

Scottish Information Commissioner

Annual report on the 2011/12 audit



Prepared for Scottish Information Commissioner and the Auditor General for Scotland
January 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2011/12

In 2011/12 we assessed the key strategic and financial risks being faced by the Scottish Information Commissioner (SIC).

Kevin Dunion was appointed as the first Scottish Information Commissioner in February 2003 and demitted office following his second term in February 2012. Rosemary Agnew took up her post as Scottish Information Commissioner on 1 May 2012 for a fixed term of six years. The post of Acting Commissioner was filled by Margaret Keyse, Head of Enforcement, in the interim.

We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

Financial statements

We have given an unqualified audit opinion on the financial statements for 2011/12. We have also concluded that in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

Financial position and use of resources

In 2011/12, the Commissioner achieved savings of 2.9% against a budget of £1,785k. Expenditure on staff costs for 2011/12 totalled £1,144,000 and £381,000 was spent on other administration costs. Income of £18,000 was also recorded.

During the year £227,000 capital expenditure was incurred. The majority of this was spent on the development of a new Caseload Management system which went live on 1st April 2012 as scheduled and within budget.

Governance and accountability

In 2011/12 the SIC had effective corporate governance structures in place. We examined the organisation's key financial systems underpinning the organisation's control environment and concluded that they operated sufficiently well for us to place reliance on them, although we highlighted some areas for improvement.

Outlook

Over the three year period between 2010/11 and 2013/14 the SIC is committed to achieving as a minimum a 15% real terms (9.6% cash terms) decrease in its budget. The current environment of reducing resources and increasing expectations is one in which the organisation's governance and accountability arrangements will be tested. Sound financial planning and monitoring arrangements will be key to delivering balanced budgets.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of the SIC. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the SIC.
3. Appendix B is an action plan setting out the high level risk we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the SIC understands its risks and has arrangements in place to manage these risks. The Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to the SIC and the Auditor General. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after agreement between Audit Scotland and the SIC.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. We are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of the expenditure and income.
9. We review and report on, as appropriate, other information published with the financial statements, including the management commentary, governance statement and the remuneration report. This section summarises the results of our audit on the financial statements.

Audit opinions

10. We have given an unqualified opinion that the financial statements of the SIC for 2011/12 give a true and fair view of the state of the body's affairs and its net operating cost for the year.
11. The SIC is required to follow the 2011/12 Government Financial Reporting Manual (the FReM) and we confirmed that the financial statements have been properly prepared in accordance with the FReM. We also confirmed that relevant parts of the remuneration report had been properly prepared and that information given in the management commentary was consistent with the financial statements.
12. We reviewed the governance statement and concluded that it complied with Scottish Government guidance.

Regularity

13. We confirmed that the expenditure and income in the financial statements was in accordance with applicable legislation and Ministerial guidance.

Accounting issues

14. The financial statements were submitted for audit on 8th June in accordance with the agreed timetable and audit fieldwork was completed on 24th July. Matters arising were discussed on a regular basis with the Finance and Administration Manager. The final clearance meeting was held on 24th July, with our ISA 260 report and the draft financial statements being presented to the Advisory Audit Board on 2nd August. The revised financial statements were signed by the Accountable Officer on the 20th August 2012.

15. The SIC made a number of changes to the first draft of accounts in response to comments from audit.
16. The audit was not completed within the agreed timescale during this first year of our audit appointment.
17. For 2012/13, we have agreed to provide a clearer timetable, in advance of the audit, and the SIC has agreed to provide information in line with the timetable. We will also provide a timely summary of significant changes in reporting requirements and accounting standards. This should enable both parties to meet the 2012/13 timetable.

Outlook

18. There are no significant changes to the 2012/13 FReM that are expected to have an impact on the SIC's annual financial statements.

Financial position

19. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
20. We consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
21. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

Annual outturn

22. In 2011/12, the SIC achieved savings of 2.9% against a budget of £1,785k. Expenditure on staff costs for 2011/12 totalled £1,144,000 and £381,000 was spent on other administration costs. Income of £18,000 was also recorded.
23. Capital expenditure for the year totalled £227,000. The majority of this expenditure related to the development of the new Caseload Management system. Delivery of this new system was completed on time and on budget and it went live on 1 April 2012. This was one of the significant successes of the SIC in 2011/12.
24. The new system is designed to assist the SIC in ensuring that daily activities can be carried out efficiently and effectively. It underpins the day to day work of the SIC. All casework is managed through the system and it provides statistics and information to help manage performance at individual, team and office levels.

Budgetary Control

25. Performance against budget is reviewed and reported to the Scottish Parliamentary Corporate Body (SPCB) on a monthly basis.
26. The SIC's Senior Management Team meets informally on a weekly basis, ensuring that key issues are discussed as they arise, allowing any financial concerns to be identified and resolved promptly.

Financial position

27. The Statement of Financial Position shows a net assets position of £407,000 at 31 March 2012. £372,000 of this balance relates to non-current assets held by the SIC. This figure has increased significantly upon that reported last year due to the development of the Caseload Management system.

Outlook

2012/13 budget

28. The economic recession has resulted in significant cuts in public sector funding. The SIC is required to make spending cuts of 15% in real terms (9.6% in cash terms) over the 3 year period to 2013/14, in line with the SPCB's budget submission. The SIC has in place a budget plan to cover this three year period. This plan was reviewed and refined in 2011/12 to ensure that the SIC remains on target to achieve the objective set by the SPCB. The majority of savings have been, and continue to be, met through reductions in staffing costs.

Refer Action Plan No. 1

29. In 2011/12, the SIC's revenue and capital budget¹ was £1,473,000, a 4.0% cash terms reduction on the 2010/11 budget.. The budget awarded for 2012/13 is £1,463,000 which represents a cash terms decrease of 0.7% from the 2011/12 budget.
30. The Commission faces significant challenges in the current environment, with continued reducing resources and increasing expectations.
31. We will monitor progress in achieving the intended savings as part of our annual audit on an ongoing basis.

¹¹ excluding funding from the Officeholders' Contingency Fund e.g. to purchase the Case Management System

Governance and accountability

32. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
33. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
34. Consistent with the wider scope of public audit, we have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
35. In this part of the report we comment on key areas of governance.

Corporate governance

Overall effectiveness

36. We found that overall, corporate governance arrangements operated effectively during 2011/12, although there is scope to make improvements in some areas as outlined below.

Change of Accountable Officer

37. The Accountable Officer is the Scottish Information Commissioner. Kevin Dunion was appointed as the first Scottish Information Commissioner in February 2003 for an initial period of five years. He was reappointed following this period and his subsequent four year term ended in February 2012.
38. Rosemary Agnew took up her appointment as Scottish Information Commissioner on 1 May 2012 for a fixed term of six years. In the intervening period, Margaret Keyse (Head of Enforcement) was appointed as Acting Commissioner.

Risk Management

39. Risk management is a central part of sound governance and good management. Good risk management should provide increased confidence in the SIC's ability to:
 - achieve its objectives

- exercise control over the threats facing the day to day activities, and
 - enable better take-up of any opportunities available to it as an organisation.
40. The SIC has in place a risk register which is formally reviewed and managed quarterly by the Senior Management Team. A risk management policy was approved by the Senior Management Team in July 2012 which sets out the organisation's approach to risk management. This document, along with the actively managed risk register, will help the SIC to track and mitigate significant risks facing the organisation.

Internal control

41. While we concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require us to consider the financial systems and controls of audited bodies as a whole. The extent of this work is informed by our assessment of risk and the activities of internal audit.
42. Overall the systems of internal control were operating effectively during 2011/12. This enabled us to take the planned assurance on these systems for the audit of the financial statements. We also identified a number of control weakness or where improvements could be made to existing arrangements and these weaknesses along with agreed actions were detailed in our controls report in July 2012.

Prevention and detection of fraud and irregularities

43. The SIC is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We review and report on these arrangements.
44. The SIC has an employee handbook in place which contains a Public Interest Disclosure (Whistleblowing) policy detailing how staff can raise concerns to particular external bodies.

Standards of conduct and arrangements for the prevention/ detection of bribery and corruption

45. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We consider whether bodies have adequate arrangements in place.
46. We found that there were procedures in place to help ensure appropriate standards of conduct and to help prevent and detect bribery and corruption.

Outlook

47. The current environment of reducing resources and increasing expectations is one in which the organisation's governance and accountability arrangements will be tested.
48. The SIC invested time and resource during 2011/12 to ensure that its working practices were as efficient and effective as possible, implementing a number of improvements within this

area. During 2012/13 the SIC should ensure it continues to assess the effectiveness of governance and accountability arrangements against best practice.

National Performance Audit Reports

49. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year which will be of direct interest are:
- Scotland's Public Finances - addressing the challenges.
50. The report outlines some of the key risks and issues that public bodies need to consider and manage. Many of these risks are not new to the public sector but the likelihood of their occurrence has increased as public bodies seek to implement changes.

Outlook

51. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the 'General Duty,' including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Advisory Audit Board
Annual Audit Plan	1 March 2012	2 August 2012
Key financial controls assurance report	6 July 2012	2 August 2012
Report on financial statements to those charged with governance	2 August 2012	2 August 2012
Audit opinion on the 2011/12 financial statements	2 August 2012	2 August 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	28	<p>Budget reductions</p> <p>Over the three year period between 2010/11 and 2013/14 the SIC is committed to achieving as a minimum a 15% real terms (9.6% in cash terms) decrease in its budget.</p> <p><i>Risk. There is a risk that the SIC may not be able to achieve committed budget savings as a result of increasing expectations.</i></p>	<p>No planned management action.</p> <p>Current budget setting and monitoring arrangements are sufficient.</p> <p>The SIC is on target to achieve the savings agreed with the SPCB, by 31 March 2014.</p>	N/A	N/A