



Crofting Commission

Report to the Audit and Finance Committee and the Auditor General for Scotland,
on the 2020/21 audit

Issued on 19 July 2021 for the meeting on 27 July 2021 (Updated final 10 August 2021)

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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 Annual Report and Accounts.
- 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 Audit and Finance Committee ('the Committee') of the Crofting Commission ("the Commission") for the year ending 31 March 2021 audit. The scope of our audit was set out within our planning report presented to the Committee in January 2021.

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, we initially concluded that the full application of the wider scope was not appropriate and applied the "small body" clause set out in the Code which allows narrower scope work to be carried out. We updated our risk assessment during the audit and consequently expanded the work we perform on the wider scope requirements. Our work in this area included concluding on:
 - The appropriateness of the disclosures in **the governance statement**;
 - The **governance and transparency** of the Commission, the effectiveness of scrutiny and governance arrangements, leadership and decision making and the transparency of financial and performance reporting; and
 - The **financial sustainability** of the Commission 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 the completion of our audit work we have issued 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 Commission.

The auditable parts of the Remuneration Report and Staff Report have been prepared in accordance with the relevant regulations.

A summary of our work on the significant risks is provided in the dashboard on page 9.

We have not identified any misstatements above our reporting threshold.

Status of the financial statements audit

Our audit is complete.

Conclusions on audit dimensions and best value

As set out on page 3, our audit work covered the appropriateness of the Governance Statement, 'financial sustainability' and 'governance and transparency'. Our separate detailed report presented to the Committee in June 2021 set out our findings and conclusions on 'financial sustainability' and 'governance and transparency'. In accordance with the Code of Audit Practice, we have included our overall conclusions within this report on page 18. Key conclusions include:

Financial sustainability – The Commission has underspent by a historically large amount in 2020/21 (£55k; 2019/20: £16k), due to insufficient forewarning of additional funding from the Scottish Government, followed by delays in the use of this funding. The Commission has therefore achieved financial balance in 2020/21, and expects to do so again in 2021/22.

Over the medium-to-longer term, the position facing the Commission is more difficult. In our view, the Commission's planning for this period – including financial, workforce and succession planning – is flawed by design, ineffective in implementation and needs to be significantly overhauled. Improvements recommended in previous audits have not yet been implemented. These weaknesses were identified by both management and the Board, yet the Medium-Term Financial Plan ('MTFP') and Workforce Plan were approved nonetheless, which indicates that insufficient scrutiny and challenge has occurred over these key strategic documents.

The Commission does not have clear plans to achieve a sustainable position over the medium-term. This position has not improved since the concerns we raised in our 2019/20 audit. Consequently, we are unable to conclude that the Commission is in a financially sustainable position over the medium-to-longer-term.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions and best value (continued)

Governance and transparency – Our audit work has identified significant weaknesses in the Commission’s leadership, governance and sponsorship arrangements. These weaknesses were exposed by unexpected challenges in 2020/21, including the COVID-19 pandemic and additional funding with an expanded role for the Commission. Key parties in the governance framework did not observe their roles and responsibilities and the other parties in the governance framework did not constructively challenge these behaviours. The Board and Senior Management Team (‘SMT’) actively failed to observe the strategic and operational split in their roles. The relationship between the Board, Chief Executive Officer (‘CEO’), SMT and Sponsor Division – which was strained at the start of 2020/21 – continued to deteriorate and there is evidence that some parties tried to inappropriately use their relationships to override the objections of others in the governance framework. All of these issues indicate an unhealthy culture at the top of the Commission, which undermined the appropriateness and effectiveness of leadership provided to the Commission throughout the year.

The checks and balances within the Commission’s governance framework should have prevented or corrected these weaknesses at an early stage. These checks and balances failed at every stage and the weaknesses identified rapidly escalated from being relatively isolated incidents to representing a significant risk to the Commission.

Every failure in governance and leadership that we have identified in our work by one party was enabled by another, either through actively supporting the actions taken, by implementing the actions despite their concerns or by simply failing to speak up against them.

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 the most relevant to the Commission as part of our Sector Developments on page 21 of this report.

Next steps

Management has accepted that the audit has highlighted a range of interconnected issues that need to be addressed. While accepting the factual accuracy of the ‘Audit Dimensions and Best Value’ report, they disagree with the wording of some of the judgements contained within it.

We have included an Action Plan in our ‘Audit Dimensions and Best Value’ report presented to the Committee in June 2021, which is summarised on page 23 of this report.

Added value

Our aim is to add value to the Commission 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 Commission promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition, we have included our “sector developments” on page 21 – where we have shared our research, informed perspective and best practice from our work across the wider public sector that is specifically relevant to the Commission.

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 |  | Key judgements for the Commission relate primarily to live or potential appeals to the Land Court and the Court of Session. Management demonstrated a clear understanding of these areas, were able to explain them clearly and provide sufficient and appropriate evidence to support these judgements at an early stage in the audit. |
| Adherence to deliverables timetable |  | Management provided all evidence in a timely manner, in advance of agreed timelines. Any follow-up requests during the audit were quickly actioned. |
| Access to finance team and other key personnel |  | Deloitte and the Commission have worked together to facilitate remote communication during the audit which has been successful. There have been no issues with access to the finance team or other key personnel. |
| Quality and accuracy of management accounting papers |  | Documentation provided has been of a high standard, which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Report and Accounts. This is borne out by the resubmission rate on requests for the audit being low, at 1%. |
| Quality of draft financial statements |  | A full draft of the Annual Report and Accounts was received for audit on 21 June 2021. We identified numerous areas of good practice, including a good level of signposting and cross-referencing to further information and the use of graphics throughout the report enhances the understandability of the document and ensures that the report is accessible to all users. |
| Response to control deficiencies identified |  | We did not identify any control deficiencies during our audit. |
| Volume and magnitude of identified errors |  | We have not identified any adjustments above our reporting threshold of £5,350. |



Lagging



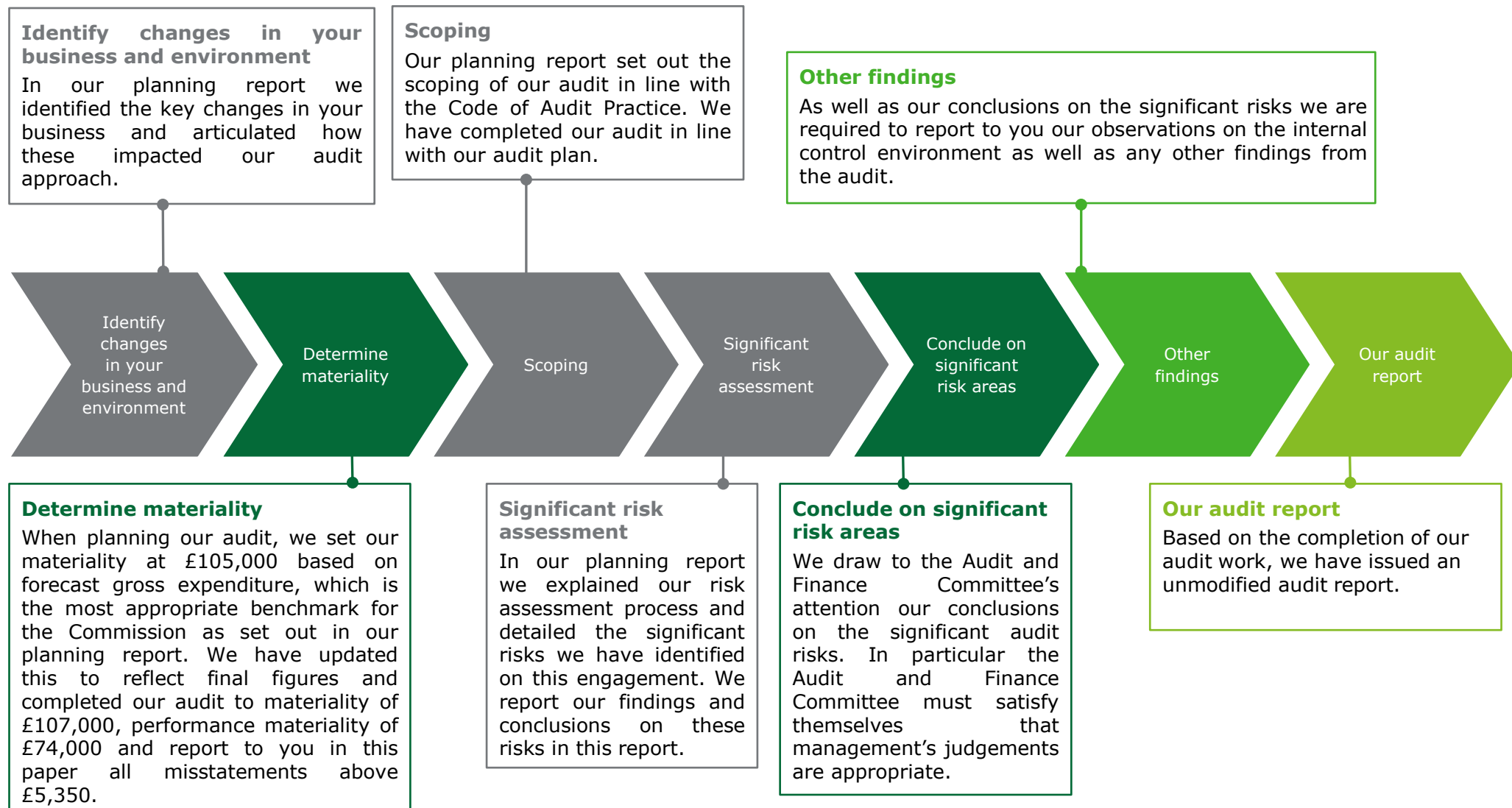
Developing



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 limits |  |  | 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)

Operating within expenditure resource limits



Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for the Commission as there is little incentive to manipulate revenue recognition with the entirety of revenue being from the Scottish Government 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 Scottish Government. There is a risk is that the Commission could materially misstate 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 the completeness of accruals and the 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.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the target set by the Scottish Government. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Obtaining independent confirmation of the resource limits allocated to the Commission by the Scottish Government;
- 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.

We confirmed that the Commission has performed within the limits set by the Scottish Government and therefore is in compliance with the financial targets in the year.

No issues were identified through our work.

Significant risks (continued)

Management override of controls



Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.



Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgements and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

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.

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.

Significant risks (continued)

Risk 2 - Management override of controls (continued)

Key estimates and judgements The key estimates and judgements in the Annual Report and Accounts include those which we have selected to be significant audit risks around achievement of expenditure resource limits (page 10) and accounting estimates (page 11). These are inherently the areas in which management have the potential to use their judgement to influence the Annual Report and Accounts. As part of our work on this risk, we reviewed and challenge management’s key estimates and judgements including:

| Estimate / judgement | Details of management’s position | Deloitte Challenge and conclusions |
|-----------------------------------|---|---|
| Accruals | Accruals relating to the Commission’s operating activities are estimated on the basis of existing contractual obligations and goods and services received during the year. | We have assessed this estimate through the performance of detailed testing, performing sample testing at a significant risk level on potential unrecorded liabilities (payments made and invoices received around the year-end) and accruals. Based on the testing performed, we have not identified any issues. |
| Contingent Liabilities/Provisions | The Commission is aware of a small number of live or potential appeals to the Land Court and Court of Session which might, depending on the Court’s decisions, lead to costs being awarded against the Crofting Commission. The likelihood of appeals and the amounts of any resulting liabilities cannot be estimated with certainty, but the overall potential liability estimated by the Crofting Commission is sufficient to require a contingent liability to be recorded. | In the draft Annual Report and Accounts, the Commission have disclosed a contingent liability of £12k. In line with the updated requirements of ISA 540, we have obtained documents detailing management’s assessment of ongoing legal claims. We have challenged management’s assessment and consulted with management’s legal expert to confirm there have been no subsequent events that may impact the amounts disclosed in the Annual Report and Accounts. |

Other significant findings

Financial reporting findings

Below, we set out the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

The Commission has prepared its Annual Report and Accounts in line with the Financial Reporting Manual ('FRM'). We have not identified any areas of non-compliance with accounting standards or good practice in our review of the Commission's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

Significant matters discussed with management:

Significant matters discussed with management related primarily to our 'Audit Dimensions and Best Value' and the conclusions and recommendations for the Commission moving forward. We also discussed the impact of COVID-19 on the organization.

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.

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

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.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is relevant to the assessment of the continued existence of a particular body.



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.

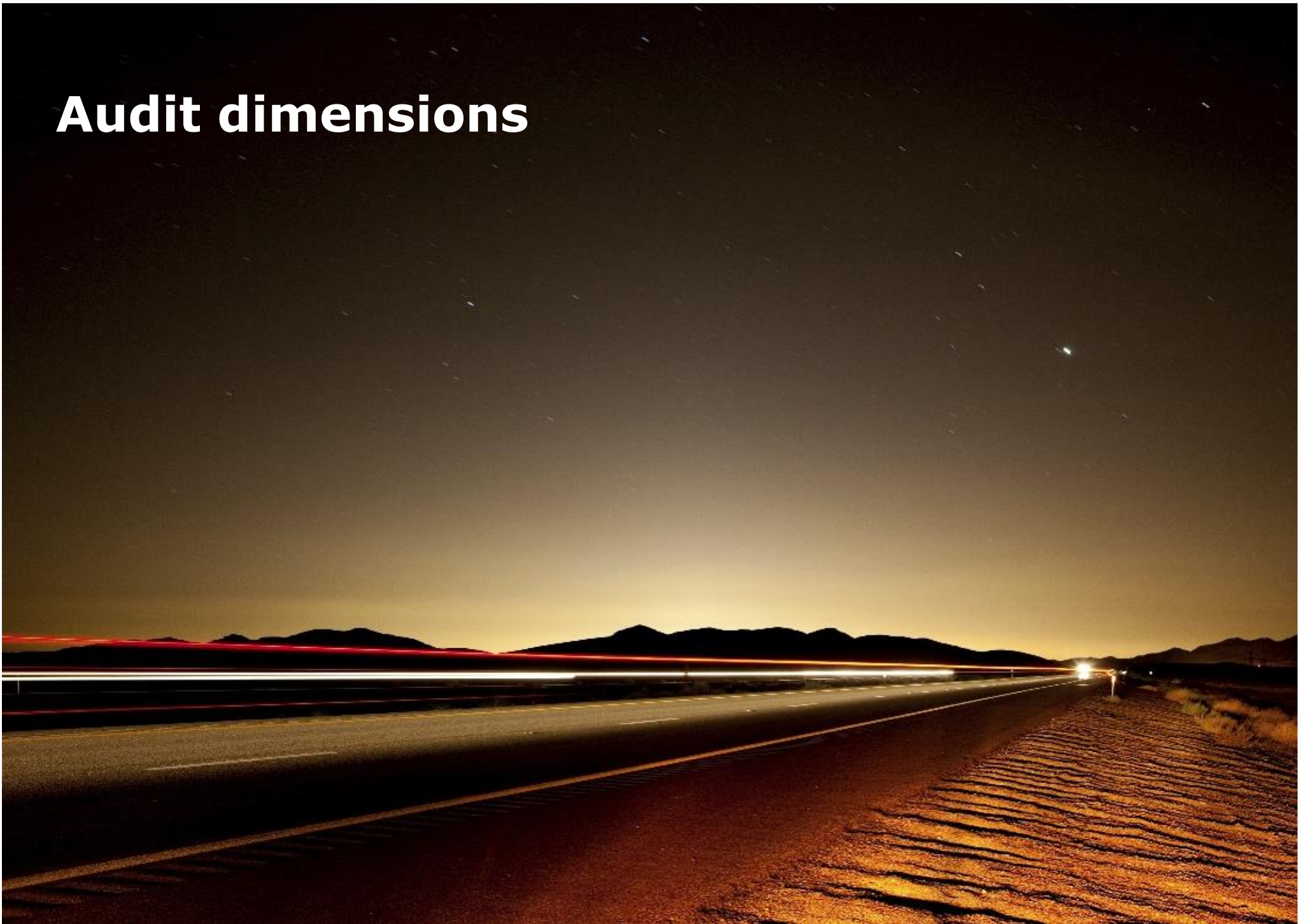
Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 15.

Your Annual Report

We are required to provide an opinion on the auditable parts of the Remuneration Report and Staff Report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

| | Requirement | Deloitte response |
|---------------------------|---|---|
| The Performance Report | The report outlines the Commission's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Commission. | <p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. 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>As explained on page 7, there are several areas of good practice demonstrated throughout the Performance Report. We identified a few minor areas for improvement which have been actioned by management.</p> |
| The Accountability Report | Management have ensured that the Accountability Report meets the requirements of the FReM, comprising the governance statement, Remuneration Report 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 have been 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. We provided management with minor comments and suggested changes and have received an updated version reflecting these changes.</p> <p>We have also audited the auditable parts of the Remuneration Report and Staff Report and confirmed that they have 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 the 2021/22 budget was approved by the Committee in January 2021. We have concluded that the plan is sufficiently robust to demonstrate that the Commission will be a going concern for 12 months from signing the Annual Report and Accounts.</p> <p>We requested that management specifically disclosed their considerations in relation to the impact of COVID-19 on the ability of the Commission to operate as a going concern in the going concern disclosure in the Annual Report and Accounts. This disclosure has been appropriately included.</p> |

Audit dimensions



Audit dimensions

Overview

As set out in our audit plan and separate report on the “Audit Dimensions and Best Value” presented to the Committee in June 2021, public audit in Scotland is wider in scope than financial audits. Our separate report sets out our findings and conclusions on our audit work covering the areas set out below.

- The appropriateness of the disclosures in the **governance statement** (which is discussed on page 15);
- The **financial sustainability** of the Commission and the services that it delivers over the medium-to-longer term; and
- The **governance and transparency** of the Commission, the effectiveness of scrutiny and governance arrangements, leadership and decision making and the transparency of financial and performance reporting.

In addition to the above, we have reviewed the Commission’s arrangements for the **prevention and detection of fraud and irregularities**. Overall we found the Commission’s arrangements to be effectively designed and appropriately implemented.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Audit dimensions and best value (continued)

Overview and conclusions (continued)

Financial sustainability

The Commission achieved financial balance in 2020/21 and we are satisfied that it can achieve financial balance in 2021/22, due to a significant uplift in funding from the Scottish Government, a historically large carry forward from 2020/21 of £55k (2019/20: £16k) and a comparatively low efficiency savings target of £84k (2020/21: £95k). Going forward, the Commission needs to re-evaluate the level of involvement of key stakeholders in the development of the budget to ensure that the Board's priorities are appropriately considered in drafting the budget. The budget setting process should be formalised to set out the process and the involvement of key stakeholders.

It is positive that the Commission revised its MTFP in the year. However, the MTFP is suboptimal in providing a platform for the Board to make informed medium-term financial decisions. The MTFP, in its current format, fails to serve the primary purpose of any MTFP: it does not set out the Commission's expected position, the current trajectory or actions needed to bridge any funding gaps, which themselves are not quantified in the MTFP. Significant improvements are needed to the MTFP to ensure that it is an effective strategic document.

As with the MTFP, it is positive that the Commission revised the Workforce Plan in the year, although the structure of the Workforce Plan is also suboptimal. The Workforce Plan does not cover the fundamentals which any Workforce Plan should. Without the overriding goal of what the future workforce should look like, the usability of the Workforce Plan is undermined significantly. Given that this has been an issue which has been raised in audits for a number of years and given the gap in understanding of workforce planning within the Commission, the Commission should engage an independent review of the workforce needs of the Commission. In addition to considering the workforce needs of the Commission, there needs to be a holistic consideration of the structure of the SMT.

Governance and Transparency

There is insufficient evidence to demonstrate that the CEO has provided appropriate and effective leadership to the Commission throughout the year. Further, we had serious concerns as to the leadership provided by the previous Convener, in his role on the Board. The basis for these conclusions are set out in our separate report on the "Audit Dimensions and Best Value" presented to the Committee in June 2021.

Given the issues identified with the structure of the SMT, ineffective performance management, insufficient assessment of development needs and inadequate provision of training, we cannot conclude that the Commission has appropriate and effective leadership in place. This is not a comment on any individuals within the SMT, rather the structure and processes in place.

The issues identified throughout our work are indicative of an unhealthy culture operating within the Commission. There has been a breakdown in the key relationships between the Board, CEO and SMT. In addition, the relationship between the Commission and the Scottish Government has deteriorated significantly during the year.

In our view, the Scottish Government and Sponsor Division, the Board, the Convener, the CEO and the SMT all failed to deliver their functions effectively in the year, which has contributed to a rapid escalation in the difficulties facing the Commission. Every failure of governance and leadership we identified by one party could and should have been prevented by other parties within the Commission's governance framework. Instead, these failures were enabled by other parties and in some cases actively encouraged. This resulted in others coming to the – incorrect – view that the correct course of action for them would also be to deviate from their roles to counteract others doing the same. Consequently, the checks and balances built into the Commission's governance framework simply failed to operate.

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 Audit and Finance Committee 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; and
- 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 Commission, as a body, 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 Audit and Finance Committee.

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 | 10 August 2021

Sector developments



Scottish Futures Trust - New Frontiers for Smarter Working, Work and Workplace post COVID-19

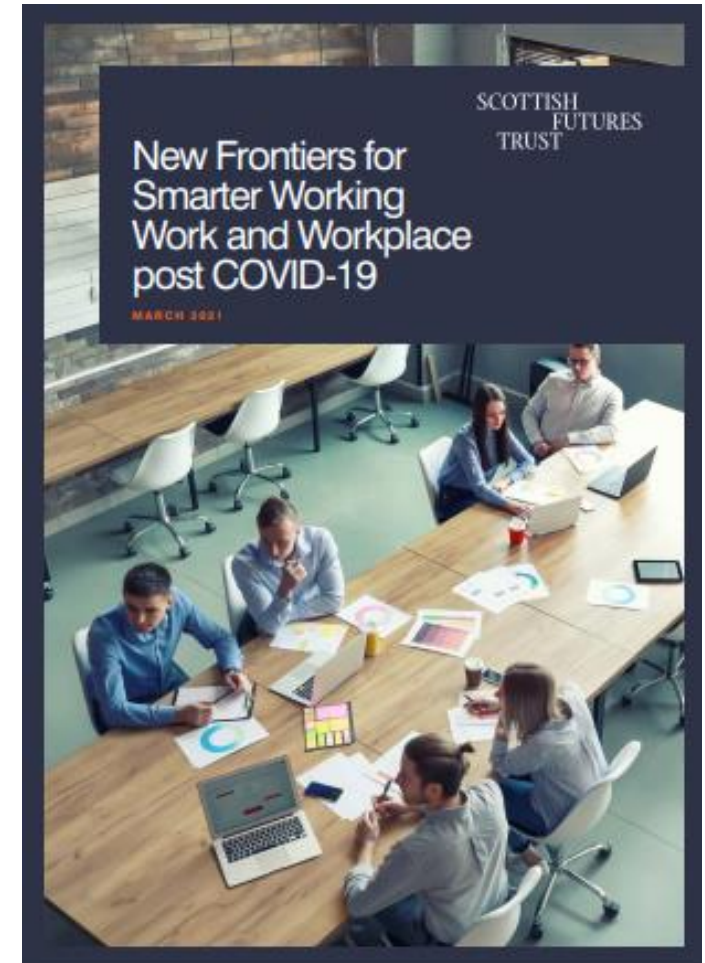
Background and overview

COVID-19 has fast-tracked a social revolution where a wider range of working choices could be on the horizon for hundreds of thousands of workers.

A new report by infrastructure experts, the Scottish Futures Trust reveals that the workforce of the future - predominantly those who have been office based - will want to make informed choices of where and how to work most productively and more beneficially for their wellbeing.

Post the pandemic, organisations should consider the three 'Hs' of working - from Home, a nearby hub or local location, where employees can meet clients or have time to concentrate on projects, or the HQ and head office, where people can gather to socialise, brainstorm ideas or collaborate face-to-face.

The "New Frontiers for Smarter Working, Work and Workplace Report" also finds that this new blended future will depend on how employers gauge the benefits from the improved working set up while ensuring the wellbeing of employees.



Next steps

The report reveals a new future for best work, productivity and wellbeing. The full report is available at https://www.scottishfuturestrust.org.uk/storage/uploads/new_frontiers_report_march2021.pdf

Appendices



Action plan

Recommendations for improvement

Our 'Audit Dimensions and Best Value' report presented to the Committee in June 2021 reported our detailed recommendations arising from our work on the wider audit dimensions. In this report, we made 41 recommendations, as follows:

| Wider audit dimension | Recommendations made |
|------------------------------|-----------------------------|
| Financial sustainability | 7 |
| Governance and transparency | 34 |

We will follow up these recommendations and report to the Audit and Finance Committee on progress as part of our 2021/22 audit.

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 auditor, 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 Commission 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 have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity or group.

We have also asked the Commission 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 relation to operating within the expenditure resource limit 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.

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 Commission and our objectivity is not compromised.

Fees

The audit fee for 2020/21, which increased from that communicated in our planning paper due to the application of additional wider scope requirements, is £30,522 as analysed below:

| | |
|-------------------------------|---------------|
| | £ |
| Auditor remuneration | 26,532 |
| Audit Scotland fixed charges: | |
| Pooled costs | 3,020 |
| Audit support costs | 670 |
| Total fee | 30,522 |

We have still to assess any impact the additional testing as a result of COVID-19 and the response to our wider scope work. Once completed, we will discuss any impact on the fee with management.

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.



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