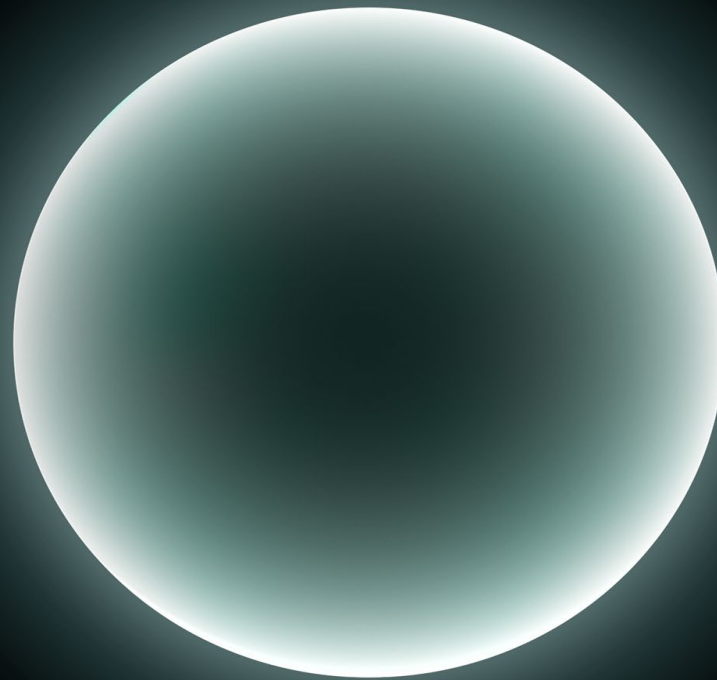


Deloitte.



Scottish Information
Commissioner

It's public knowledge



Scottish Information Commissioner

Report to the Commissioner and the Auditor General for
Scotland on the 2019/20 audit

Issued on 19 August 2020 for the meeting on 3 September 2020

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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 Scottish Information Commissioner (the Commissioner) for the 2019/20 audit. The scope of our audit was set out within our planning report presented to the Audit Advisory Board (AAB) in February 2020.

This audit was carried out under unusual circumstances, being a remote audit conducted during the national lockdown in response to COVID-19. We recognise the extra pressure faced by the Commissioner in preparing the annual report and in preparing for the audit. We engaged early with management on the potential implications of COVID-19 for the preparation of the annual report as well as the audit, and management confirmed their desire to stick to the original timetable. While the shift to remote working placed pressure on the original timetable for preparation of the annual report and completion of the audit, we have worked closely with management to mitigate this whilst maintaining audit quality as our number one focus.

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. As set out in our plan, in line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. 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 updates made by management, the performance report and annual governance statement 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 9.

Three misstatements in excess of our reporting threshold of £1,770 have been identified (page 25). One disclosure deficiency has been identified up to the date of this report relating to the lease commitment as detailed on page 26.

Conclusions on audit dimensions

As set out on page 3, our audit work covered the wider scope requirements of public sector audit.

The outbreak of COVID-19 has brought unprecedented challenges to organisations around the country. It is not yet known what long-term impacts these will have on populations and on the delivery of public services, but they will be significant and could continue for some time. While this report makes reference to COVID-19 where relevant, we have not considered the full impact of COVID-19 on the Commissioner at this stage.

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

Financial sustainability - The Commissioner has performed within the limits set by Scottish Parliamentary Corporate Body (SPCB) for 2019/20 and therefore has achieved short-term financial balance. The Commissioner has set a balanced budget for 2020/21.

The Commissioner has a strategic plan in place which includes expected financial resources until 2024 however this does not include discussion of any assumptions made or sensitivity analysis. The Commissioner does not have any medium or long-term financial plan in place which is as a result of not being able to obtain multi year funding. While the Commissioner has confirmed they are satisfied with this approach, we would highlight that this planning should be in place for all organisations, and many other organisations in the public sector which also only receive one year funding do have these plans in place.

Our detailed findings and conclusions are included on pages 17 to 19 of this report.

Introduction (continued)

The key messages in this report (continued)

Next steps

We have not made any recommendations relating to the 2019/20 audit and all recommendations relating to previous years have been fully implemented.

Emerging Issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. Most recently, a number of articles have been published focusing on the impact of COVID-19. We have provided a summary of those most relevant to the Commissioner as part of our Sector Developments on page 22 – 23 of this report.

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. In addition, as information emerges as a result of the COVID-19 pandemic, we have shared guidance with management on areas to consider in relation to internal controls, fraud risks and annual reporting. In addition, invites have been issued to our weekly webinar "Responding to COVID-19: Updates and practical steps" which are open to anyone to join.

Pat Kenny
Audit Director








Financial statements audit



Quality indicators

Impact on the execution of our audit

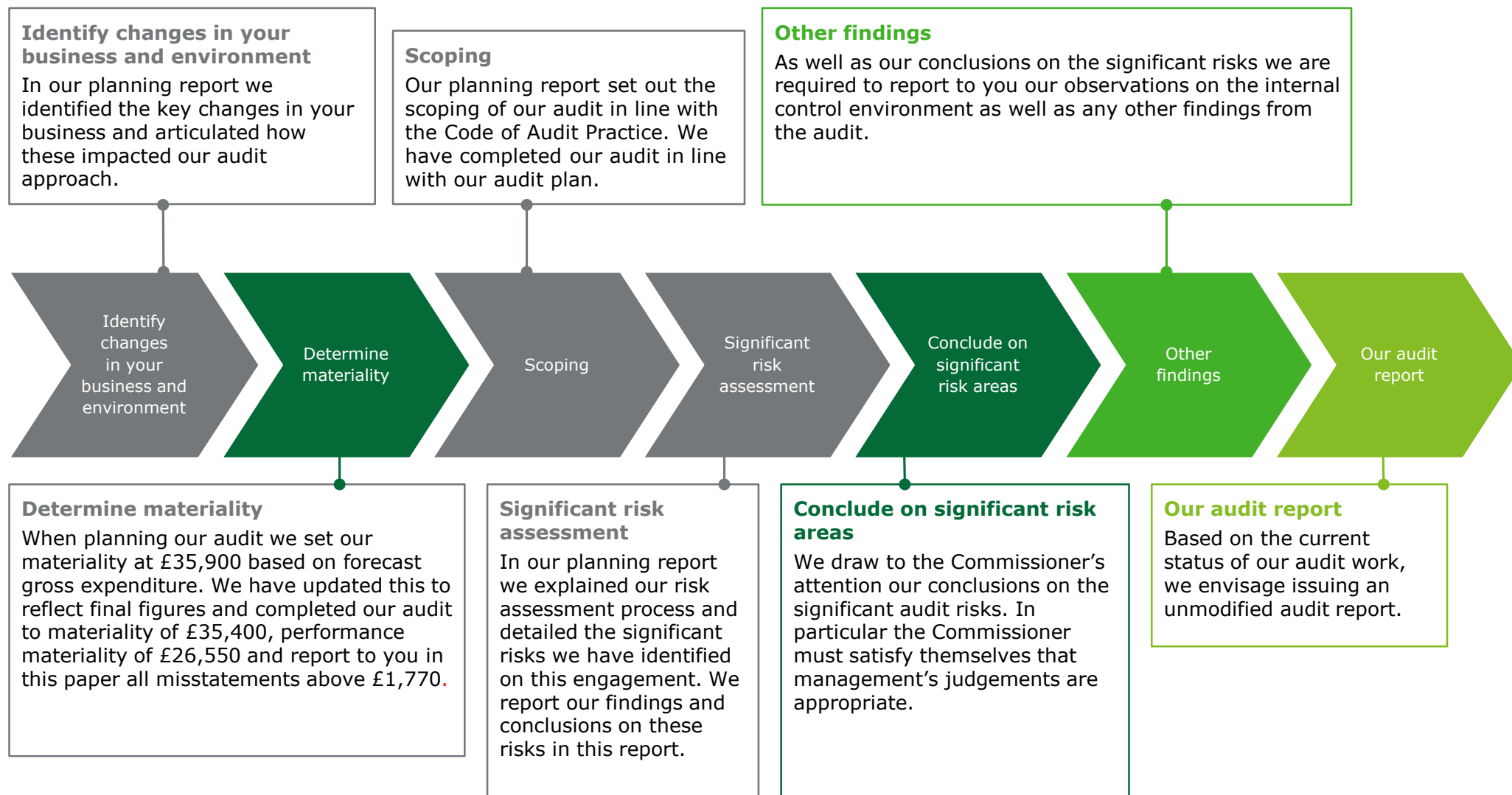
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		Management's judgements were promptly available at the start of the audit fieldwork. We encourage management to engage with us throughout the year for any matter which are unusual or require an element of judgement.
Adherence to deliverables timetable		All deliverables were provided on time despite the COVID-19 restrictions in place. This was the first year Commissioner has used the Deloitte Connect portal and this facilitated the information flow well.
Access to finance team and other key personnel		The finance team and other key staff were readily available and the audit has adapted effectively to remote working using video-conferencing.
Quality and accuracy of management accounting papers		The management papers presented were of a good standard and no issues arising from our review.
Quality of draft financial statements		The annual report and accounts were of a good quality and there were no significant issues highlighted from our review. We did not identify any disclosure deficiencies in relation to the remuneration and staff report which we are highlighting as an example of good practice.
Response to control deficiencies identified		No control deficiencies have been identified.
Volume and magnitude of identified errors		We have identified three financial statement misstatements (page 25) and one disclosure deficiency (page 26). We note that these items could have been picked up as part of a more robust management review of the accounts prior to submission for audit. We recognise that management were working in different way this year as a result of COVID-19.







 Lagging  Developing  Mature

Our audit explained

We tailor our audit to your business and your strategy



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 expenditure resource limit			D+I	Satisfactory		Satisfactory	10
Management override of controls			D+I	Satisfactory		Satisfactory	11

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

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

Significant risks (continued)

Risk 1 – Operating within expenditure resource limits

Risk identified

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with the prior year, we do not consider this to be a significant risk for the Commissioner as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Scottish Parliamentary Corporate Body (SPCB) which can be agreed to confirmations supplied.

We therefore consider the fraud risk to be focused on how management operate within the expenditure resource limits set by the SPCB. There is a risk that the Commissioner materially misstates expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position. The significant risk is therefore pinpointed to completeness of accruals and existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. 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.



Key judgements and our challenge of them

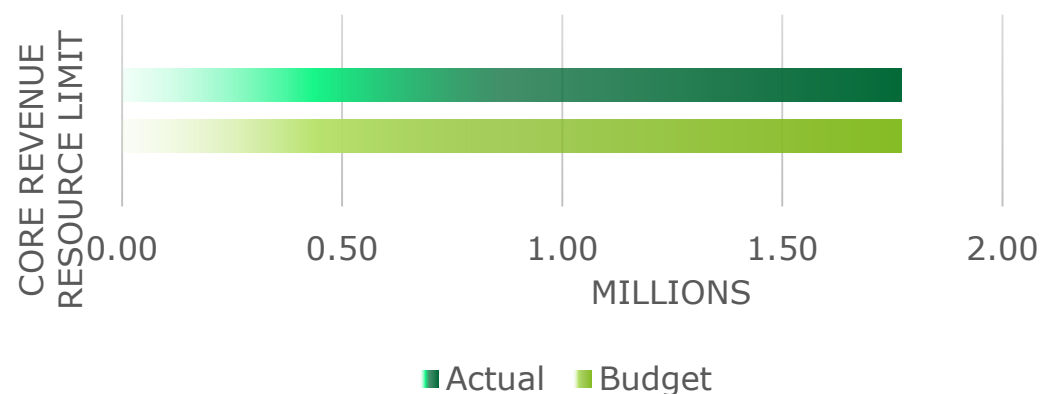
Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.



Deloitte response

We have evaluated the results of our audit testing in the context of the operating 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;
- Obtaining independent confirmation of the resource limits allocated to Commissioner by the SPCB;
- 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 that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

The Commissioner has performed within the limits set by the SPCB (within 5% of the allocated budget). The overspend was due to Court of Session legal costs for which there was no SPCB approved budget and the expenditure was met from cash reserves held.

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 Commissioner's controls for specific transactions.



The key judgements in the financial statements are those which we have selected to be the significant audit risk around expenditure recognition. This is inherently the 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:

- Commissioner' results throughout the year were projecting underspends in operational areas. This was closely monitored and whilst projecting underspends, 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, with no issues noted.

We have used Spotlight 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 and judgements

We have performed design and implementation testing of the controls over key accounting estimates and judgements.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud.

We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements (including accruals), focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

We identified two misstatements in relation to management estimates relating to an accrual for work that had not been completed and a legal accrual relating to a case for which costs were awarded against the Commissioner. Further details can be found on page 25.

Deloitte view

We have not identified any significant bias in the key judgements made by management.

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

We have identified three misstatements which have been corrected by management see page 25 for further details.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

Following updates made by management, the Commissioner's accounts have been prepared in accordance with the Government Financial Reporting Manual (FRoM).

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation.

We will obtain written representations from the Commissioner on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Coronavirus (COVID-19) outbreak

Impact on the annual report and audit

The current crisis is unprecedented in recent times. The public sector is directly exposed to the practical challenges and tragedies of the pandemic, and is undergoing major, rapid operational changes in response.

The uncertainties and changes to ways of working also impact upon reporting and audit processes, and present new issues and judgements that management and the Commissioner needs to consider. Audit Scotland has issued guidance relating to the impacts on the annual report to assist in making relevant disclosures. We summarise below the key impacts on reporting and audit:

Impact on the annual report and accounts

The Commissioner needs to consider the impact of the COVID-19 outbreak on the annual report and accounts, including:

- Principal risk disclosures;
- Impairment of non-current assets; and
- Going concern.

Impact on our audit

COVID-19 has fundamentally changed the way we have conducted our audit this year including:

- Teams are working remotely and have adapted well however with some challenges due to communication.
 - The teams have had regular status updates to discuss progress and facilitate the flow of information.
 - Consideration of impacts on the areas of the financial statements and annual report listed has been included as part of our audit work in the current year and comments have been included where appropriate within this report.
 - In conjunction with management, we will continue to consider any developments for potential impact up to the finalisation of our work in September 2020.
-

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

Our opinion on the financial statements is unmodified.



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.

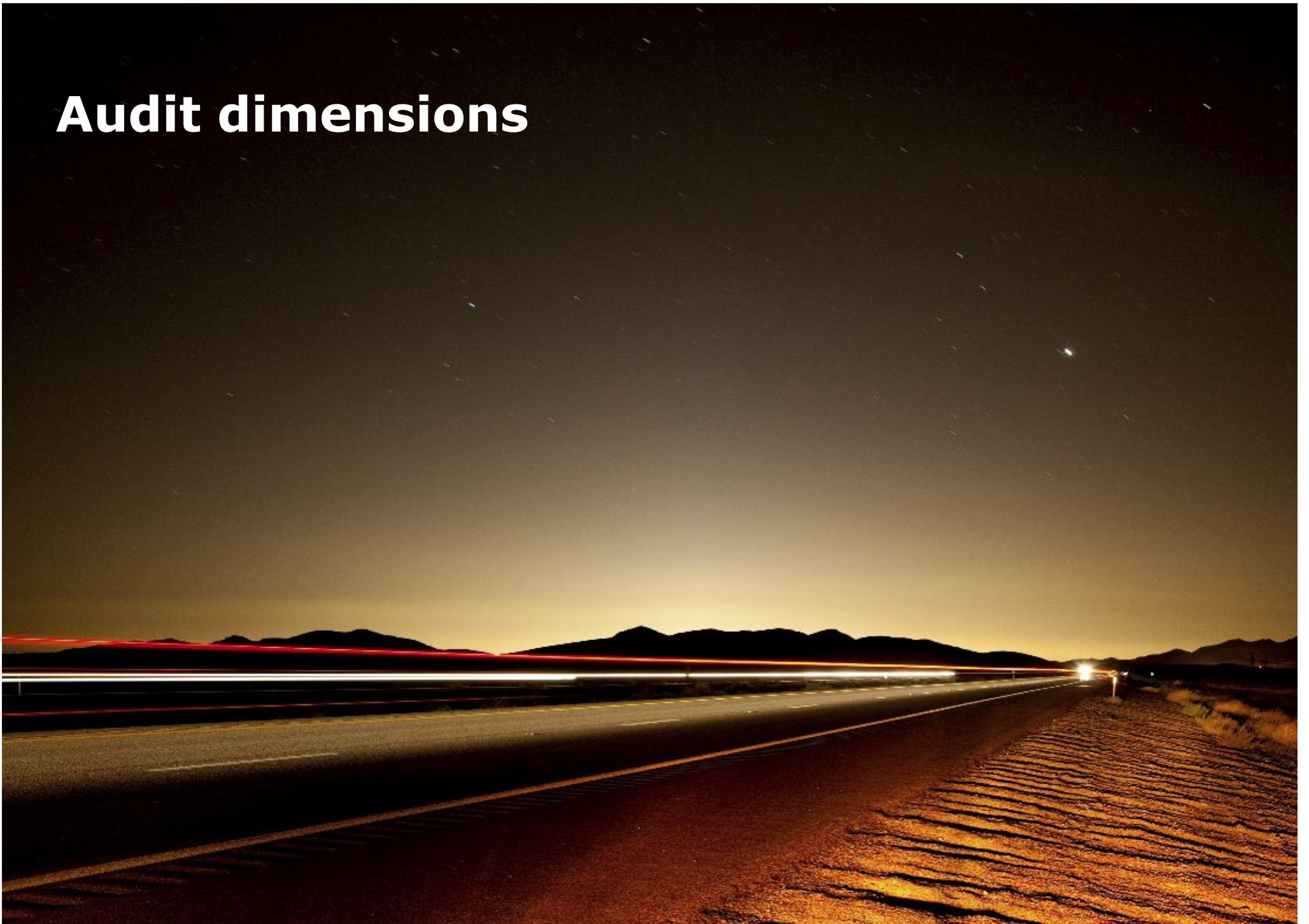
Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 15.

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 performance report 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.	<p>We have assessed whether the performance report has been prepared in accordance with the accounts direction. Following updates made by management, we confirm that the performance report has been prepared in accordance with the FReM.</p> <p>We have also read the performance report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the governance statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions were noted.</p> <p>We have also read the accountability report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We have also audited the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the relevant regulation.</p>
Going Concern	Management has made appropriate disclosure relating to Going Concern matters.	<p>We have confirmed that 2020/21 funding was approved by the SPCB in March 2020. In line with previous years, the SPCB can only confirm approved funding for one year. However, as the Commissioner is formally appointed for a six-year fixed term, with the current Commissioner in year three of that appointment, we are satisfied that there are no indications that funding from the SPCB will cease in future years.</p> <p>We also note that the current Strategic Plan covers the period 2020-2024 demonstrating that the Commissioner will be a going concern for 12 months from signing the accounts.</p>

Audit dimensions



Audit dimensions

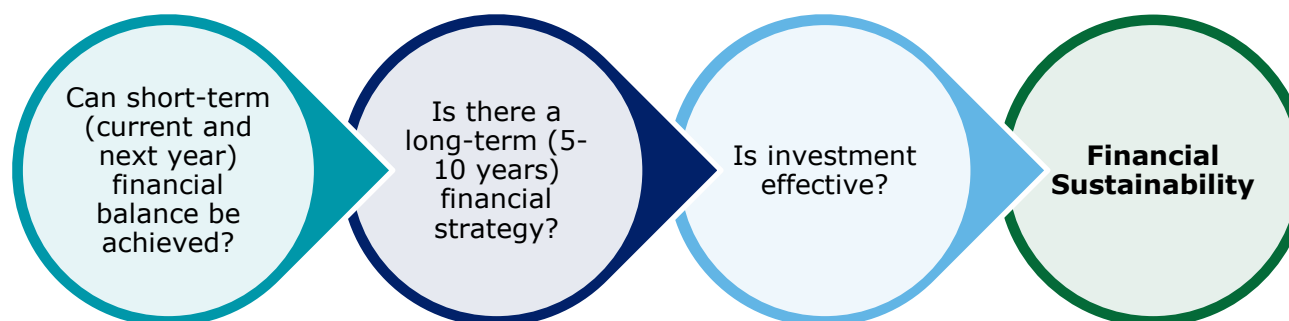
Overview

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, in line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. Our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the **governance statement** (which is discussed on page 15); and
- The **financial sustainability** of the Commissioner and the services that it delivers over the medium to longer term.

Financial sustainability

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.



Our approach to the audit dimensions is risk-focused. The risks identified in our planning paper for 2019/20 were as follows:

- That the governance statement is not consistent with the wider direction of the accounts or compliant with the Scottish Public Finance Manual.
- There is a risk that the financial planning systems in place do not adequately identify issues, risks and funding gaps including relevant actions. This leads to a risk of not meeting the statutory remit, delivering business plan or strategic objectives.

Audit dimensions (continued)

Short-term financial balance

2018/19 Conclusion:

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.

2019/20 Update:

The SPCB approved an annual funding budget of £1,638k for the financial year 2019/20. During 2019/20 Registered Social Landlords (RSLs) funding of £158k was provided by the Scottish Government to account for additional costs arising from the increased scope of Freedom of Information (Scotland) Act (FOISA) to RSLs.

The outturn for 2019/20 was £1,807k which is an overspend against budget of £10k. This was within the limits set by SPCB (5% of the allocated budget) and therefore the Commissioner achieved short-term financial balance in 2019/20. The Commissioner had sufficient cash resources to meet the overspend and therefore an application was not made to the SPCB contingency fund.

The SPCB approved a balanced budget of £1,903k for 2020/21 in March 2020. This is an increase of £99k on the actual drawdown in 2019/20 and the Commissioner has budgeted in line with this figure.

2019/20 Conclusion:

The Commissioner has performed within the limits set by SPCB for 2019/20 and therefore has achieved short-term financial balance. The Commissioner has set a balanced budget for 2020/21.

Medium-term financial planning

2018/19 Conclusion:

In common with 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 4 year Strategic Plan, which includes a high level assessment of the resources required. It is important that the Commissioner considers the potential implications of the Scottish Government's Medium Term Financial Strategy in setting future medium to longer term plans.

2019/20 Update:

The new Strategic Plan covering 2020 – 2024 was published in March 2020. The strategic plan does not link the strategic priorities identified to any applicable national outcomes.

The Strategic Plan clearly identifies the expected financial resource requirements over the life of the plan. This however does not contain any sensitivity analysis based on demand (i.e. what impact a 5% increase or decrease in cases would have on resource requirements).

The Commissioner has considered the Scottish Government's Medium Term Financial Strategy when drafting their Strategic Plan to ensure it is not inconsistent with the Scottish Government's direction of travel.

Audit dimensions (continued)

Medium term financial planning (continued)

2019/20 Conclusion:

The Commissioner has a strategic plan in place which includes expected financial resources until 2024, however this does not include discussion of any assumptions made or sensitivity analysis. The Commissioner does not have any medium or long-term financial plan in place which is as a result of not being able to obtain multi year funding.

Deloitte View – Financial sustainability

The Commissioner has performed within the limits set by SPCB for 2019/20 and therefore has achieved short-term financial balance. The Commissioner has set a balanced budget for 2020/21.

The Commissioner has a strategic plan in place which includes expected financial resources until 2024 however this does not include discussion of any assumptions made or sensitivity analysis. The Commissioner does not have any medium or long-term financial plan in place which is as a result of not being able to obtain multi year funding. While the Commissioner has confirmed they are satisfied with this approach, we would highlight that this planning should be in place for all organisations, and many other organisations in the public sector which also only receive one year funding do have these plans in place.

Other requirements

Fraud considerations

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 Commissioner's arrangements to be designed and implemented effectively.

Deloitte view

The Commissioner has appropriate arrangements in place for the prevention and detection of fraud and other irregularities.

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

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.

Use of 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.


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 procedures performed in fulfilling our audit plan.

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



Pat Kenny, CPFA
For and on behalf of Deloitte LLP
Glasgow | 19 August 2020

Sector developments



Sector developments

Responding to COVID-19

As part of our “added value” to the audit process, we are sharing our research, informed perspectives and best practice from our work across the wider public sector.

An emerging legacy

How COVID-19 could change the public sector

While governments and public services continue to respond at scale and pace to the COVID-19 pandemic, its leaders have begun to consider how the crisis might permanently change their agencies – and seven legacies are emerging.

The COVID-19 pandemic has been uncharted territory for governments. Elected representatives, officials and public service leaders around the world are making profound decisions with no precedent to draw upon and little certainty around when the crisis will end. As French President Emmanuel Macron observed, this is a kinetic crisis – in constant motion with little time to make far-reaching decisions.

In the UK and across much of Europe, government responses have been radical and exhaustive. Health services have mobilised at scale, finance ministries have acted fast to support businesses, and the full spectrum of departments have made rapid adjustments to ensure public needs continue to be met.

While leaders across the public sector remain focused on the immediate COVID-19 threat, they are increasingly mindful of its longer-term implications – and for some, the crisis could be an inflection point for their agency. This paper explores the pandemic’s likely legacy on governments, public services and the debates that shape them.

Seven emerging legacies:

1. Our view of resilience has been recast.
2. Governments could be left with higher debt after a shock to the public finances.
3. Debates around inequality and globalisation are renewed.
4. Lines have blurred between organisations and sectors.
5. The lockdown has accelerated collaborative technologies.
6. Civil society has been rebooted and citizen behaviour may change.
7. The legacy that still needs to be captured.

Read the full article at:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/an-emerging-legacy-how-corona-virus-could-change-the-public-sector.html>

Sector developments (continued)

Responding to COVID-19 (continued)

COVID-19: Lockdown exit and recovery

Whilst many things remain uncertain in the current environment, it is increasingly clear that many organisations are beginning to plan for the easing of the lockdown.

Two documents have been developed to support you in your thinking:

- **Lockdown exit and recovery:**– Based on insight from Henry Nicholson, our Chief Strategy Officer and our Economic and Financial Advisory Team, this document provides an overview of economic forecasts to predictions around exit strategies, potential economic impact, plus key considerations to consider in relation to: Supply, Demand, Operations, People and Financing
- **Exit timelines:** This document provides an overview for each of the major European countries of their current status, key statistics and a reported or illustrative timeline (as relevant) for their exit strategy. It also includes some actions organisations are taking in the workplace to 'return to work' plus advice for management teams.

Copies of these documents can be accessed through the following link:

<https://www2.deloitte.com/uk/en/pages/financial-advisory/articles/covid19-uk-lockdown-exit-and-recovery.html>

COVID-19: Impact on the workforce

It's likely that the way we work will be forever changed as a result of COVID-19. All of us are seeking answers to guide the way forward. That's why Deloitte's Global and UK Human Capital practice have produced a series of articles to inform business leaders on their path to respond, recover, and thrive in these uncertain times. These articles explore the impact of COVID-19 on the workforce and are aimed at supporting HR teams as they navigate their organisation's response to the pandemic.

HR leaders, in particular, have been at the centre of their organisation's rapid response to COVID-19, and have been playing a central role in keeping the workforce engaged, productive and resilient. Understandably, recent priorities have been focused almost exclusively on the respond phase. As progress is made against respond efforts, another reality is forming quickly. Now is the time for HR leaders to turn their attention toward recover, to ensure their organisations are prepared to thrive.

The latest thinking from our UK Human Capital practice is "**COVID-19 CHRO Lens: Work, Workforce and Workplace Considerations**". This workbook provides a framework to enable leaders to plan for recovery. It sets out a series of key questions across the dimensions of work, workforce and workplace, enabling organisations to plan for multiple scenarios and time horizons, as they shift from crisis response to recovery.

The workbook can be found at the following link, along with links to other articles which we would encourage you to explore.

<https://www2.deloitte.com/uk/en/pages/human-capital/articles/covid-19-impact-on-the-workforce-insight-for-hr-teams.html>

Appendices



Audit adjustments

Corrected misstatements

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

		Debit/ (credit) SOCNE £k	Debit/ (credit) in net assets £k
Painting works Accrual	[1]	(3)	3
Buildings Depreciation	[2]	(7)	7
Legal Accrual	[3]	13	(13)
Total		3	(3)

[1] As discussed on page 11, this misstatement was identified when completing our detailed testing of the accruals balance. A works order was issued for painting in March 2020 which was due to be completed in April 2020. As the work had not been completed by 31 March 2020 this does not represent an accrual which should be included in 2019/20.

[2] On review of the depreciation charge for buildings initially processed for 2019/20, we noted that it had doubled compared to 2018/19. All leasehold improvements had been depreciated to nil net book value due to human error interpreting the remaining lease term.

[3] As discussed on page 11, management highlighted to Deloitte that there was a legal case outstanding where the decision had been awarded against the Commissioner. Deloitte determined that the cost should be recognised as an accrual given that there is no uncertainty relating to the amount or timing of the payment.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

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

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<p><i>Lease Commitments</i></p> <p>During our audit, we identified that additional commitments had been disclosed in relation to the lease extension which had an effective date of May 2020. Given this was effective post year-end and not committed at 31 March 2020 no additional commitment should have been disclosed. Management have corrected the disclosure.</p>	<p>IAS 17 - The lease term is the non-cancellable period for which the lessee has contracted.</p>	<p>Qualitatively material – Important for the users’ understanding of the commitments in place at year end. The disclosure suggested the Commissioner had more commitments than it did.</p>

Our other responsibilities explained

Fraud responsibilities and representations



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 the risk of fraud in expenditure recognition and management override of controls as a key audit risk for your organisation.

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

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

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

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 the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Commissioner and our objectivity is not compromised.

Fees The audit fee for 2019/20, in line with the expected fee range provided by Audit Scotland, is £16,510, as analysed below:

	£
Auditor remuneration	12,820
Audit Scotland fixed charges:	
Pooled costs	2,980
Audit support costs	710
Total fee	16,510

No non-audit services fees have been charged for the period.

Non-audit services In our opinion there are no inconsistencies between the FRC's Ethical Standard 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 board and 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.

Quality of public audit in Scotland

Annual report 2018/19

Audit Scotland published its annual assessment of audit quality carried out on the audit work delivered by Audit Scotland and appointed firms. A copy of the full report is available: <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-201819>

Public audit in Scotland

Recent high-profile corporate collapses in the private sector have led to considerable scrutiny of the audit profession. The Brydon review is looking into the quality and effectiveness of the UK audit market. The Kingman review, the Competition and Markets Authority market study of the audit services market and the Business, Energy and Industrial Strategy Committee's report on the Future of Audit have all reported on structural weaknesses in the private sector audit regime. The reviews are placing a strong focus on the need for independence of auditors from the bodies they audit.

The public audit model in Scotland is fundamentally different to the private sector audit regime and is well placed to meet the challenges arising from the reviews of the auditing profession. Public audit in Scotland already operates many of the proposed features to reduce threats to auditor independence including:

- independent appointment of auditors by the Auditor General for Scotland and Accounts Commission
- rotation of auditors every five years
- independent fee-setting arrangements and limits on non-audit services
- a comprehensive Audit Quality Framework.

The Audit Scotland Audit Quality and Appointments (AQA) team will continue to develop its activities to provide the Auditor General for Scotland and Accounts Commission with assurance about audit quality. The Audit Quality Framework will be refreshed to take account of the findings from the first two years of its application and to reflect on the developments in the wider audit environment. Further development is planned over the following year to include:

- enhancing stakeholder feedback
- reviewing the structure and transparency of audit quality reporting.

Key messages

The programme of work carried out under the Audit Quality Framework provides evidence of compliance with auditing standards and the Code of audit practice (the Code), together with good levels of qualitative performance and some scope for improvements in audit work delivered in the period 1 April 2018 to 31 March 2019.

Independent external reviews of audit quality carried out by The Institute of Chartered Accountants of Scotland (ICAS) show evidence of compliance with expected standards:

- ICAS did not identify any concerns with audit opinions
- 55 per cent of financial audit files reviewed by ICAS over the last two years were graded as limited improvement required, the remaining reviews were graded as improvement required (*100% of Deloitte files – limited improvement*)
- ICAS noted considerable improvements in the documentation of performance audits and Best Value assurance reports.

Other performance measures showing good performance include:

- 78 per cent of internal reviews of financial audits in the last two years required only limited improvements (*100% of Deloitte internal reviews graded as no improvement required*)
- all audit providers have a strong culture of support for performing high-quality audit
- stakeholder feedback shows audit work has had impact
- non-audit services (NAS) are declining in number and value and requests made complied with the Auditor General for Scotland and Accounts Commission's NAS policy.

AQA monitors progress against areas for improvement. A common area for improvement in the last two years has been the need for better documentation of audit evidence. In 2018/19 further areas for improvement were identified in:

- the use of analytical procedures
- the application of sampling.



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