

Children and Young People's Commissioner Scotland
Report to the Children and Young People's Commissioner Scotland
and the Auditor General for Scotland on the 2018/19 audit

Issued 14 October 2019 for the Audit Advisory Board meeting on 23 October 2019

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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 Children and Young People's Commissioner Scotland (the Commissioner) for the 2018/19 audit. The scope of our audit was set out within our planning report issued March 2019.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the wider scope requirements of public sector audit. This includes our consideration of the Accountable Officers' duty to secure best value. As set out in our plan, due to the relative size and scale of the functions delivered by the 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.

Introduction (continued)

The key messages in this report (continued)

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

Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

Following amendment to points identified through the audit process the performance report and accountability report comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Commissioner.

The auditable parts of the remuneration and staff report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 8. The Commissioner met its financial targets for 2018/19, drawing down £1,321,000 from the Scottish Parliamentary Corporate Body (SPCB) against a budget of £1,358,000.

No misstatements in excess of our reporting threshold of £1,350 or disclosure deficiencies have been identified up to the date of this report.

Status of the financial statements audit

Outstanding matters to conclude the audit include:

- Receipt of signed management representation letter; and
- Our review of events since 31 March 2019.

Conclusions on audit dimensions

As set out on page 3, our audit work was restricted to concluding on the appropriateness of the disclosures in the governance statement and the financial sustainability of the Commissioner.

We have, however, considered the specific risks highlighted by Audit Scotland, in particular, the impact of EU withdrawal, the changing landscape for public financial management, dependency on key suppliers and increased focus on openness and transparency.

Our overall conclusion on the audit dimensions is summarised on page 5.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions (continued)

Governance statement

The disclosures are appropriate and address the minimum requirements of the Scottish Public Finance Manual (SPFM).

Financial sustainability

The Commissioner performed within the limits set by the SPCB and therefore achieved short term financial balance in 2018/19. A balanced budget has been set for 2019/20 and robust financial reporting procedures are in place.

In common with other similar bodies, the Commissioner only receives funding confirmation from the SPCB for one year, therefore has not prepared a medium or long term financial strategy. It does, however, have a 2 year Strategic Plan, which includes a high level assessment of the resources required. The current Strategic Plan runs from 2018-2020 and we understand that the next plan is being developed in order to be in place for 2020. It is important that the Commissioner considers the potential implications on the work of the Commissioner arising from the Scottish Government's Medium Term Financial Strategy in setting future medium to longer term plans.

Specific risks

The Commissioner is closely monitoring developments in relation to EU withdrawal, engaging with the SPCB, taking account of advice and guidance from the Scottish Government and engaging with stakeholder groups. We are therefore satisfied that the Commissioner is sufficiently prepared.

The Commissioner is appropriately open and transparent in its operations and decision making and applies a number of areas of good practice.

Our detailed findings and conclusions are included on pages 16 to 21 of this report.

Next steps

An agreed Action Plan is included at page 25 of this report, including a follow-up on progress with actions from previous years. We will consider progress with the agreed action as part of our 2019/20 audit.

Added value

Our aim is to add value to the Commissioner by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Commissioner promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. We have also shared our informed perspectives from our work across the wider public sector on page 29 of this report.

Pat Kenny
Audit Director

Our audit explained

Area dimensions

In accordance with the 2016 Code of Audit Practice, we have restricted our wider scope audit work to reviewing:

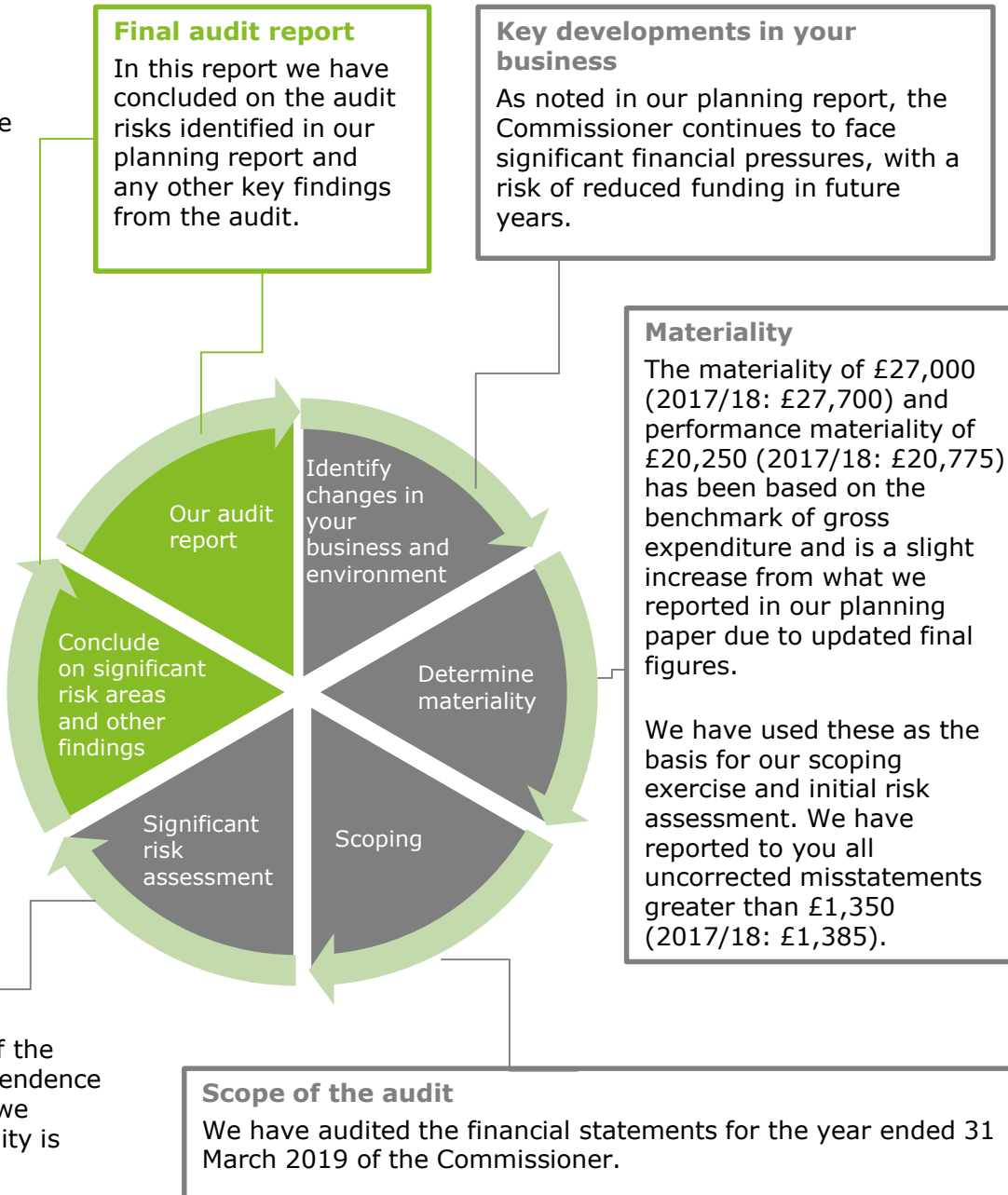
- The governance statement
- Financial sustainability

Significant risks

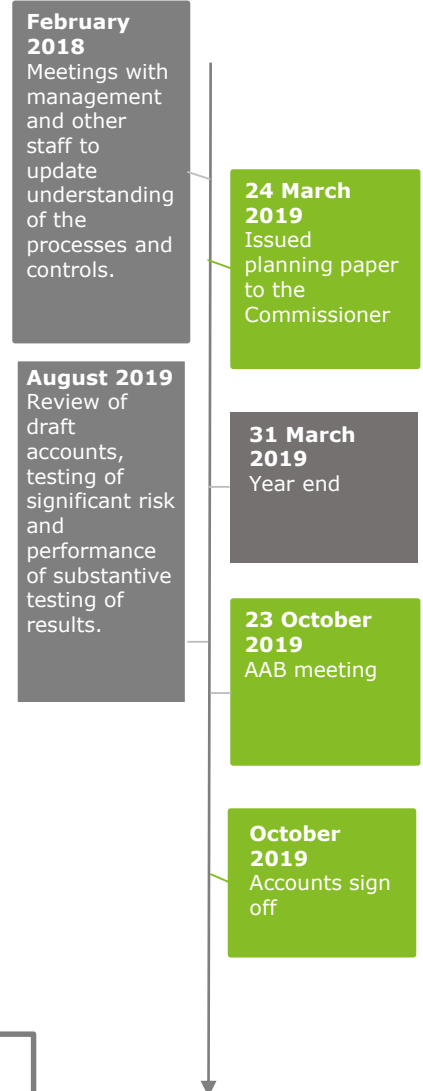
Our risk assessment process is a continuous cycle throughout the year. Page 8 provides a summary of our risk assessment of your significant risks.

Quality and Independence

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









Timeline 2018/19



Financial statements audit



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Operating within the expenditure resource limit			D+I	Satisfactory		Satisfactory	9
Management override of controls			D+I	Satisfactory		Satisfactory	10

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)

Risk 1 – Operating within the expenditure resource limits

Risk identified

The key financial duty for the Commissioner is to comply with the annual funding budget allocated by the SPCB to cover cash expenditure and non-cash costs such as depreciation and amortisation. Given the pressures across the whole of the public sector, there is an inherent risk associated with the accuracy and completeness of recording 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

Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.



Deloitte response

We have evaluated the results of our audit testing in the context of working within the target set by the SPCB. Our work in this area included the following:

- evaluating the design and implementation of controls around monitoring of financial performance and journal entry postings;
- obtaining independent confirmation of the resource limits allocated to the Commissioner by the SPCB;
- comparing in-year budget monitoring to final year-end position to identify any specific areas where the final results are out of line with expectations;
- performing focused testing of accruals and prepayments made at the year end; and
- performing focused cut-off testing of invoices received and paid around the year end.

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.

We confirm that the Commissioner has performed within the limits set by the SPCB and therefore is in compliance with the financial target in the year.

Significant risks (continued)

Risk 2 - Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the controls for specific transactions.



Key judgements

The key judgements in the financial statements includes those which we have selected to be significant audit risks around working within expenditure resource limits. This is inherently an area in which management has the potential to use their judgement to influence the financial statements.



Deloitte response

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

- The Commissioner's results throughout the year were projecting slight overspends. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- 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.

Significant and unusual transactions

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

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted.

Accounting estimates

We reviewed the financial statements for accounting estimates which could include biases that could result in material misstatements due to fraud.

We considered any adjustments required for the transition to the new standards (IFRS 15 Revenues from contracts with customers and IFRS 9 Financial Instruments), focusing on the areas of greatest judgement and value.

No issues have been identified from our testing.

Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.





We have not identified any instances of management override of controls in relation to the specific transactions tested.

We agree with management's position that the new accounting standards do not have a material impact for the Commissioner.

Other significant findings




Internal controls

During the course of our audit we have identified some internal control findings, which we have included below for information.

Area	Observation	Priority
Review of Journal Entries	<p>Through testing, we noted that none of the journal entries processed in the period were reviewed by a separate individual prior to posting into the system.</p> <p>Management have confirmed that this issue arose due to a lack of segregation of duties in the finance function with only one individual processing and dealing with all transactions. Management have confirmed that additional staff resources have been recruited to create segregation of duties in all processes after the year end.</p>	
Lack of budgetary reporting	<p>Through testing, we noted that there has not been formal budgetary monitoring reporting to the Leadership & Commissioner group meetings throughout the 2018/19 financial year.</p> <p>Management have confirmed that updates were provided to the Commissioner however there are no minutes or email documentation confirming this. Management have confirmed that procedures have been put in place to provide budgetary monitoring on at least a quarterly basis moving to a monthly basis from August 2019.</p>	
Cheque Payments	<p>Through testing, we noted that there are significant cheque payments being made for supplier payments.</p> <p>Management have confirmed that this is due to a bank BACs limit of £18,000 which is too low for a number of supplier payments required. Management have confirmed that they are in contact with the bank regarding increasing the limit.</p>	
Cut off Procedures	<p>Through testing we identified some immaterial errors in the cut off of recognition of liabilities.</p> <p>We would recommend that management complete their own review of April payments and invoices to identify in full the liabilities to be recognised in the financial year.</p>	

Other significant findings (Continued)

Internal controls (Continued)

Area	Observation	Priority
Fixed Assets	<p>During our testing, it was noted that assets which were recorded in the fixed asset register were no longer in existence at the period end. In addition, it was also noted that assets purchased during the period had not been added into the fixed asset register (FAR).</p> <p>Management have confirmed that this was due to a lack of communication within the organisation and training required for staff to understand the impact of disposing of an asset in relation to the statutory accounts preparation.</p>	
Transaction processing	<p>During our audit we became aware that there was ongoing processing and controls being completed for May 19 in August 19 e.g. the May 19 bank reconciliation. This could mean that issues are not discovered on a timely basis. In addition, during our audit testing we identified that a transaction had been posted twice. This was picked up when reviewing the bank reconciliation for the year end meaning that the control had not detected the error.</p> <p>Management have confirmed that this was due to the staff changes during the year. Management have confirmed that the backlog is being progressed by the finance officer appointed post year end. Management have confirmed that the duplicate posting occurred due to lack of segregation of duties and that levels of review have been introduced post year end.</p>	
Policy review	<p>During our audit, we identified that both the risk management policy, risk register and the AAB terms of reference had not been reviewed/updated for a considerable length of time. This indicates that there could be a number of policies that have not been reviewed and could potentially be out of date.</p> <p>Management have confirmed that both the risk management policy and the risk register have been updated. The AAB terms of reference will be considered at the next AAB meeting. Management have confirmed that they are conducting a review of governance procedures which will review the policies currently in place.</p>	

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Based on our audit work completed to date, we anticipate issuing an unmodified opinion on the financial statements.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects 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.

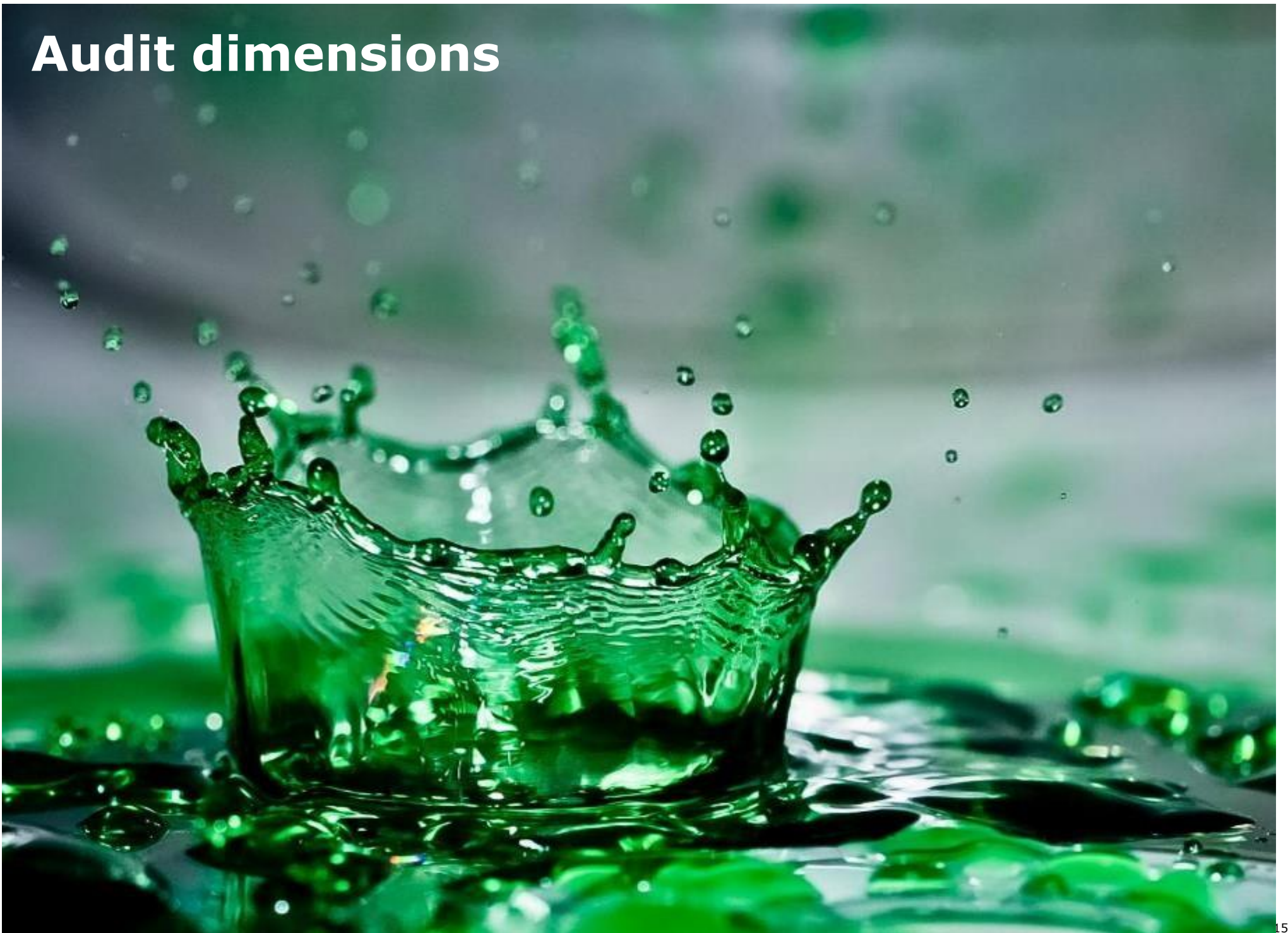
Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 14.

Your annual report

We are required to provide an opinion on the auditable parts of the remuneration and staff report, the annual governance statement and whether the management commentaries are consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines the Commissioner's performance, both financial and non-financial. It also sets out the key risks and uncertainty as set out in the Local Delivery Plan (LDP).	<p>We have assessed whether the performance report has been prepared in accordance with the accounts direction. No exceptions 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> <p>A number of areas of improvement were identified during the audit and these have been corrected by management.</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 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.	<p>We have confirmed that 2019/20 funding was approved by the SPCB in February and June 2019. In line with previous years, the SPCB can only confirm approved funding for one year. However, as the Commissioner is formally appointed for a 6 year fixed term, with the current Commissioner in year 3 of that appointment, we are satisfied that there are not any indications that funding from the SPCB will cease in future years.</p> <p>We also note that the current Strategic Plan covers the period 2018-2020, with a new one currently being developed for implementation in 2020 demonstrating that the Commissioner will be a going concern for 12 months from signing the accounts.</p>

Audit dimensions



Audit dimensions

Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following areas. As set out in our plan, due to the relative size and scale of the functions delivered by the 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 Board and the services that it delivers over the medium to longer term.

Our report is structured in accordance with these two specific areas, but also covers our specific audit requirements on best value and specific risks.

Best Value (BV)

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

We have considered the Accountable Officers' duty to secure BV as part of the governance arrangements considered as part of the audit dimensions work.

Specific risks (SR)

As set out in our Annual Audit Plan, Audit Scotland had identified a number of specific risks (SRs) faced by the public sector which we have considered as part of our work on the four audit dimensions.

SR 1 – EU Withdrawal

SR 2 – Changing landscape for public financial management

SR 3 – Dependency on key suppliers

SR 4 – Openness and transparency

Governance statement

Overview

The FReM requires a **governance statement** to be published with the financial statements. Guidance on content is provided in the governance statements section of the Scottish Public Finance Manual (SPFM) which sets out the essential features.

As set out in our audit plan, there is a risk that the governance statement is inconsistent with the financial statements and is not in accordance with the SPFM. There is also a risk that the statement is inconsistent with our knowledge as auditors of the Commissioner or is potentially misleading.

Deloitte View

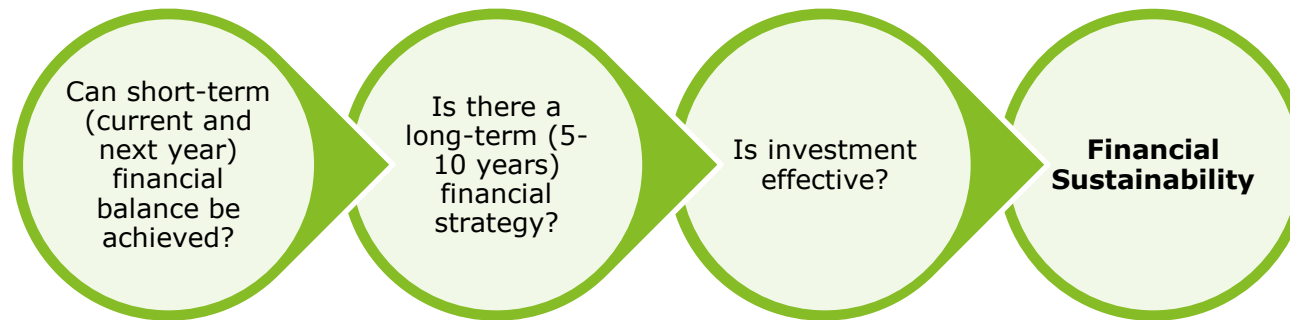
We have reviewed the draft governance statement for consistency with the financial statements and our knowledge gained during the audit. No inconsistencies have been noted.

We have also reviewed the draft governance statement to assess compliance with the SPFM and have confirmed that it follows the format and content of the SPFM, incorporating all essential features.

Financial sustainability

Overview

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



Audit risks

Within our audit plan we identified a number of risks as follows:

- There is a risk that the Commissioner does not have a robust financial reporting procedure in place to enable effective scrutiny of the budgets allocated by the SPCB.
- There is a risk that the Commissioner's long-term financial planning is inconsistent with the Scottish Government's five-year plan.

Our conclusions on the above risks are set out on the following page.

Financial sustainability (continued)

2018/19 budget

The SPCB approved an annual funding budget of £1,358,000 for the financial year 2018/19. The final drawdown, as reported in the financial statements was £1,321,000, therefore the Commissioner achieved short term financial sustainability.

Budget monitoring is performed by the Head of Corporate Services, during 2018/19 this took the form of discussions with the Commissioner however no minutes were taken of these discussions. See internal control recommendation made on page 11. We note that management have started budget vs actual on a quarterly basis post year end.

2019/20 budget

The SPCB approved an annual funding budget of £1,269,000 for the financial year 2019/20, an decrease of £89,000 in comparison to 2018/19. This is due to the removal of the contingency funding for the Head of Advice and Investigations post and the change in lease arrangements following the move to an new office in the 2018/19 year meaning the Commissioner no longer has to meet any lease costs.

Standards of conduct for prevention and detection of fraud and error

We have reviewed the Commissioner's arrangements for the prevention and detection of fraud and irregularities. Overall we found the arrangements to be operating effectively.

Medium term financial planning

The Commissioner has managed its budget effectively over the last few years, managing to maintain its costs within the expenditure limits set by SPCB and build business cases where additional resource is needed.

In common with other similar bodies, the Commissioner only receives funding confirmation from the SPCB for one year, therefore has not prepared a medium or long term financial strategy.

The Commissioner is required to have a four year Strategic Plan laid before Parliament setting out how he will perform his functions during this period. The 2018-2020 Strategic Plan was completed following the appointment of Bruce Adamson as Commissioner. This incorporates, at a high level, indicative funding requirements for the four year period. We understand that the next plan is being developed in order to be in place for 2020.

As set out in our audit plan, it is important that the Commissioner review the potential implications of the Scottish Government's Medium Term Financial Strategy in setting its future medium to longer term plans.

Deloitte View – Financial sustainability

The Commissioner performed within the limits set by the SPCB and therefore achieved short term financial balance in 2018/19. A balanced budget has been set for 2019/20 and robust financial reporting procedures are in place.

In common with other similar bodies, the Commissioner only receives funding confirmation from the SPCB for one year, therefore has not prepared a medium or long term financial strategy. It does, however, have a 2 year Strategic Plan, which includes a high level assessment of the resources required. It is important that the Commissioner consider the potential implications on the work of the Commissioner arising from the Scottish Government's Medium Term Financial Strategy in setting future medium to longer term plans.

Other specific risks

As set out in our Audit Plan, Audit Scotland identified a number of areas as significant risks faced by the public sector. We have considered these as part of our audit work on the four audit dimensions and summarised our conclusions below.

Risk	Areas considered	Conclusion
EU Withdrawal	We have assessed what work the Commissioner has done to prepare for the impact of EU withdrawal, specifically considering people and skills; finance; and rules and regulations.	<p>The Commissioner has appropriately assessed and planned for the potential impact of EU withdrawal. In particular:</p> <ul style="list-style-type: none"> • People and skills - the Commissioner is not aware of any direct implications of EU withdrawal with regard to staff and workforce planning. • Finance – the Commissioner do not receive any funding from the EU however there are some expenses reimbursed from EU sources. • Rules and regulations – the Commissioner is not aware of any direct implications as a result of changes to trade and customs which would affect their supply chains and the cost and availability of products. <p>The Commissioner is closely monitoring developments, engaging with the SPCB, taking account of advice and guidance from the Scottish Government and engaging with stakeholder groups. We are therefore satisfied that the Commissioner is sufficiently prepared.</p>
Changing landscape for public financial management	As part of our audit work on financial sustainability (see page 19) we have considered how the Commissioner has reviewed the potential implications of the Scottish Government’s Medium Term Financial Strategy for its own long term planning.	As noted on page 19, the Commissioner does not currently prepare a medium or longer term financial plan. We recommend that it considers the potential implications on the work of the Commissioner arising from the Scottish Government’s Medium Term Financial Strategy for its long term planning in any future medium to long term plans.
Dependency on key suppliers	We obtained a detailed breakdown of expenditure by supplier and performed and performed an analysis to identify if there were any risks of dependency on key suppliers.	No areas of risk identified from our audit work.
Openness and transparency	We have considered the Commissioner’s approach to openness and transparency as part of our audit work on governance and transparency (see page 21).	From our audit work, we are satisfied that the Commissioner is appropriately open and transparent in its operations and decision making and applies a number of areas of good practice.

Other specific risks (continued)

Openness and transparency

Openness and transparency

Taking an **open approach** to business can support good governance.

It is about behaviours, centred on a preference for sharing information about how and why decisions are made. In the public sector, this is based on the recognition that public services are delivered for the public good using public money.



Transparency can be seen as a process. Access to information provides insight into decision-making and how the organisation work.

Transparency in the public sector is supported by statutory requirements and regulations. These are minimum requirements and it is for individual organisations to decide whether the content and volume (in terms of quantity and amount of detail) of the information that they make available contributes to increased understanding. There are judgements to be made, and an approach designed to increase transparency rather than comply with minimum standards is more likely to satisfied the good governance test.

Openness and transparency are individually important, and working well together they help demonstrate that public organisations are acting in the public interest.

We have considered the Commissioner's approach to openness and transparency, how good its information is; and its commitment to improving openness and transparency and concluded:

- The Commissioner has a positive attitude to openness and transparency and places a high level of importance on both informing and consulting staff.
- The Commissioner's first strategic aim is to support the ongoing development of Scottish public sector culture and practice where the sharing and disclosing of information is routine.
- Corporate information, including strategic plans, senior management team minutes and financial performance, is available through the Commissioner's website.



Appendices



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 Commissioner discharge its governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) 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.

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 again in this report.

This report has been prepared for the 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.

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



Pat Kenny

for and on behalf of Deloitte LLP
Glasgow

14 October 2019

Audit adjustments

Summary of corrected and uncorrected misstatements and disclosure deficiencies

Corrected misstatements

		Debit/ (credit) Cost £	Debit/ (credit) Depreciation £	Debit/ (credit) prior year retained earnings £	Debit/ (credit) in revenue £
Misstatements identified in current year					
Fixed Assets Disposals	[1]	(30,900)	30,900	-	-
Total		(30,900)	30,900		

[1] We identified errors in the completeness of the fixed asset register (FAR) with a number of items that are on the FAR having been disposed of during the 2018/19 financial year. This error has an overall nil impact on the Statement of Financial Position.

No other corrected misstatements have been identified from our audit work performed to date.

Uncorrected misstatements

No uncorrected misstatements have been identified from our audit work performed to date.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work to date.

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial sustainability</i>	We recommend that it considers the potential implications on the work of the Commissioner arising from the the Scottish Government's Medium Term Financial Strategy in setting future medium to long term plans.	The Head of Corporate Services will consider this publication in the planning of financial resources over the medium to long term with note that funding is applied for on a yearly basis.	Head of Corporate Services	31/03/2020	Medium
<i>Internal Control</i>	We recommend that the Head of Corporate Services liaises with the banking provider to increase the BACs payment limit so that fewer cheque payments are made.	Cheque payments have been made historically to payroll. The current BACS limit is £18,000. To increase this, the bank requires this year's audited accounts. The Head of Corporate Services has notified the bank of the intentions and will await clearance on the accounts. This will be actioned after the Audit and Annual Account process is complete.	Head of Corporate Services	31/03/2020	Medium
<i>Internal Control</i>	We recommend that the controls over the fixed asset register are reviewed to prevent instances of assets on the register which no longer exist or assets which have been purchased but not added to the register.	The Head of Corporate Services has been exploring more efficient ways of utilising the fixed asset register. The Head of Corporate Services has briefed SMT about this improvement and will be providing further training to the whole team on acquisitions and disposals in terms of their relation to the FAR. This is the responsibility of the Head of Corporate Services in line with the scheme of delegation.	Head of Corporate Services	31/03/2020	Medium

Action plan

Recommendations for improvement (Continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Internal Control</i>	We recommend that authorisation levels are put in place for journal processing. For example anything above £1,000 should be approved by Head of Corporate Services and anything above £5,000 should be approved by the Commissioner or another member of SMT in his absence.	We agree and have set up monthly meetings where banking reconciliations and journals are authorised by the Head of Corporate Services. More thought will be required to the financial delegation levels.	Head of Corporate Services	31/03/2020	Medium
<i>Internal Control</i>	We recommend that the processing should be brought up to date. During the audit, processing including bank reconciliations for May 19 were undertaken during August 19. This means that financial information presented to leadership group is potentially incomplete.	This has been brought up to date in line with increased capacity with new posts in place. This is never more than a week behind.	Finance Officer	31/03/2020	Medium
<i>Internal Control</i>	We recommend that the Risk Management Policy is updated on an annual basis. During the audit the policy was updated in July 2019 from 2014. We recommend that the risk register is updated on a regular basis i.e. quarterly. We would also recommend that this is a standing item on the AAB agenda to gain their input. We understand that since the audit this has been updated.	Both recommendations have been updated and have been discussed widely at the SMT meeting with the risk register featuring on SMT agenda. The Risk Register is a living register updated as risks evolve, although featured on the SMT agenda on a quarterly basis.	Head of Corporate Services	31/03/2020	Medium

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, 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 the Commissioner 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.

We have also asked the Commissioner to confirm in writing their 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 working within expenditure resource limits and management override of controls as key audit risks 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 for the Audit Advisory Board on the outcomes of internal audit work.

Concerns:

No concerns have been identified regarding fraud.



Independence and fees

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

Independence confirmation We confirm that we comply with FRC 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 The audit fee for 2018/19, in line with the fee range provided by Audit Scotland, is £16,290 as broken down below:

	£
Auditor remuneration	12,530
Audit Scotland fixed charges:	
Pooled costs	3,010
Audit support costs	750
Total fee	16,290

No non-audit fees have been charged by Deloitte in the period.

Non-audit services In our opinion there are no inconsistencies between FRC 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 We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and 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.

We are not aware of any relationships which are required to be disclosed.



Deloitte perspectives

Talking Public Sector: Our podcast series on government and public services

Our podcast explores the big challenges facing the public sector, how citizens want the public services to be run and what the future holds by drawing on expert opinion and exclusive research. Aimed at anyone who works in or with the public sector, this podcast brings together leaders from government and the public services, industry experts and commentators to provide an insights on the big issues facing public bodies in the UK and around the world.

Listen and subscribe to Talking Public Sector:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/talking-public-sector.html>

Tech Trend 2019: A Government and Public Services Perspective

Our recently published 10th edition of the Tech Trends report reflects on a decade of disruptive change and demystifies the future of digital transformation. The story of technology trends is inseparable from the story of the public sector.

Technology can help make government more effective by protecting and maintaining infrastructure, creating more personalised and secure citizen interactions, or automating tasks so workers can focus on more value-added jobs.

As leaders work to reshape their organisations and realise these possibilities, they rely on fresh, relevant insights. We are delighted to share [our perspective](#) which provides a UK Government and Public Services lens on Deloitte's *Technology Trends 2019: Beyond the digital frontier*.

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sector-tech-trends.html>

Digital government: It's all about the people *a view from Government and Public Sector Lead Partner, Rebecca George*

Deloitte has published our third Digital Disruption Index. Based on a survey of the UK's most senior digital leaders from both private and public sectors, the index explores levels of digital maturity in their organisations. The results reinforce my belief that the defining factor in getting digital right is not the technology – which of course needs to deliver – but is people: the people who lead digital transformation and the people with the skills to make it happen.

Read Rebecca's full view at:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/digital-government-all-about-people.html>

The Digital Disruption Index is available online:

<https://www2.deloitte.com/content/campaigns/uk/digital-disruption/digital-disruption/digital-disruption-index.html>

One of the key insights is around Artificial Intelligence (AI) which is increasingly a strategic priority. After Cloud, Cyber-security and Data analytics – three foundational digital pillars – respondents to our survey rated AI as the most important technology to their digital strategy.

The use of advanced data science, whether explicitly AI or a combination of AI, Robotic & cognitive automation (RCA) and Data analytics, is at the centre of much current debate about ethics and the societal impact of digital technology. A significant number of senior leaders seem unaware of these ethical considerations. We believe that what is unethical in the real world is unethical in the digital world, and we explore how organisations are able to make AI decision-making as transparent as human decision-making.



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