line in the Statement of Financial Position was removed as it had a nil balance in 2023/24 and the prior year. This also resulted in the removal of the intangible assets disclosure note in the Notes to the Accounts. • The split between short-term and long-term provisions provided which matches the disclosure made at Note 11.	Yes – For all items noted

1. Audit Adjustments (6)

Disclosure	Auditor recommendations	Adjusted?
Statement of Financial Position (cont.)	Also refer to the adjusted misstatement on page 26 of this report in relation to right of use assets which has already been reported. **Provisions:** All provisions are shown in the Statement of Financial Position as non-current liabilities however the provisions note shows £0.008 million as payable within one year.	Yes No – the full balance is reflected within the statements
Statement of Cash Flows	The Statement of Cash Flows presented for audit was incomplete. This was a result of the Mental Welfare Commission not including the repayment of borrowings and leasing liabilities figure of £0.163 million required as part of the IFRS 16 entries. The following updated were subsequently made to the Statement of Cash Flows: • movements in working capital changed from £0.221 million to £0.058 million • cash flows from investing activities changed from zero to £0.163 million • repayment of borrowings and leasing liabilities changed from zero to £0.163 million	Yes
Note 1: Accounting Policies	That accounting policies were reviewed to tailor more to the circumstances of Mental Welfare Commission. This included the removal of accounting policies which were either not relevant or related to nil balances.	Yes

1. Audit Adjustments (7)

Disclosure	Auditor recommendations	Adjusted?
Note 2: Prior Period Adjustment	Note 2 – Prior Period Adjustment was added to the accounts to provide detail on the prior period adjustment required to reflect the new five-year building lease agreement entered into by Mental Welfare Commission. The prior period adjustment note provides the reasoning on why the prior period adjustment was required and shows the updated values of the right of use asset and lease liability.	Yes
Note 10: Trade and Other Payables	Note 10 includes details on the carrying value of short-term payables and approximates their fair value. We identified that the £0.252 million total needed to be reflected in the currency table.	Yes
Note 15: Lease Liabilities	We identified the following issues with the lease liabilities disclosure note which were subsequently amended: • comparators figures were not included in the draft financial statements • the right of use asset was not separately disclosed as it was included within the overall PPE balance. This needed to be shown separately to give additional focus to the right of use asset balance in the accounts.	Yes – For all items noted
Note 16: Pensions	Mental Welfare Commission receive the wording for their pension note from SPPA. The wording for the note has still not been received and will be added into the final set of accounts once available.	Yes
Note 17: Financial Instruments	We identified that the financial instruments note did not include comparator details for the £0.072 million debtor balance recognised in the prior year.	Yes

2. Action plan and recommendations (1)

We have identified 6 recommendations for Mental Welfare Commission for Scotland during our audit of the financial statements for the year ended 31 March 2024. We have agreed our recommendations with management and will report on progress on these recommendations during our 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	**Financial Statements Preparation** The trial balance presented for audit was not fully complete. There were nine adjustment journals (considered Period 13 journals) which Mental Welfare Commission had not sent to Scottish Government to be posted prior to the start of our audit. The accounts presented for audit showed the position as if these journals had been posted and we confirmed as part of our audit procedures that this process had been carried out correctly. However, the fact these journals had not been posted added additional complexity to some of our audit procedures, particularly our agreement of balances and sample selection, as we needed to consider the impact of the Period 13 journals when carrying out our audit work.	Review accounts preparation procedures and ensure all journals have been sent to Scottish Government and posted into the ledger so that a finalised Trial Balance can be presented for audit. **Management response** We anticipate that this recommendation will be superseded by the transition to Oracle in October 2024 as part of the Scottish Government's Shared Services Programme. Officer: Finance and IT Manager Date: 30/04/2025

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

2. Action plan and recommendations – Financial statements audit (2)

Assessment	Issue and risk	Recommendations
Medium	**Quality control checks** The annual accounts presented for audit contained several disclosure issues which required to be updated. This included: - Prior year narrative not being updated to reflect the current year - Formatting issues in the presentation of disclosures and figures in the accounts - Addition and casting issues in the accounts whereby figures did not total correctly This required additional audit time as the audit team had to check each of the identified issues were corrected in the finalised version of the accounts.	Management should ensure that relevant quality control checks are carried out prior to the annual accounts being presented for audit. **Management response** Generally, material issues were dealt with in the drafts with proof reading/cross-referencing left until the end of the process. We will endeavour to build this into the process next year as far as possible. Officer: Finance and IT Manager Date: 30/04/2025

2. Action plan and recommendations – Financial statements audit (3)

Assessment	Issue and risk	Recommendations
Medium	**Cash and Cash equivalents reconciling items** Our audit testing over the cash and cash equivalents balance identified three reconciling differences between the general ledger and the bank letter as at 31st March 2024. Two of the differences relate to unadjusted difference from a previous financial year, whilst the other related to a petty cash balance. Mental Welfare Commission no longer hold any petty cash balance on-site, but no journal has been posted to reflect this in the ledger.	Mental Welfare Commission should review the reconciling items identified in the bank reconciliation and ensure these are rectified before next year end. Management response Noted and accepted. Officer: Finance and IT Manager Date: 31/03/2025
Low	**Bank Reconciliation** Mental Welfare Commission prepare a year-end bank reconciliation which reconciles the general ledger to the bank statement. Our audit work identified that the bank reconciliation is not dated when prepared. Furthermore, there is no evidence that the bank reconciliation has been subject to review by a senior member of the finance team.	The bank reconciliation should be signed and dated by both the individual who prepared the reconciliation and the individual who reviewed the reconciliation. Management response Noted and accepted. Officer: Finance and IT Manager Date: 31/03/2025

2. Action plan and recommendations – Financial statements audit (4)

Assessment	Issue and risk	Recommendations
Medium	**External audit recommendations** Progress towards the recommendation raised as part of the prior year audit has been mixed, with three recommendations carried forward into the 2024/25 audit, and another two recommendations superseded by recommendations made in our 2023/24 audit. Only two recommendations raised in the previous year have been closed. The status of external audit recommendation should be monitored at the Audit, Performance and Risk Committee to provide assurance over their completion. A recommendation has been added for this issue at Appendix 2.	The status of external audit recommendation should be monitored at the Audit, Performance and Risk Committee to provide assurance over their completion. Management response We will ensure external audit recommendations are added to a tracker and submitted to each AP&R Committee for review. Officer: Finance and IT Manager Date: 31/12/2024

3. Action plan and recommendations – Wider scope and Best Value

We have set out below, based on our audit work undertaken in 2023/24, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation	Agreed management response
Financial Sustainability Mental Welfare Commission's 2024/25 budget was not approved prior to the start of the financial year. The Scottish Government have now a Letter of Comfort which confirmed the indicative budget for 2024/25. Due to the uncertainty in the timeline for the agreement of the 2024/25 budget, Mental Welfare Commission have not updated their three-year financial plan. The current version of the plan was last reviewed in June 2022 and is out of date. Recommendation The Commission should refresh their forward planning and review the underlying assumptions within their plans to ensure these are realistic and in line with inflationary changes and public sector pay awards. Regular updates around the current financial position should be evidenced in reporting to the Board.	Management response: We will resume three-year/longer term financial planning and ensure this is regularly reviewed by the Board. Officer: Finance and IT Manager Date: 31/10/2024

4. Follow up of prior year recommendations

We have set out below, our follow up of the recommendations made in our 2022/23 audit and management's progress in implementation:

Recommendations from financial statements audit

Recommendation	Agreed officer response in prior year	Auditor comment
Review accounts preparation procedures and ensure the annual accounts are prepared with the closing trial balance figures to ensure the draft financial statements are in a position to audit and ensure all changes between versions can be easily tracked and are reported to audit.	The exceptional circumstances this year unfortunately did not allow for the normal procedures around the preparation of the accounts to be followed. We do not consider that any review of our procedures is necessary at this time.	This has not been actioned. Similar issues have been encountered in our 2023/24 audit. A further recommendation is made in 2023/24. **Further audit recommendation made as part of our 2023/24 audit on the financial statement preparation process. See Appendix 2.**
Report NFI progress updates the Audit and Risk Committee. Consider completing the self-appraisal checklist referred to in the 2021 NFI Report.	Noted, to be reviewed as to the level of reporting to include in any updates	This has not been actioned. Mental Welfare Commission have confirmed they will review NFI requirements and the self-appraisal checklist in 2024/25 and make a recommendation to AP&R in 2024/25 on whether (and the extent to which) this is proportionate for the Commission. **Recommendation is carried forward into 2024/25** Officer: Head of Culture & Corporate Service Date: 31/03/2025
Embed a journals log to ensure a record of journals posted on the Commissions behalf are maintained to avoid duplication and have been appropriately approved internally.	Again, due to exceptional circumstances, we engaged the assistance of Scottish Government finance colleagues to assist with some journal postings. We do not expect that this will continue beyond the current year end so do not feel that this recommendation is required.	Actioned. Mental Welfare Commission have had to continue to ask the Scottish Government to process journals on their behalf, however this will change with the introduction of Oracle cloud in October 2024. The finance team did not believe there was a need to introduce a journals log. **Recommendation closed.**

4. Follow up of prior year recommendations (continued (1))

Recommendations from financial statements audit

Recommendation	Agreed officer response in prior year	Auditor comment
Management should ensure that sufficient time is allowed to produce a set of accounts for audit which are of a good quality and had sufficient time to be quality assured. The Commission should consider if a recruitment exercise needs to be undertaken at the end of the temporary accountants' contract to provide additional support in year within the finance team.	The Commission is of course intending to recruit a full-time replacement Finance Officer. It was previously decided that this should begin once the year-end work was concluded. Therefore, this process will commence shortly.	Actioned. Two recruitment campaigns were carried out in 2023 for the vacant post, however both were unsuccessful. A temporary resource has been in post since November 2023 and Mental Welfare Commission will be attempting to recruit to a permanent position in the summer of 2024. Recommendation closed.
Perform a detailed review of their Useful Economic Lives policy and updated where appropriate. Embed a formal process for reviewing assets which have outlived their Useful Economic Lives on an annual basis, to ensure the assets are still in existence.	These assets relate to the National Confidential Forum and will be removed in 2023/24.	This has not been actioned. Due to the ongoing issue with journal entries, this review has not been undertaken during 2023/24. The intention is to complete the review before the end of March 2025. Recommendation is carried forward into 2024/25 Officer: Finance & IT Manager Date: 31/03/2025

4. Follow up of prior year recommendations (continued (2))

Recommendations from wider scope audit

Recommendation	Agreed officer response in prior year	Auditor comment
Mental Welfare Commission for Scotland should review their current disclosures to ensure that their narrative reporting adequately reflects their exposure to climate-related issues and how they are monitoring and managing these risks.	We have responded to Scottish Government on climate change issues in 2022/23. Although the Commission is not mandated to report on these issues, it is best practice for smaller organisations to voluntarily report on progress on areas where we do have influence and we will continue to adopt this approach.	This has not been actioned. Mental Welfare Commission are aiming to begin work on developing a sustainability policy, or similar, which could be used to improve their narrative reporting of climate related issues in future years. **Recommendation is carried forward into 2024/25** Officer: Head of Culture & Corporate Service Date: 31/03/2025
On receipt of the 2023/24 funding allocation, the Commission should refresh their forward planning and review the underlying assumptions within their plans to ensure these are realistic and in line with inflationary changes and public sector pay awards. Regular updates around the current financial position should be evidenced in reporting to the Board.	This will be done as soon as confirmation of our 2023/24 funding is received.	This has not been actioned. Due to the late budget confirmation for 2023/24, and the ongoing issues with the pay policy throughout 2023, the review of longer-term financial planning was not undertaken during 2023/24. Mental Welfare Commission's funding from Scottish Government is agreed from year to year, making long term financial planning and budgeting more difficult. However, the Commission is aiming to revert to more forward planning once they have confirmation of the 2024/25 budget. The Scottish Government issued a longer term pay strategy document in May 2024 which includes pay award assumptions for three years and Mental Welfare Commission will use this when they are carrying out their forward planning. **Further audit recommendation made as part of our 2023/24 audit. See Appendix 3.**

5. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Board's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Board's Ethical Standard.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and Mental Welfare Commission for Scotland that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the entity or investments in the Commission held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Commission as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and Mental Welfare Commission for Scotland.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place, note that there are no non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Commission's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person (and network firms) have complied with the Financial Reporting Board's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

5. Audit fees, ethics and independence (2)

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Mental Welfare Commission for Scotland. The table summarises all non-audit services which were identified.

External Audit Fee

Service	Planned Fees £	Proposed Final Fees £
External Auditor Remuneration	£38,070*	£38,070*
Pooled Costs	£4,480	£4,480
Sectoral cap adjustment	-£18,670	-£18,670
2023/24 Audit Fee	£23,880	£23,880

Fees for other services

Service	Fees £
We confirm that for 2023/24 we did not receive any fees for non-audit services	Nil

The audit fee has been agreed when the Annual Audit Report was presented to the Audit, Performance and Risk Committee on 17 June 2024.

* The agreed audit fee included an additional £1,000 to cover additional audit work in relation to the issues identified in the prior year audit.

5. Audit fees, ethics and independence (3)

The fees reconcile to the financial statements (round £000 in the financial statements).

- Fees per financial statements £24,000
- Total fees per above £23,880

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2021 (grantthornton.co.uk)

6. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the Commission's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•