



# Scottish Human Rights Commission

Report to the Commissioner and the Auditor General for Scotland, on the 2020/21  
audit

Issued on 24 August 2021 for the meeting on 1 September 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 Commission for the year ending 31 March 2021 audit of the Scottish Human Rights Commission (“SHRC”). The scope of our audit was set out within our planning report presented to the Commission in March 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, 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 SHRC 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 Accountability Report comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the SHRC.

Following updates made by management, the auditable parts of the Remuneration 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 identified one misstatement above our reporting threshold, relating to accruals, which is included on page 25.

### **Status of the financial statements audit**

Our audit is complete.

### **Conclusions on audit dimensions**

**Governance Statement** – The disclosures are appropriate and address the minimum requirements of the Scottish Public Finance Manual (“SPFM”) and the Government Financial Reporting Manual (“FReM”).

**Financial sustainability** – As with previous years, SHRC are projecting to achieve short-term balance in 2021/22.

Although the SHRC receives annual funding it is possible to prepare a Medium Term Financial Plan (“MTFP”). There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the Commission can manage its finances and deliver services, we recommend implementing a MTFP as other public bodies have done.

The SHRC should develop a formalised Workforce Plan. Workforce planning should outline the current workforce, the future workforce and how the organisation can achieve its required future workforce.

Our detailed findings and conclusions are included on pages 17 to 20 of this report.

# Introduction (continued)

## The key messages in this report (continued)

### **Emerging issues**

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. We have provided a summary of those most relevant to the SHRC as an Appendix on page 23 of this report.

### **Next steps**

An agreed Action Plan is included in the Appendix on page 27 of this report. We will consider progress with the agreed actions as part of our 2021/22 audit.

### **Added value**

Our aim is to add value to the SHRC 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 SHRC 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 provided technical support on a number of areas throughout the year, such as around the new going concern standard and remuneration report disclosures.

**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 SHRC relate to the recognition of accruals. 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 SHRC 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.
Quality of draft financial statements		A full draft of the Annual Report and Accounts was received for audit on 16 July 2021. We identified minimal areas of non-compliance
Response to control deficiencies identified		We did not identify any control deficiencies during our audit.
Volume and magnitude of identified errors		We have identified one financial adjustment during our audit relating to accruals, as set out on page 25.



Lagging



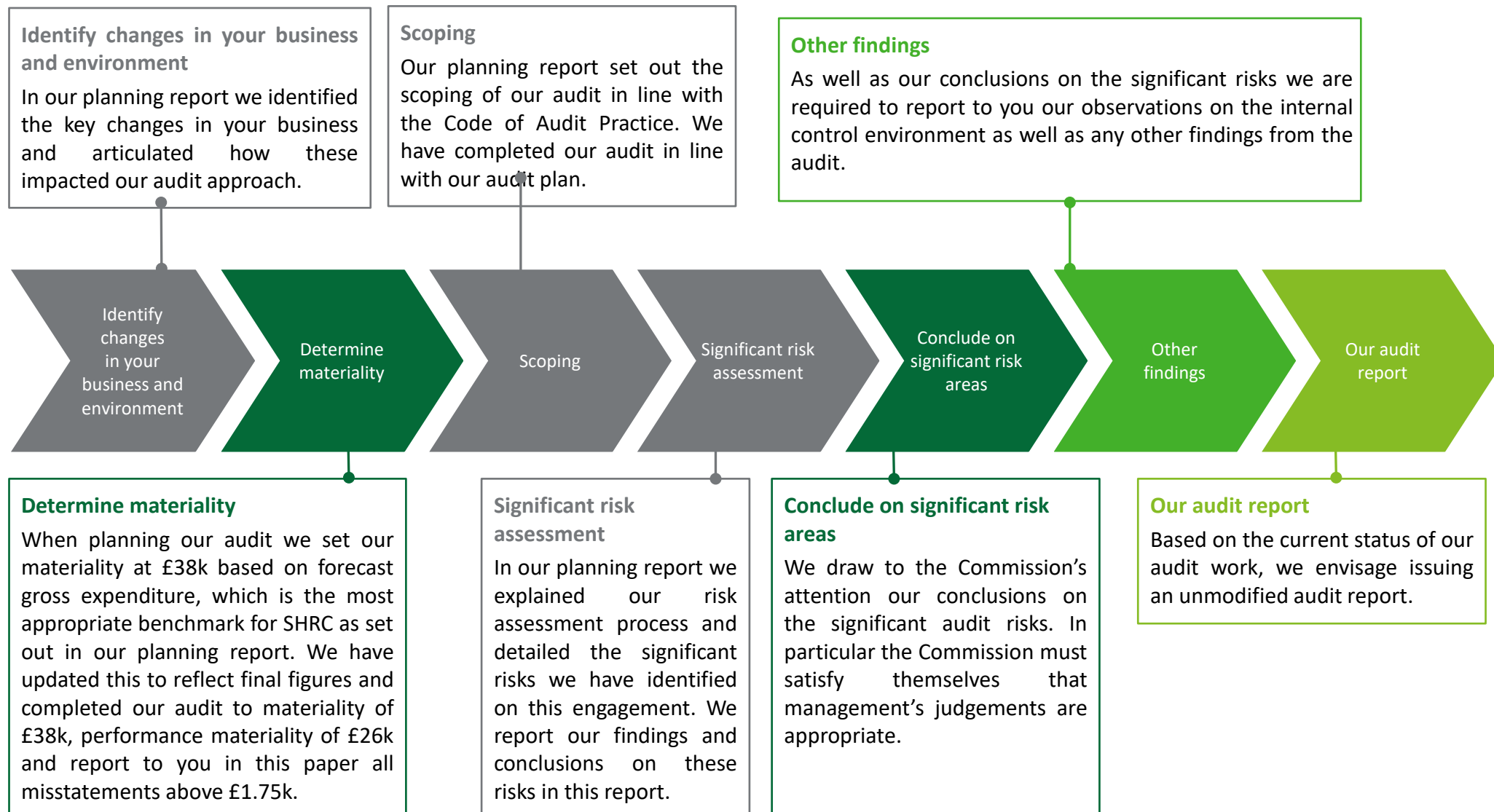
Developing



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 the 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 majority of revenue coming from the Scottish Parliamentary Corporate Body (“SPCB”) which can be agreed to confirmation letters 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 Commission could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a break even 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 the 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 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.

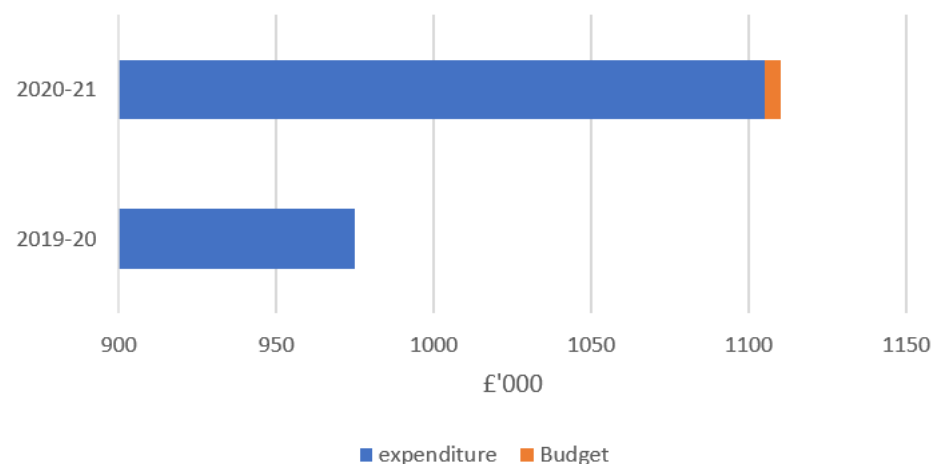
Based on our testing to date, we confirm that the SHRC has performed within the limits set by SPCB and has achieved an overall underspend in the year. This was following additional contingency funding received in the year.



### Deloitte response and challenge

We will evaluate the results of our audit testing in the context of the achievement of the limits set by the SPCB. Our work in this area will include the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Obtain independent confirmation of the resource limits allocated to the Commission by the SPCB;
- Perform focused testing of accruals and prepayments made at the year end; and
- Perform focused cut-off testing of invoices received and paid around the year end.



# 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 evaluate 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 judgments 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. Estimates include accruals.
- 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 and estimates made by management.

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

# 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:

SHRC has prepared its Annual Report and Accounts in line with the FReM; we are satisfied that SHRC's accounting practices are appropriate.

### 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 those charged with governance 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.

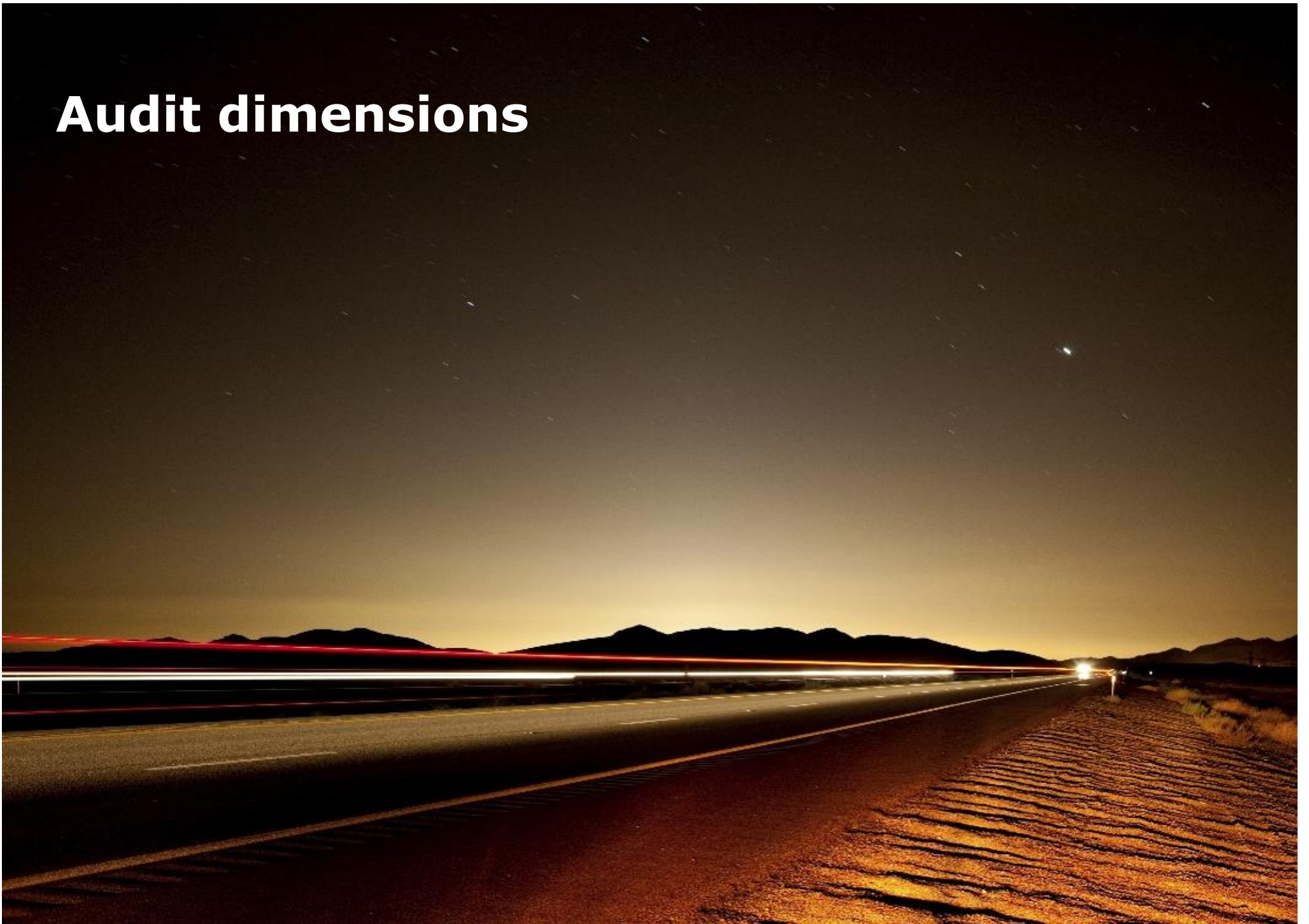
Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 14.

# Your Annual Report

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

	Requirement	Deloitte response
The Performance Report	The report outlines the SHRC's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by SHRC.	<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. We provide management with comments and suggested changes and have received an updated version reflecting these changes.</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. We provide management with 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 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.	The 2021/22 budget was approved by the SPCB with expenditure totalling £1,048k. We have concluded that the plan is sufficiently robust to demonstrate that SHRC will be a going concern for 12 months from signing the accounts. We have also assessed the going concern disclosure in the financial statements and have concluded that it is sufficiently correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.

# Audit dimensions



# Audit dimensions

## Overview

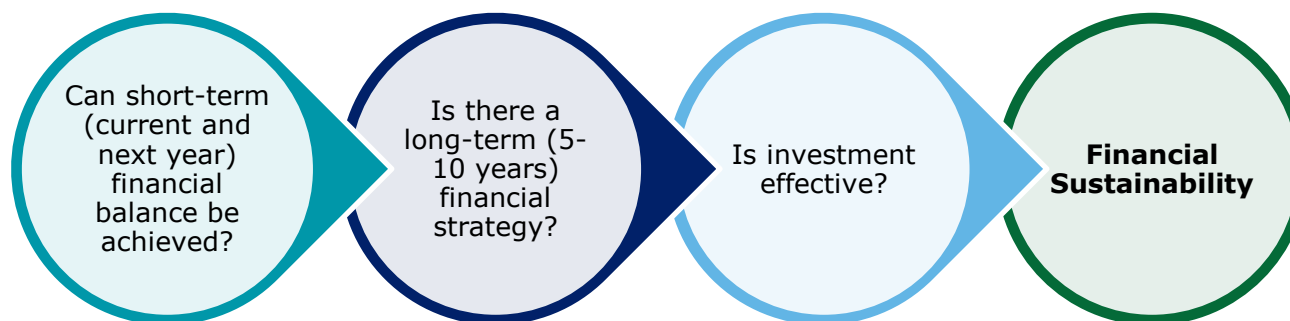
As set out in our Audit Plan, Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following areas. In line with previous years, we have concluded that the full application of the wider scope is 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 14); and
- The **financial sustainability** of the SHRC and the services that it delivers over the medium to longer term.

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

### 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.





# Financial sustainability

## Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified the following risk:

- The financial impact of the pandemic includes increased IT expenditure to enable staff to work remotely. Additional work has been carried out in relation to the human rights impacts of the pandemic and government policy decisions.
- There is a risk that robust long-term planning arrangements are not in place to ensure that the body can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly.

## Budget Setting

**2019/20 conclusion:** The Commission performed within the limits set by the SPCB and therefore achieved short-term financial balance in 2019/20. A balanced budget has been set for 2020/21 and robust financial reporting procedures are in place.

**2020/21 update:** The Commission performed within the limits set by the SPCB and therefore achieved short-term financial balance in 2020/21. A balanced budget has been set for 2021/22 and robust financial reporting procedures are in place.

The actual funds drawn down amounted to £1,095k which constitutes an underspend of £15k on the total possible funding of £1,110k. We are therefore satisfied that the Commission has achieved short-term financial balance in 2020/21.

The SHRC submitted their draft budget for 2021/22 to the SPCB and it was approved on 25<sup>th</sup> March 2021. The expenditure for the year has been budgeted at £1,048k, compared to a 2020/21 budget of £1,010k. This represents an increase of £38k or c.3.8%. The budget short-term financial balance can be achieved. Additional funding of £136k has also been made available to SHRC for the purposes of paying temporary staff (for business growth as the SHRC increase their workload) and for research into audience insights and a new accessible website.

The increase since the PY has been primarily driven by an increase in staff costs, reflecting 2.4% cost of living allowance as directed by SPCB guidance. This has been bolstered by a £28k increase in other staff-related costs and £2k of IT costs.

As the increase in expected costs in the next year is matched by an increase in funding provided, we anticipate that SHRC will continue to achieve financial balance moving forward. We have assessed the assumptions used in the 2021/22 budget and on the whole consider them to be reasonable. For example, the budget assumes a 2% increase in all costs, which is broadly in line with the current SPCB guidance of 3% for staff costs.

There are no efficiency targets built into the budget, nor into the 2020-24 strategic plan. SHRC should consider if there are any possible cost or other efficiencies which could be harnessed. Additionally, there is a lack of outcome-based budgeting.

The 2021/22 budget was agreed by the leadership team in September 2020. This was attended by the Chair, Head of Strategy & Legal, Head of Comms and Engagement and Head of corporate services. This is deemed an appropriate level of LT involvement in the budgeting process. It was subsequently approved by the SPCB in March 2021.

Through the review of the budget, Brexit has not been explicitly considered. However, the 2020/21 risk register notes the risk associated with Brexit leading to weakened support for the human rights framework being likely and negatively impactful. Management should continue to monitor developments by attending any sessions or training possible, and by keeping in regular contact with SPCB and other bodies. This will ensure that the SHRC is doing everything possible to mitigate the risks identified and identify new risks if they arise.

# Financial sustainability (continued)

## Budget setting (continued)

The impact of COVID-19 has not been explicitly considered in the funding for 2021/22 nor 2020/21. However, there has been a significant amount of risk identification and review performed by management throughout the period. It has been communicated to staff that they will not suffer financially should they need to isolate or are otherwise unable to work due to Covid-19. As staff costs is the biggest expense for SHRC (85% of total expenditure) and there has been no change to the anticipated costs the budget for the year is largely unaltered in light of the Covid-19 pandemic.

SHRC had identified that there may be an underspend in the year 2020/21 if they are unable to carry out their work. They had considered producing an operational budget to supplement the operational plan which would cover the potential underspend. However, it was quickly evident that operations were not impacted by Covid-19 and thus the production of the operational budget was delayed.

Potential additional IT costs were factored into the budget however, to accommodate for working from home for all staff on a long-term basis.

**2020/21 Conclusion:** The Commission achieved short-term financial balance in 2020/21. A balanced budget has been set for 2021/22 however, the impact of COVID-19 remains a significant risk which could impact on the Commission achieving short-term financial balance depending on the wider economic impact of the pandemic.

The budget setting process has captured the key drivers of movement since 2020/21 although it could be expanded to incorporate efficiencies. SHRC should also consider outcome-based budgeting as this is not currently done but would be able to demonstrate the impact of their resources.

## Medium-to long-term financial planning

**2019/20 conclusion:** The Commission has a strategic plan in place which expected financial resources until 2024 however this does not include any assumptions made or sensitivity analysis.

The Commission 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.

**2020/21 update:** As SHRC only receives funding confirmation from the SPCB for one year, have not prepared a medium- or long-term financial strategy. They have reviewed finances for the next 2-3 years for business case submissions.

While there is some financial information in the 2020-24 strategic plan, there remains a risk that robust medium-to long-term planning arrangements are not in place and additionally the strategic plan does not link the strategic priorities identified to any applicable national outcomes. This is especially important given the ongoing effects of the COVID-19 pandemic. This risk has been identified as a risk within the 2020/21 risk register.

**2020/21 Conclusion:** There is a risk that robust medium-to long-term planning arrangements are not in place to ensure that the Commission can manage its finances sustainably and deliver services effectively, which could potentially reduce the Commission's ability to identify issues early and response to these promptly.

This is especially significant due to this being an outstanding recommendation since the 2019/20 audit, as the economic and societal uncertainty in the UK as the COVID-19 pandemic continues.

It is particularly important to highlight the operational risk of the body not being able to deliver on expectations given the development of the human rights landscape during 2020/21 and anticipated future developments.

While the commission cannot expect to know what funding they will receive in the medium-to long-term, they could use historic information to predict likely scenarios and use these as a basis to perform medium-to long-term financial planning.

Our view is that although the SHRC receives annual funding it is possible to prepare a Medium term financial plan (MTFP). Other public sector bodies in similar circumstances have MTFP's in place.

# Financial sustainability (continued)

## Workforce Planning

**2019/20 conclusion:** Not reported in 2019/20.

**2020/21 update:** SHRC do not have a written Workforce Plan, instead they have considered future workforce requirements in the business case for growth submitted to SPCB in Sep 19. As discussed above, there has been additional funding received from SPCB as a result of this. SHRC are currently putting together a further business case for the 2022-23 budget bid as they anticipate further growth. Given that staff costs account for 85% of all expenditure it is critical that the SHRC can plan for any changes in the staff mix, talent pool and perform succession planning.

The Commission should be commended for their transition to remote working during the COVID-19 pandemic. They have managed to transition to a work from home business model in a very short length of time as the pandemic forced people to stay at home. It is worth noting that the majority of the work force were already operating under flexible working and many staff members would commonly spend one or more days working from home each week.

In addition, the Commission has introduced policies to reduce the risks to health and wellbeing as people were working remotely. This involved having frank conversations about workload and expectations of staff and management to ensure mental health and work life balance were not negatively impacted by this shift.

There has been no formal feedback from staff, only the aforementioned informal discussions with management.

**2020/21 conclusion:** The SHRC should develop a formalised Workforce Plan to plan for any changes in the staff mix, talent pool and perform succession planning. This is important given the high proportion of staff costs to total costs and the overall importance of staff in performing the duties of the body.

In addition, planning for the non-monetary targets for SHRC should include the necessary resources, thus the level of staffing needed. If this was to be completed then the workforce plan could be tailored to bridge the gap between the current, and required, staffing. This will also help to evidence that they possess the skills and capacity to deliver planned services in the future.

While it is clear that a lot of thought has been put into the wellbeing of staff, implementing regular staff surveys would allow measurement of metrics, such as overall satisfaction with policies, as well as allowing staff to suggest what would help them. However, we do understand the process of implementing in an organisation of this size may be difficult.

## Financial sustainability (continued)

### Deloitte view – Financial sustainability

SHRC are projecting to achieve short-term balance in 2021/22. Improvements to the budget setting process were noted in the year, although further improvements should be made going forward, particularly in relation to incorporating efficiencies and adopting outcome-based budgeting.

We recommend the development of a standalone MTFP. It is particularly important to highlight the operational risk of the body not being able to deliver on expectations given the development of the human rights landscape during 2020/21 and anticipated future developments.

The SHRC should develop a formalised Workforce Plan. The actions undertaken by SHRC to support staff through the COVID-19 pandemic, demonstrate a desire to prioritise the health and wellbeing of their staff. However, implementing regular staff surveys would allow measurement of SHRC is performing.

# 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; 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 SHRC, 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 Commission.

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 | 24 August 2021

# Sector developments



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

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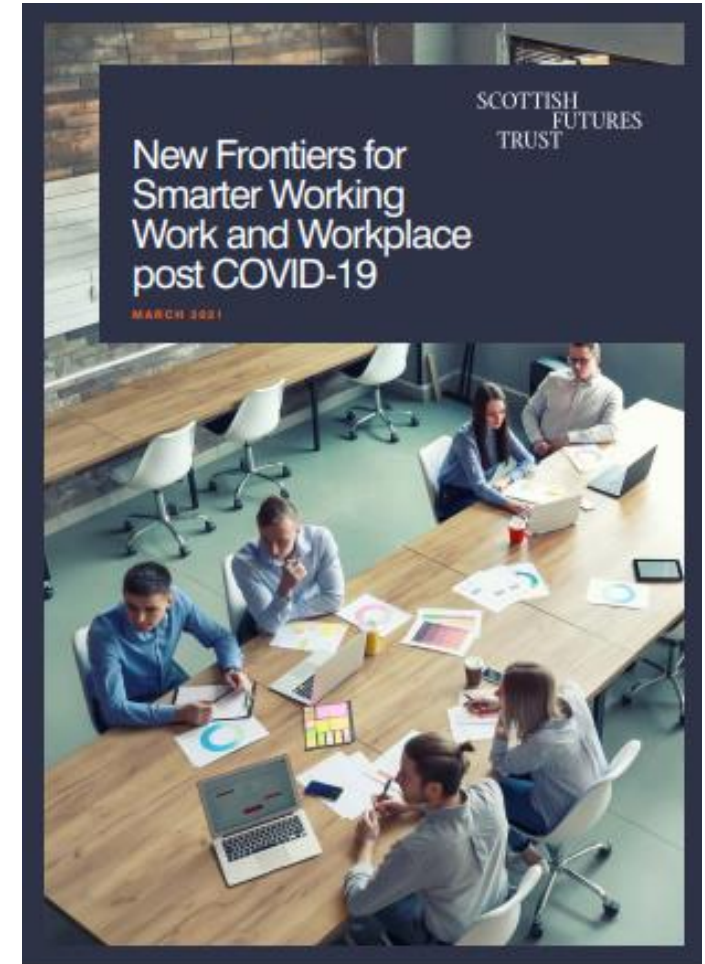
## Background and overview

**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.



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## 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](https://www.scottishfuturestrust.org.uk/storage/uploads/new_frontiers_report_march2021.pdf)

# 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) Statement of Comprehensive Net Expenditure £k	Debit/(Credit) in Net Assets £k	Debit/(Credit) prior year Taxpayer's Equity £k	Debit/(Credi t) in Income £k	If applicable, control deficiency identified
<b>Misstatements identified in current year</b>					
Accrued expenses[1]	2	(2)	-	-	None
<b>Total</b>	<b>2</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	

[1] Through our review of the holiday accrual calculations we noted that the arithmetic of the spreadsheet was flawed and that one individual was missed off the calculation of the holiday pay accrual.

# Audit adjustments

## Disclosures

### Disclosure misstatements

The following disclosure misstatements have been identified up to the date of this report which management have corrected.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<i>FReM 6.5 - Full Year Equivalent Disclosure</i>	In line with FReM 6.5, the entity is required to disclose the full year equivalent for employees who have commenced employment during the current year. Deloitte recommends that SHRC include the Full Year Equivalent salary for one individual.	Qualitatively material - Important for the users' understanding of the organisations remuneration.
<i>Payment Policy</i>	Deloitte noted per the backing report that there was 195 invoices, whereas 197 invoices were presented in the accounts. It is noted that there were two invoices with two separate payments, therefore the two invoices had been double counted.  As a result of this the % of invoices paid within 30 days required updated.	Qualitatively material - Important for the users' understanding of the performance of the commission in the period.

# Action plan

## Recommendations for improvement

No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1	<i>Workforce plan</i>	The SHRC should develop a workforce plan to ensure that the Commission can identify necessary resources over the medium to longer-term.	The Commission will review example plans from relevant public sector organisations. A workforce plan, appropriate to the Commission's size and funding, will be considered as a formal record of the existing planning which takes place on an ongoing basis, as well as the more detailed planning undertaken when considering budget requests each year.	Head of corporate service	31/12/22	Medium
2	<i>Financial planning</i>	The SHRC should develop a Medium Term Financial Plan, to ensure that the Commission can manage its finances sustainably and deliver services effectively over the medium to longer-term.	The Commission will review example plans from relevant public sector organisations and consider a form of MTFP which is appropriate to the Commission's funding context and existing planning cycles. Committing resources to this when the Commission's funding is tied to a one year process overseen by SPCB is a challenging decision to make.	Head of corporate service	31/12/22	Medium

# 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 SHRC 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.

We have also asked the SHRC 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:

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## 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 SHRC and our objectivity is not compromised.

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## Fees

The audit fee for 2020/21, in line with the expected fee range provided by Audit Scotland, is £14,230, as analysed below:

	£
Auditor remuneration	11,100
Audit Scotland fixed charges:	
Pooled costs	2,560
Audit support costs	570
Total fee	14,230

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

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

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## 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.

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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, 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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