

**Ethical Standards Commissioner**

Report to the Commissioner for Ethical Standards in Public Life in  
Scotland and the Auditor General for Scotland on the 2018/19 audit

Issued 27 September 2019 for the Audit Advisory Board meeting on 4 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 Commissioner for Ethical Standards in Public Life in Scotland, commonly known as the Ethical Standards Commissioner ('Commissioner's office') for the 2018/19 audit. The scope of our audit was set out within our planning report issued in February 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's office, we concluded that the full wider scope audit was not appropriate. While the Commissioner has identified a number of significant governance issues which have been disclosed in the Annual Governance Statement (see page 15) we are satisfied that appropriate action is being taken forward therefore we have not identified any additional risks to extend to a full wider scope audit at this stage. We will monitor progress during 2019/20 and reconsider our risk assessment for the 2019/20 audit. 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's office 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.

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's office. We are pleased to note that the Commissioner's office has taken on board our feedback made in our 2017/18 annual audit report and now has a good balance between overview and analysis section.

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's office met its financial targets for 2018/19, drawing down £916,000 from the Scottish Parliamentary Corporate Body (SPCB) against a budget of £926,000. In the 2018/19 financial year the Commissioner's office have disclosed provisions for an exceptional item of £49,200 charged in the year relating to the absence of the Senior Investigating Officer (SIO) and other staffing related issues.

Misstatements in excess of our reporting threshold of £950 have been recorded on page 23. No 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's office.

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).

The Annual Governance Statement has highlighted a number of significant governance issues that have been identified by the new Commissioner since being appointed on 1 April 2019, as discussed further on page 15. We are satisfied that these have been transparently reported and appropriate action is being taken to address them including a restructure of the complaints handling function and implementing a new procedures manual.

#### Financial sustainability

The Commissioner's office 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's office 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 4 year Strategic Plan, which includes a high level assessment of the resources required. The current Strategic Plan runs from 2016-2020 and we understand that the next plan is being developed in order to be in place for 2020. It is important that the Commissioner's office consider the potential implications of the Scottish Government's Medium Term Financial Strategy in setting future medium to longer term plans.

The Commissioner is reviewing the staffing structure in place as part of ongoing restructuring activity and the creation of a workforce plan should be considered as part of this.

#### Specific risks

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

The Commissioner's office is appropriately open and transparent in its operations and decision making however could apply further areas of good practice e.g hold regular all staff meetings where two way feedback and communication is fostered see page 20 for further details.

Our detailed findings and conclusions are included on pages 13 to 20 of this report.

#### Next steps

An agreed Action Plan is included at page 24 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's office 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's office 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 28 of this report.

# Our audit explained

## Area dimensions

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

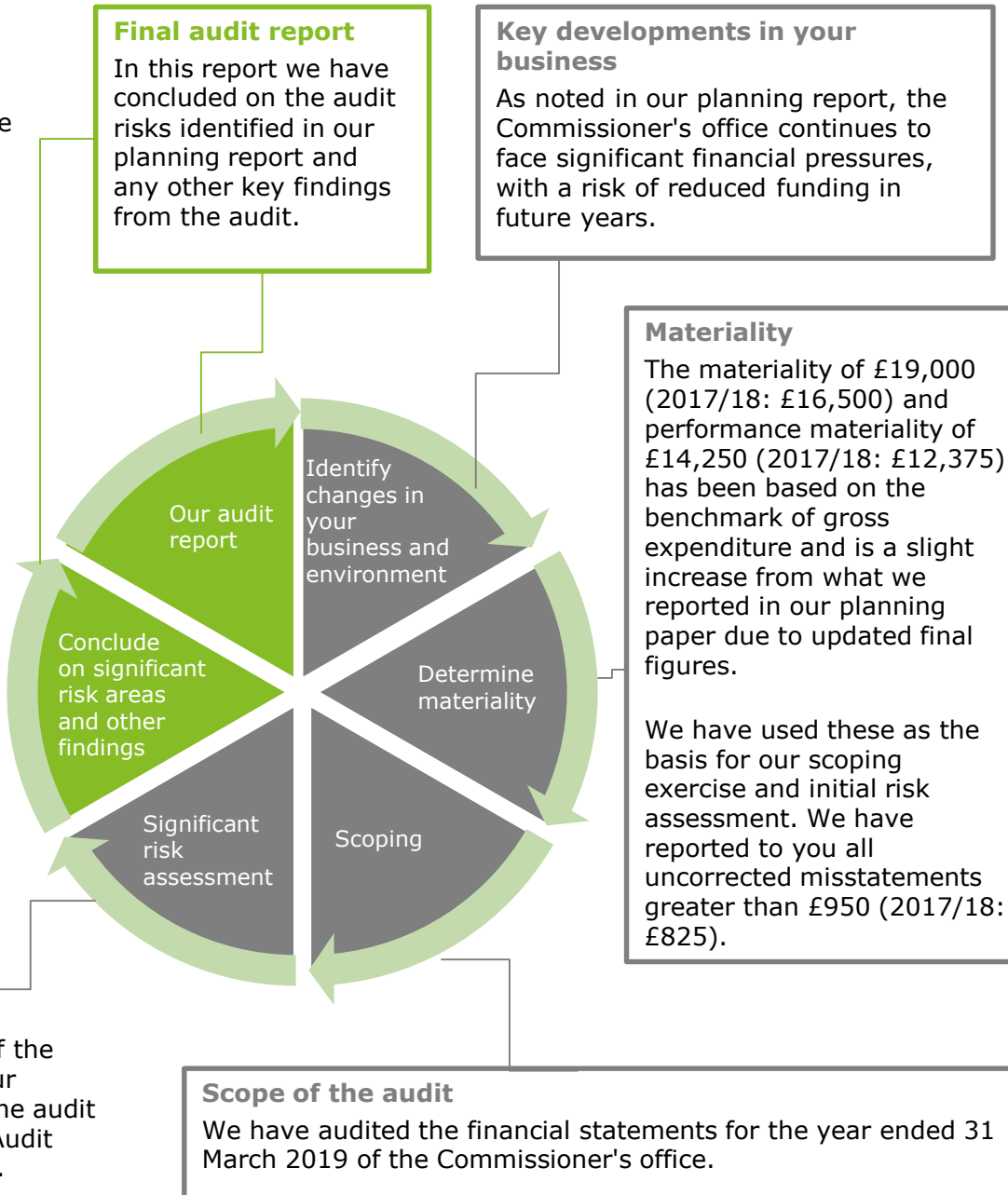
- The governance statement
- Financial sustainability

## 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's office. 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

### January 2019

Meetings with management and other staff to update understanding of the processes and controls.

### 20 February 2019

Issued audit plan to the Commissioner's office

### September 2019

Review of draft accounts, testing of significant risk and performance of substantive testing of results.

### 31 March 2019

Year end

### 4 October 2019

AAB meeting







### October 2019

Accounts sign off

# 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 limits			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's office 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's office has operated 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 office's results throughout the year were projecting slight overspends overall. 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's office.

# 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.

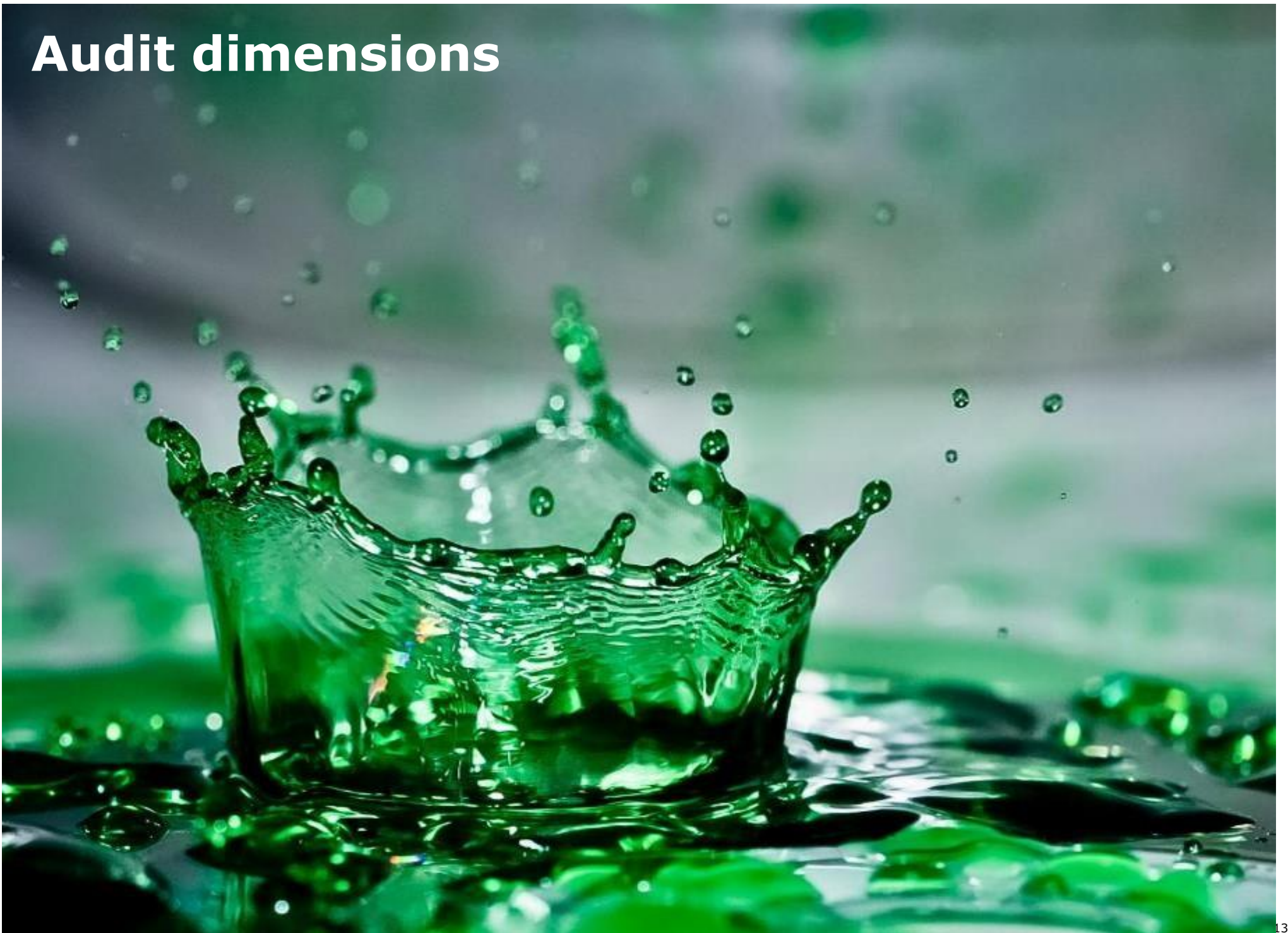
Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 12.

# 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 office'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>We are pleased to note that management has taken on board our feedback made in 2017/18 and considered the level of detail and format of the report to ensure that the main messages are not lost.</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 April 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 5 year fixed term, with the current Commissioner in year 1 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 2016-2020, with a new one currently being developed for implementation in 2020 demonstrating that the Commissioner's office 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's office, 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's office or is potentially misleading.

### Significant governance issues

The Annual Governance Statement has highlighted a number of significant governance issues that have been identified by the new Commissioner since being appointed on 1 April 2019.

The following additional key risks were identified by the incoming Commissioner, as summarised in the Annual Governance Statement:

- A backlog of proposed breach investigation reports regarding local councillor complaints, equal in number to that heard by the Standards Commission in an average year.
- Post vacancy equivalent to 71% of onsite complaints handling staff, including the Senior Investigating Officer.
- Significant delay in deployment of a new complaints case management system, with consequent diversion of the residual on-site staff.
- The processes and procedures for complaints handling required review and modernisation, including remodelling of the associated staff complement.

In addition, the following internal control gaps and weaknesses were identified by the incoming Commissioner:

- An incomplete audit trail existed in relation to certain records in the complaints-handling function of the office.
- Working practices regarding the management and supervision of staff, including the review and limitation of actual working hours, gave rise to control weakness in this specific area.

Since identifying these issues, the Commissioner has implemented a number of key actions, in particular a complete restructure of the complaints management function has taken place and provision of a robust set of risk management policies and procedures will form part of quality improvements going forward.

The Commissioner has also initiated liaison with the Scottish Parliament's Head of Internal Audit with the intention of entering a shared service agreement for provision of internal audit services. An internal audit programme providing comprehensive coverage of key risk areas is to be designed and implemented.

### 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.

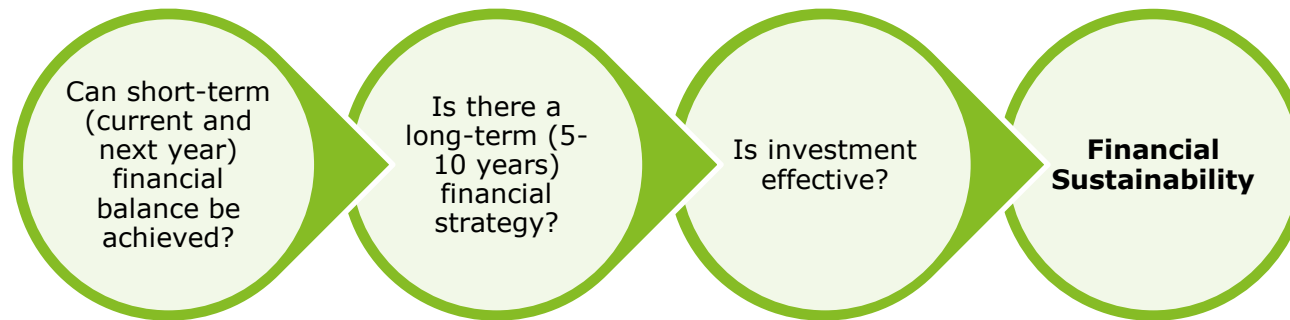
We have also reviewed the draft governance statement to assess compliance with the SPFM and have confirmed that it follows the format and content of the SPFM, incorporating all essential features.

While a number of significant governance issues have been identified, we are satisfied that these have been transparently reported and appropriate action is being taken to address them including a restructure of the complaints handling function and implementing a new procedures manual. We will follow up the impact of these actions as part of our 2019/20 audit.

# 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:

- Commissioner's office does not have appropriate scenario planning arrangements in place.
- Commissioner's office long-term financial planning is inconsistent with the Scottish Governments 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 £926,000 for the financial year 2018/19. The final drawdown, as reported in the financial statements was £916,000, therefore the Commissioner's office achieved short term financial sustainability.

Budget monitoring is performed by the Head of Corporate Services on a monthly basis, and reported to the Management Team on a quarterly basis. This process allows variances to be flagged and investigated timeously. Variances were noted during the year between budget vs actual however all variances were understood by management.

## 2019/20 budget

The SPCB approved an annual funding budget of £957,000 for the financial year 2019/20, an increase of £31,000 in comparison to 2018/19. The Commissioner's office is also due to receive additional funding of £63,000 from the Scottish Government in respect of the ongoing restructuring programme.

In order to enable the Commissioner's office to restructure the organisation to meet its statutory obligations effectively the additional funding was approved on a business case basis. This allows the organisation to change the structure and redefine the roles and responsibilities of staff members.

## Standards of conduct for prevention and detection of fraud and error

We have reviewed the Commissioner's office'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's office 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's office only receives funding confirmation from the SPCB for one year, therefore has not prepared a medium or long term financial strategy. The Commissioner's office has taken on board the recommendations made in the prior year report and prepare an indicative budget for 2 further year when preparing its budget bid.

The Commissioner's office is required to have a four year Strategic Plan laid before Parliament setting out how she will perform her functions during this period. The 2016-2020 Strategic Plan was laid before the Scottish Parliament in March 2016. 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.

Each year, the Commissioner's office also publishes an annual Business Plan which sets out the specific programme of activity it will deliver over the year in pursuit of the key strategic themes set out in the four year plan.

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

# Financial sustainability (continued)

## Workforce planning

At present there is no workforce plan for the organisation, therefore this needs to be developed, as highlighted in Best Value audit reports carried out by Audit Scotland across the public sector. The Commissioner plans to look at this as part of the restructure. This would provide steps to address vacancies in key posts that are not appropriately prioritised, training is not planned, roles and responsibilities of staff are not regularly considered to ensure they're still appropriate, and there is a lack of any real workforce development strategy.

This plan needs to consider the needs of the organisation and those of its workforce, ensuring it is sufficient to meet its legal obligations and objectives. Workforce planning provides a basis for understanding workforce behaviours, considering areas such as recruitment, promotion and turnover, as well as looking at causes of absenteeism and changes in productivity. Understanding these issues can allow the organisation to plan appropriately. Workforce planning is an ongoing process, and should be considered for appropriateness by the SMT on an annual basis.

Audit Scotland has produced reports on workforce planning in the NHS in Scotland, identifying key areas which need to be considered for effective workforce planning. Although not directly applicable, the overarching principles here should be used to guide the Commissioner's office workforce planning.

### Deloitte View – Financial sustainability

The Commissioner's office 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.

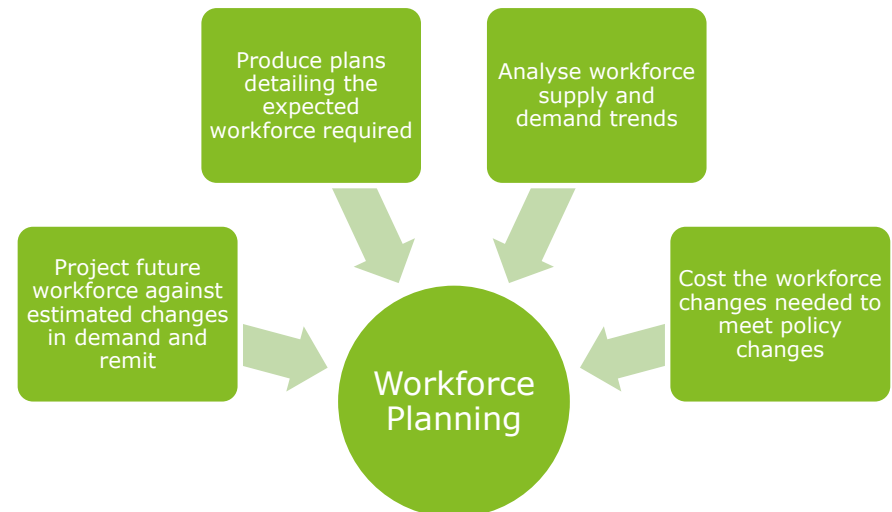
In common with other similar bodies, the Commissioner's office only receives funding confirmation from the SPCB for one year, therefore has not prepared a medium or long term financial strategy. It does, however, have a 4 year Strategic Plan, which includes a high level assessment of the resources required and prepare indicative budgets for 2 years following the budget bid. It is important that the Commissioner's office consider the potential implications of the Scottish Government's Medium Term Financial Strategy in setting future medium to longer term plans.

The Commissioner is reviewing the staff structure as part of the restructuring activity. The creation of a workforce plan should be considered as part of this.

## Succession planning

The current structure of the organisation means that it is difficult to have effective succession planning. It is unclear how the Commissioner's office could fill senior roles if any member of the SMT were to leave the organisation on short notice, with these issues being evident in the difficulties filling the current and past vacancies. During the 2018/19 financial year a number of staff left the organisation with no replacements meaning that work was not progressed. Succession planning should be introduced to prevent this happening in future.

Succession planning needs to be included in the workforce plan which needs to be developed by the organisation, which in turn needs to be linked to the proposed restructuring of the staffing and management structure in the organisation. This needs to include clear promotion opportunities within the organisation, effective delegation to staff, and tailored training plans to enable staff to carry out more senior roles.



## 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's office has done to prepare for the impact of EU withdrawal, specifically considering people and skills; finance; and rules and regulations.	<p>The Commissioner's office has appropriately assessed and planned for the potential impact of EU withdrawal. In particular:</p> <ul style="list-style-type: none"> <li>• <b>People and skills</b> - the Commissioner's office is not aware of any direct implications of EU withdrawal with regard to staff and workforce planning.</li> <li>• <b>Finance</b> - the Commissioner's office do not receive any funding from the EU therefore no risk identified.</li> <li>• <b>Rules and regulations</b> - the Commissioner's office 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.</li> </ul> <p>The Commissioner's office 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's office is sufficiently prepared.</p>
Changing landscape for public financial management	As part of our audit work on financial sustainability (see page 17) we have considered how the Commissioner's office has reviewed the potential implications of the Scottish Government's Medium Term Financial Strategy for its own long term planning.	As noted on page 17, the Commissioner's office does not currently prepare a medium or longer term financial plan. We recommend that it considers the implications of 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 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 office's approach to openness and transparency as part of our audit work on governance and transparency (see page 20).	The Commissioner's office is appropriately open and transparent in its operations and decision making however could apply further areas of good practice e.g. regular all staff meetings to provide two-way channels of communication between SMT and staff.

# 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 office's approach to openness and transparency, how good its information is; and its commitment to improving openness and transparency and concluded:

- The Commissioner's office has a positive attitude to openness and transparency and places a high level of importance on both informing and consulting staff.
- We recommend that once the full staff complement is in place, the Commissioner's office consider regular full staff meetings to improve the openness and transparency within the organisation. This is best practice from other Commissioners.
- Corporate information, including strategic and business plans, senior management team minutes and related committee reports and financial performance, is available through the Commissioner's office 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's office 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's office.

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's office 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

27 September 2019

# Audit adjustments

## Summary of corrected and uncorrected misstatements and disclosure deficiencies

### Corrected misstatements

		Debit/ (credit) income and Expenditure £	Debit/ (credit) Net Assets £	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) in revenue £m
<b>Misstatements identified in current year</b>					
Disclosure of CMS system as Asset under construction – removal of Amortisation	[1]	(4,583)	4,583	-	-
<b>Total</b>		<b>(4,583)</b>	<b>4,583</b>		

[1] The Commissioner has capitalised costs in relation to a new CMS system however this system was not live and therefore not ready and available for use and as such should not have been amortised during 2018/19 financial year.

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 the Commissioner considers the implications of the Scottish Government's Medium Term Financial Strategy for in any future medium to long term plans.	The Commissioner's Office agree with the recommendation.	Head of Corporate Services	31/03/2020	Medium
<i>Financial Sustainability</i>	The Commissioner's office needs to develop a workforce plan, linked to its Strategic plan and vision, which includes succession planning. This workforce plan should identify the current workforce, the workforce currently needed, the workforce needed into the future and the gaps existing presently and expected in the future. There should be detailed information on how these gaps will be addressed: through recruitment (including the method of recruitment - e.g. apprenticeships, graduate placements, experienced hires, secondments), through changing the services provided by the Commissioner's office, and through development of the current workforce.	The Commissioner's Office agree with the recommendation.	The Commissioner Senior Management Team	31/03/2020	Medium
<i>Openness and Transparency</i>	We recommend that the Commissioner's office considers implementing best practice from other commissioners. Including regular all staff meetings, once the full staff complement is in place, to provide two-way channels of communication between SMT and staff.	The Commissioner's Office agree with the recommendation.	Head of Corporate Services	31/03/2020	Medium



# Action plan (continued)

## Follow-up 2017/18 action plan

We have followed up the recommendation made in our 2017/18 annual report and are pleased to note that it has been fully implemented as summarised below.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
Financial Planning	We recommend Commissioner's office quantifies the financial impact of an increase in the number of complaints made or cases being undertaken e.g. a 5% increase and a 10% increase	We are happy to agree to the recommendation and will undertake this as part of our process for developing our budget bid for 2019/20	Business Manager	September 2018	Medium	<i>Fully Implemented</i> The Commissioner's office have taken the recommendation on board and when completing the budget bid for 2019/20 completed sensitivity analysis on how investigating officer hours would be affected by an increase or decrease by 5% or 10% In the level of complaints.

# 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's office 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's office 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.

### 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:

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**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.

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**Fees** The audit fee for 2018/19, in line with the fee range provided by Audit Scotland, is £12,900 as broken down below:

	£
Auditor remuneration	9,920
Audit Scotland fixed charges:	
Pooled costs	2,390
Audit support costs	590
<b>Total fee</b>	<b>12,900</b>

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

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**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.

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**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.

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# 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 10<sup>th</sup> 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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