



Scottish Information
Commissioner

It's public knowledge



Final report to the Scottish Information Commissioner on the 2016/17 audit

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Director introduction

The key messages in this report

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

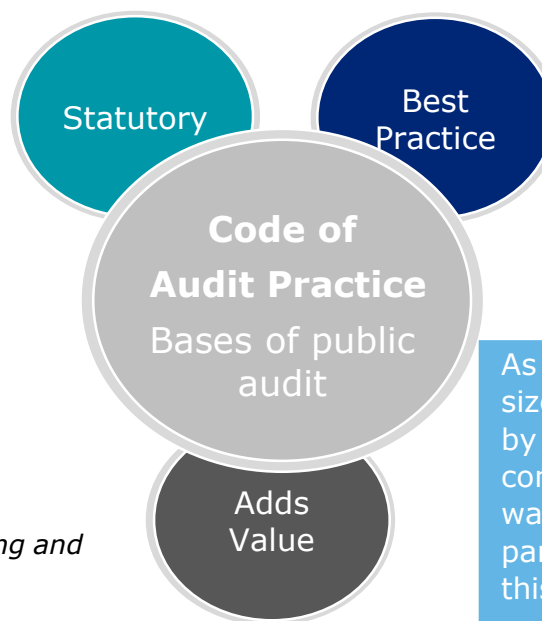
- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Scottish Information Commissioner for the 2016/17 audit.

As detailed in our plan presented to the Scottish Information Commissioner in March 2017, the new Code of Audit Practice, which came into force for the 2016/17 audits, sets out our responsibilities under core audit and wider scope requirements. A reminder of the requirements is set out below.

- *Opinion on the financial statements and regularity*
- *National performance audits and Best Value audits*

- *Public reporting and audit findings*
- *Wider scope reporting*



- *Opinion on management commentaries, remuneration reports and governance statements*

As set out in our plan, due to the relative size and scale of the functions delivered by Scottish Information Commissioner, we concluded that the full wider scope audit was not appropriate. In accordance with paragraph 53 of the Code, our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the governance statement; and
- The financial sustainability of the Commissioner and the services that it delivers over the medium to longer term.

Director introduction (continued)

The key messages in this report (continued)

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

Statutory audit

Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
 - Compliance with expenditure resource limits;
 - Management override of controls.
- A summary of our work on the significant risks is provided in the dashboard on page 9.
- There was one misstatement identified and one disclosure deficiency, both of which have been corrected, see detail on pages 19 & 20.
- We have identified a small number of audit adjustments which have been adjusted for by management. These are also detailed in Appendix 1.
- We issued an unmodified audit opinion.

Status of the audit

- The audit is complete.

Director introduction (continued)

The key messages in this report (continued)

Best Practice

Overall conclusion

- We have reviewed the annual report with reference to the format and content set out in the Government Financial Reporting Manual (FReM), confirming that the annual report and accounts comprise a performance report, an accountability report (which includes the remuneration and staff report and the governance statement) and the financial statements.
- As a new requirement in 2016/17, we are required to provide an opinion on whether:
 - the performance report has been prepared in accordance with the accounts direction
 - the information given in the governance statement is consistent with the financial statement; and
 - the governance statement has been prepared in accordance with the accounts direction.
- We issued unmodified opinions on the above.
- In addition to the opinion, we have read the performance report and accountability report (including the governance statement) and confirmed that the information contained within both is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
- We have also audited the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the accounts direction.

Director introduction (continued)

The key messages in this report (continued)

Adds Value

Governance Statement

In forming our opinion we have reviewed Senior Management Team meeting minutes and internal audit reports.

In line with best practice we used Audit Scotland's Technical Guidance, issued in February 2017, as key risks of misstatement when reviewing the Governance Statement.

We consider the disclosures in the Governance Statement appropriate.

Financial Sustainability

Financial balance was achieved in the year with a surplus of £11k. Additional contingency funding of £49k was received to cover court costs (£42k) and unanticipated staff costs (in addition to budgeted staff cost increases) (£7k).

The Scottish Information Commissioner has a balanced 4 year Strategic Plan 2016-2020, which includes resources required over the 4 years. From this an Operational Plan is created each year to achieve the strategic objectives.

Pat Kenny
Audit Director

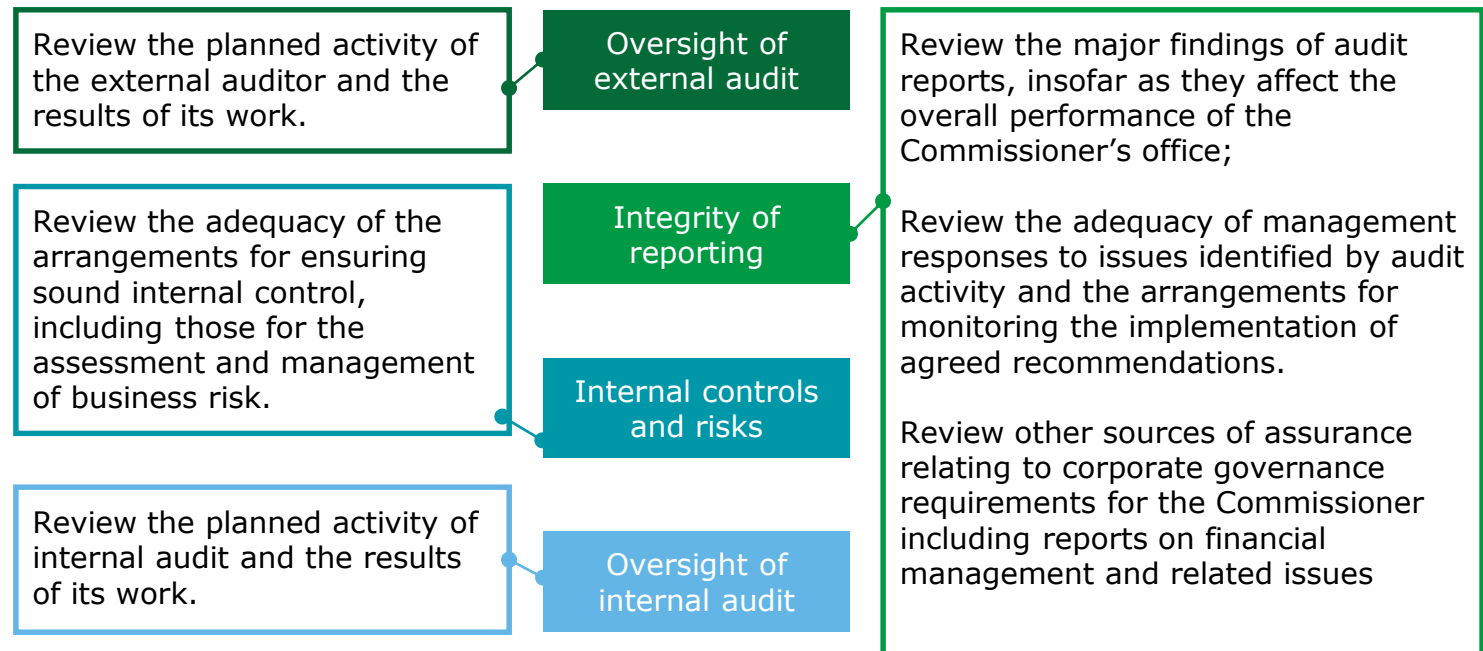
Responsibilities of the Advisory Audit Board

Helping you fulfil your responsibilities

The primary purpose of the Auditor's interaction with the Advisory Audit Board:

- Clearly communicate the planned scope of the financial statements audit
- Provide timely observations arising from the audit that are significant and relevant to the Advisory Audit Board.
- In addition, we seek to provide the Advisory Audit Board with additional information to help them fulfil their broader responsibilities

We set out here a summary of the core areas of Advisory Audit Board responsibility.



We use this symbol throughout this document to highlight areas of our audit where the Advisory Audit Board need to focus their attentions.



Our audit explained

Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered:

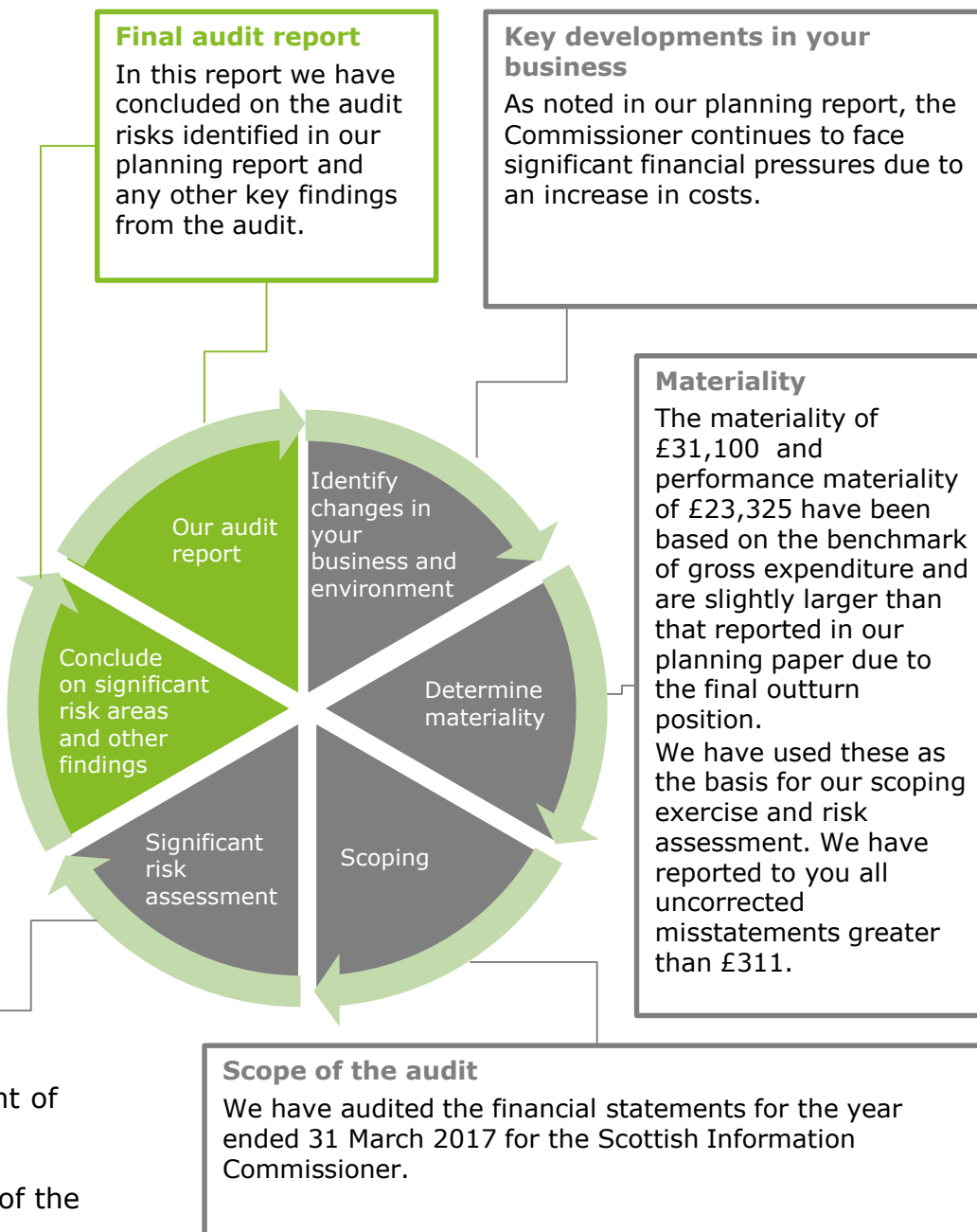
- The appropriateness of the disclosures in the governance statement; and
- The financial sustainability of the Commissioner and the services that the Commissioner delivers over the medium to longer term.

Significant risks

Our risk assessment process is a continuous cycle throughout the year. Page 9 provides a summary of our risk assessment of your significant risks.

Quality and Independence







We confirm we are independent of the Scottish Information Commissioner. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.



Timeline 2017



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Page no.
Expenditure resource limits			D+I	Satisfactory		10
Management override of controls			D+I	Satisfactory		11



Overly prudent, likely to lead to future credit      Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Core expenditure resource limits

Risk identified

The key financial duty for the Scottish Information Commissioner is to comply with the budget approved by the SPCB to cover cash expenditure. Given the pressures across the whole of the public sector, there is an inherent risk associated with the accuracy and completeness of recording of expenditure as there is an incentive for management to either over or under accrue expenditure at the year-end, depending on the forecast position, in order to meet the allocation.



Key judgements and our challenge of them

We must provide an opinion on regularity, to the effect that expenditure and receipts were incurred or applied in line with guidance. We have evaluated the results of our audit testing in the context of the achievement of the targets set by the SPCB.



Deloitte response

- We evaluated the design & implementation of controls around the monthly monitoring of financial performance and journal entry postings;
- We reviewed the projected run rate of expenditure throughout the year to identify the risk of over or under accrual at the year-end;
- We reviewed and challenged the assumptions made in estimating key accruals to assess completeness and accuracy of recorded expenditure.
- We assessed whether expenditure was correctly classified between revenue and capital and whether it has been incurred in accordance with Scottish Ministers guidance;
- We performed focused cut-off testing; and
- We obtained independent confirmation of the resource limits allocated to Scottish Information Commissioner by the SPCB.

Deloitte view

- We have concluded through the performance of our year end procedures that the expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers and the expenditure is valid and correctly classified between revenue and capital.
- We confirm that the Scottish Information Commissioner has performed within the limits set by the Scottish Parliament Corporate Body (SPCB) and therefore in compliance with the financial targets in the year.

Significant risks (continued)

Management override of controls

Risk identified

International Standards on Auditing require auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.



Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- Additional contingency funding of £49k was received in the year to cover court costs (£42k) and unanticipated staff costs (in addition to budgeted staff cost increases) (£7k), allowing the Commissioner to meet its overall financial targets.
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We tested a sample of journals, based upon identification of items of potential audit interest. Our analysis covered all journals posted in the year. No issues noted from our testing.

Accounting estimates

In addition to our work on key accounting estimates discussed above, our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements was completed with no issues noted.

Significant transactions

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

Deloitte view

- We have not identified any significant bias in the key judgements made by management.
- The control environment is appropriate for the size and complexity of the Commissioner.

Your annual report

We welcome this opportunity to set out for the Scottish Information Commissioner our observations on the annual report. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the management commentaries are consistent with the disclosures in the accounts.

	Management response	Deloitte response
The Performance Report	The report outlines Scottish Information Commissioner's performance, both financial and non-financial. It outlines the Commissioner's vision, supported by a set of strategic themes. It also sets out the key risks and uncertainties in the year.	<p>We have assessed whether the performance report has been prepared in accordance with the accounts direction. No exceptions were noted.</p> <p>We have also read the performance report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the governance statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions were noted.</p> <p>We have also read the accountability report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We have also audited the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the accounts direction.</p>
Going Concern	Management has made appropriate disclosure relating to Going Concern matters.	We have confirmed that the 2017/18 Budget was approved by the Scottish Parliament on 27 February 2017. We have concluded that the plan is sufficiently robust to demonstrate that Scottish Information Commissioner will be a Going Concern for 12 months from signing the accounts.

Wider scope requirements

Governance statement disclosures

Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the disclosures in the governance statement.

Areas considered



- The completeness of the disclosures in meeting the requirements of the essential features, as specified in the SPFM.
- Inconsistencies between the disclosures or between the disclosures and audit knowledge.

Rosemary Agnew took up her appointment as Scottish Information Commissioner on 1 May 2012 for a fixed term of 6 years. Her appointment ended on 30 April 2017. On 1 May 2017 Margaret Keyse was appointed as Acting Scottish Information Commissioner.

On the 31 March 2017 David Lowrie left his position as Head of Operational Management, and Helen Gardner-Swift took up the post of Head of Corporate Services on 11 April 2017.

From our review of the internal audit reports issued in the year, we note there were no high risk areas identified.

Deloitte response



We performed the following procedures:

- Assessed whether the information given in the governance statement is consistent with the financial statements and has been prepared in accordance with the accounts direction.
- Read the accountability report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
- Tested the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the accounts direction

Deloitte view

The Governance Statement meets the requirements of the SPFM and we have noted no inconsistencies.

Wider scope requirements

Financial sustainability

Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the use of the going concern basis of accounting. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year. Financial sustainability interprets the requirements and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Areas considered



- The financial planning systems in place across the shorter and longer terms
- The arrangements to address any identified funding gaps
- The affordability and effectiveness of funding and investment decisions made

Deloitte response



We have monitored the Commissioner's actions in respect of its short term financial plans to assess whether short term financial balance can be achieved, whether there is a long-term (5-10 years) financial strategy.

We have also monitored the work done in relation to the development of the Strategic Plan, focusing on how this relates to the longer term financial planning. Finally, we have considered the lessons learned from our wider advisory work in central government.

The Scottish Information Commissioner is required to lay a four year Strategic Plan, detailing how he or she proposes to perform her function during the four year period. In March 2016 Rosemary Agnew presented the Strategic Plan 2016 – 2020 before the Scottish Parliament. The Strategic Plan details financial resources required for the four years.

Each year an Operational Plan is drawn up, which sets out the specific programme of activity the Commissioner will follow in the year, in pursuit of the key strategic themes set out in the Four Year Plan. The financial budget will be drawn up along side the Operational Plan.

Each quarter an Operational Plan Monitoring Report is produced which is reviewed by the SMT in line with the governance arrangements. This report details the planned activities for the year with planned end dates, the responsible manager and the status of each activity, including whether it has been achieved.

Wider scope requirements (continued)

Financial sustainability (continued)

The funding received from the SPCB in 2016/17 was £1,565k. This is consistent with the prior year when £1,561k was received. In 2016/17 the Commissioner achieved an £11k surplus against budget, this compares against a surplus of £71k in 2015/16.

In 2016/17 additional contingency funding of £49k was received to cover court costs (£42k) and unanticipated staff costs (in addition to budgeted staff cost increases) (£7k).

See below for Scottish Information Commission's approved budget for 2016/17 and 2017/18 and its indicative bid for 2018/19.

Budget	2016/17 Approved Budget	2017/18 Approved Budget	Indicative 2018/19
Staff Costs	1,231,200	1,273,700	1,299,174
Staff Related Costs	15,500	17,500	17,850
Property Costs	104,500	105,900	108,018
Professional Fees	29,600	33,500	34,170
Running Costs	131,900	138,800	141,577
Total	1,512,700	1,569,400	1,600,788

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Scottish Information Commissioner discharge her governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

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

What we don't report

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

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

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

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

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters" circulated to you on 10 March 2017.

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



Deloitte LLP

Glasgow

Appendices



Audit adjustments

In 2016/17 there were no unadjusted misstatements.

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

		Debit/ (credit) Assets £	Debit/ (credit) Liabilities £	Debit/ (credit) Equity £	Debit/ (credit) Income Statement £	If applicable, control deficiency identified
Early recognition of expense	[1]		8,408	(8,408)	(8,408)	
Total		-	8,408		8,408	

(1) Our accruals sample identified one item relating to expenses that occurred in 2017/18, therefore was incorrectly recognised as an accrual and expenditure in 2016/17

Audit adjustments (continued)

Disclosures

Disclosure misstatements


The following corrected disclosure misstatements have been identified.

There were no uncorrected disclosure misstatements identified.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Commitments under leases	When testing the disclosure for building lease obligations due later than one year and not later than 5 years we identified a mathematical error. The obligation disclosed should be £146k rather than previously disclosed £96k. The disclosure has been updated correctly in the final version of the accounts.	Quantitative consideration

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Review of Key Documents	That those responsible for key documents listed on the Register of Key Documents are held accountable for updating documents when they are due for review	It is recognised there is room for improvement, however it is difficult to source the resources to update and review on a frequent basis due to the small size of the organisation	Senior Management Team	31 March 2018	

Key:



High Priority



Medium Priority



Low Priority

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

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



Required representations:

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

We have also asked you to confirm in writing your responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in complying with expenditure resource limits and management override of controls as a key audit risk for your organisation.

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

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

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

Independence and fees

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

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The total audit fee for 2016/17 is £16,942. We understand the Commissioner has agreed with Audit Scotland to pay £13,330 of this fee.</p> <p>No non-audit services fees have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>





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