



**The Commissioner for Ethical Standards in Public Life in Scotland**  
Report to the Commissioner for Ethical Standards in Public Life in Scotland and  
the Auditor General for Scotland on the 2019/20 audit

Issued on 21 September 2020 for the meeting on 1 October 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 Commissioner for Ethical Standards in Public Life in Scotland commonly known as the Ethical Standards Commissioner ('Commissioner's Office') for the 2019/20 audit. The scope of our audit was set out within our planning report issued 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's Office 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's Office and the services that it delivers over the medium to longer term.

# Introduction (continued)

## The key messages in this report (continued)

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

### **Conclusions from our testing**

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

The performance report and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Commissioner's Office.

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

No misstatements in excess of our reporting threshold of £900 have been identified. One disclosure deficiency relating to the remuneration and staff report has been identified up to the date of this report and is detailed on page 27.

### **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's Office at this stage.

**Governance statement** - The disclosures are appropriate and address the minimum requirements of the Scottish Public Finance Manual (SPFM). The actions taken by the Commissioner have been able to address the issues identified in the 2018/19 Governance Statement. There are no recurring issues to be reported in the Governance Statement.

**Financial sustainability** - The Commissioner's Office achieved short term financial balance in 2019/20. A balanced budget has been set for 2020/21, however, the impact of COVID-19 remains a significant risk which could impact on the Commissioner's Office achieving short-term financial balance depending on the wider economic impact of the pandemic.

The Commissioner's Office has a strategic plan in place which quantifies the financial resource requirements until 2024. The Commissioner's Office does not have any medium or long term financial plan in place which the Commissioner's Office is satisfied with. However, we would highlight that this planning should be in place for all organisations.

Our detailed findings and conclusions are included on pages 17 to 21 of this report.

# Introduction (continued)

## The key messages in this report (continued)

### **Next steps**

We have followed up on the 2018/19 action plan on page 28 of this report. There are no recommendations for 2019/20.

### **Added value**

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

This is provided throughout the report, and in particular, 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. Further, invites have been issued to our weekly webinar "Responding to COVID-19: Updates and practical steps" which is open to anyone to join.

**Pat Kenny**  
**Audit Director**

# Financial statements audit



# Quality indicators

## Impact on the execution of our audit

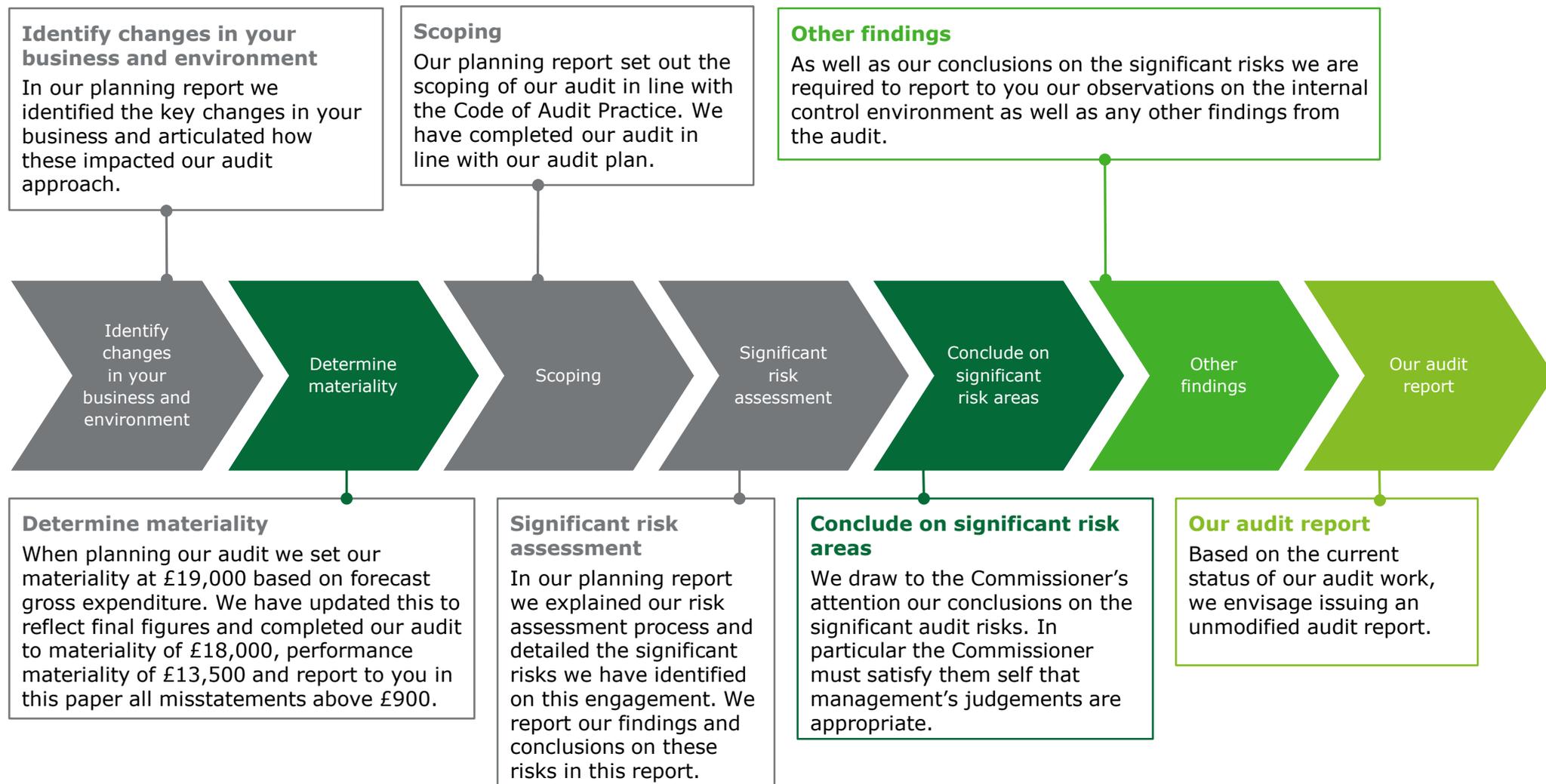
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to 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		All documentation regarding key accounting judgements was available for the commencement of the audit fieldwork.
Adherence to deliverables timetable		The majority of deliverables were received on time. Some items, such as related party information, were not available in line with the plan, however this did not impact on audit efficiency.
Access to finance team and other key personnel		All finance team and other personnel were accessible during the audit and the communication while working remotely has been effective.
Quality and accuracy of management accounting papers		We did not identify any issues with the quality or accuracy of management accounting papers which were reviewed by the audit team.
Quality of draft financial statements		Overall the quality of the annual accounts were of a good standard. From a review of the remuneration and staff report we identified some areas of non-compliance. We raised some comments in relation to the performance report which have been corrected by management.
Response to control deficiencies identified		We identified that the year end journal review was not documented in line with the Commissioner's Office policy. We are aware that a review had been undertaken via video call with a follow up email.
Volume and magnitude of identified errors		No financial statement misstatements have been identified. Disclosure misstatements have been identified including with the remuneration and staff report which have been highlighted on page 27.

 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 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 – Achievement of 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's Office 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's Office 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.



### Key judgements and our challenge of them

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



### Deloitte response

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

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

### Deloitte view

We have concluded through the performance of our year end procedures that the expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers and the expenditure is valid and correctly classified.

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

# Significant risks (continued)

## Risk 2 - Management override of controls

### Risk identified

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



The key judgements in the financial statements include those which we have selected to be significant audit risk around achievement of expenditure resource limits. These are inherently the areas in which management has the potential to use their judgement to influence the financial statements.



### Deloitte response

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

- The Commissioner's Office's results throughout the year were projecting slight overspends overall. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

### Significant and unusual transactions

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

### Journals

We have performed design and implementation testing of the controls in place for journal approval. We have included a comment on page 7.

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.

No misstatements have been identified in the current year.

### 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.

# 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:

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### Impact on the annual report and accounts

The Commissioner's Office needs to consider the impact of the outbreak on the annual report and accounts, including:

- Principal risk disclosures;
- Change in the funding regime for 20/21;
- Impairment of non-current assets;
- Allowance for expected credit losses; 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 with some challenges in efficiency due to communication and deliverables.
  - 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.
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# 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 Office accounts have been prepared in accordance with the FReM.

### **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.

# 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 Office 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 for comments raised by the audit team we confirm that the performance report has been prepared in accordance with the accounts direction.</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, following correction of the disclosure misstatements identified (page 27), confirmed that it has been prepared in accordance with the accounts direction.</p>
Going Concern	Management has made appropriate disclosure relating to Going Concern matters.	<p>We have confirmed that 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 5 year fixed term, with the current Commissioner in year 2 of that appointment, we are satisfied that there are not any indications that funding from the SPCB will cease in future years.</p> <p>We also note that the current Strategic Plan covers the period 2020-2024 demonstrating that the Commissioner's Office will be a going concern for 12 months from signing the accounts.</p>

# Audit dimensions



# Audit dimensions

## Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following areas. As set out in our plan, 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 18); and
- The **financial sustainability** of the Commissioner’s Office and the services that it delivers over the medium to longer term.

Our approach to the audit dimensions is risk-focused. We have provided an update for the Commissioner’s Office on all areas considered in the prior year audit report to monitor improvement. 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.
- The backlog, staff vacancies and staff time diversion are not resolved by the restructuring plan. That the Commissioner continues to face similar governance issues.
- There is a risk that the financial planning systems in place do not adequately identify issues, risks and funding gaps including relevant actions. There is a risk that the organisation does not meet their statutory remit or perform well if there are inadequate resources.

# Audit dimensions (continued)

## Governance Statement

### Issues identified in the 2018/19 Governance Statement:

Key risks at 31 March 2019 as detailed below:

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

The above issues were addressed by the incoming Commissioner through restructuring of the complaints management function and provision of a robust set of risk management policies and procedures which will form part of quality improvement going forward.

The internal control systems previously featured gaps and weaknesses, most notably:

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

**Audit Risk:** The backlog, staff vacancies and staff time diversion are not resolved by the restructuring plan and that the Commissioner continues to face similar governance issues.

### 2019/20 Update:

With SPCB approval, full-time, site-based investigators were recruited. They include qualified lawyers and experienced investigators with requisite qualifications and skills.

A new Senior Investigating Officer took up post in June 2019 with other new, full-time investigators taking up post in December 2019.

The number of annual working hours available has doubled from 3,000 to 6,000 to more efficiently service complaints investigations. Additionally, both complainers and respondents are now benefiting from having a dedicated full time onsite investigator servicing their complaint.

The delayed case management system has been put into operation.

In addition, all IT hardware and software has been replaced as required, creating a robust platform from which to deliver a newly effective and efficient complaints handling approach.

Since 1 April 2019, incoming complaints have significantly increased. Overall, complaints have doubled year on year.

Despite this increase and the fact that new Investigating Officers have only been in post since December, MSP and Councillor complaints are up to date.

We note that the Commissioner's Office is also reviewing the arrangements in place for the Audit Advisory Board in 2020/21 to tailor this to meet the organisation's needs better.

### Deloitte View – Governance Statement

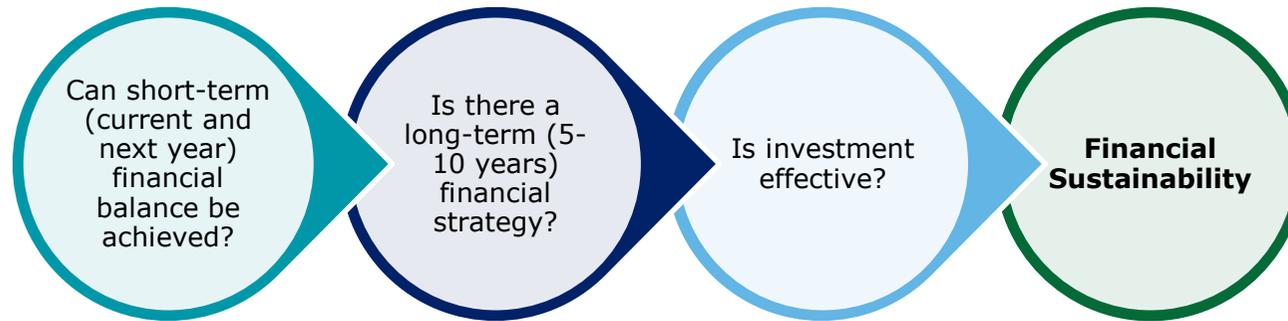
The actions highlighted above have been able to address the issues identified in the 2018/19 Governance Statement. There are no recurring issues to be reported in the Governance Statement.

# Audit dimensions (continued)

## Financial Sustainability

### 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.



# Audit dimensions (continued)

## Financial Sustainability (continued)

### Short term financial balance

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

#### **2019/20 Update:**

The SPCB approved an annual funding budget of £957k for the financial year 2019/20. During 2019/20 the SPCB awarded contingency funding however this was not required.

The outturn for 2019/20 was £948k which is an underspend against budget of £9k. Therefore in 2019/20 the Commissioner's Office achieved short term financial balance.

The SPCB approved a balanced budget of £937k for 2020/21 in March 2020. This is a decrease of £11k on the actual drawdown in 2019/20 and the Commissioner's Office has budgeted in line with this figure. As a result we do not expect that the decrease in funding will have an impact on the Commissioner's Office ability to meet its statutory functions.

**2019/20 Conclusion:** The Commissioner's Office 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.

### Medium term financial planning

**2018/19 Conclusion:** In common with other similar bodies, the Commissioner's Office only receives funding confirmation from the SPCB for one year. Therefore, it has not prepared a medium or long term financial strategy. It does, however, have a 4 year Strategic Plan, which includes a high level assessment of the resources required and prepare indicative budgets for 2 years following the budget bid. It is important that the Commissioner's Office consider the potential implications of the Scottish Government's Medium Term Financial Strategy in setting future medium to longer term plans.

**2019/20 Update:** The Commissioner's Office has considered the Scottish Government's Medium Term Financial Strategy in the development of its Strategic Plan and financial budgeting.

In 2019/20 a new Strategic Plan was developed for the period 2020-24. The plan includes a clear link to national outcomes which is considered good practice. The plan sets out the actions to achieve each strategic objective and the anticipated resources required to achieve these which is also good practice. The financial information presented could be improved further by disclosing the impact that changes in demand could have on the organisational resources.

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

## Audit dimensions (continued)

### Financial Sustainability (continued)

#### **Deloitte View – Financial sustainability**

The Commissioner's Office achieved short term financial balance in 2019/20. A balanced budget has been set for 2020/21 however, the impact of COVID-19 remains a significant risk which could impact on the Commissioner's Office achieving short-term financial balance depending on the wider economic impact of the pandemic.

The Commissioner's Office has a strategic plan in place which quantifies the financial resource requirements until 2024. The Commissioner's Office does not have any medium or long term financial plan in place which the Commissioner's Office is satisfied with however we would highlight that this planning should be in place for all organisations.

## Other requirements

### Fraud considerations

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

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

#### **Deloitte view**

The Commissioner's Office 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's Office discharge its 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's Office, 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 Commissioner's Office.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the 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 | 21 September 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: Preparing for the 'next normal'

As the COVID-19 pandemic continues to unfold there is unlikely to be a rapid or decisive transition from crisis to recovery. Organisations are more likely to face a sequence of operational environments that oscillate between restriction and relaxation, before a final end-state of relative normality.

The first phase of COVID-19 response has been characterised by significant and rapid changes in the way people live their lives and how organisations operate. Many of these changes have been government-mandated. The next phase will be an opportunity for organisations to reflect and plan for a period of uncertainty and disruption. During this period businesses will need to maintain their responsibilities to their customers and staff while modifying operations to meet changes in demand and supply as government restrictions change. They will need to ensure that their recovery is sustainable in terms of resource use and flexible enough to meet change.

Copies of this report can be accessed through the following link:

<https://www2.deloitte.com/uk/en/pages/risk/articles/preparing-for-the-next-normal.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

## 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>Remuneration and Staff Report</p> <p>We have identified the following disclosure misstatements within the remuneration and staff report:</p> <ul style="list-style-type: none"><li>• Fair pay: the median ratio should be calculated using the mid point of the band of the highest paid director.</li><li>• The range of remuneration highest paid disclosure was incorrect.</li></ul>	<p>Remuneration Report disclosures required as per 5.3.21-5.3.28 of the FReM</p>	<p>Qualitative – This information is useful to the users of the financial statement in assessing the remuneration of the organisation.</p>

# Action plan (continued)

## Follow-up 2018/19 action plan

We have followed up the recommendations made in our 2018/19 annual report in relation to the wider scope areas and are pleased to note that 2 of the total 3 recommendations made have been fully implemented. The following recommendation has only been partially implemented.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Financial Sustainability : Workforce Plan	The Commissioner's Office needs to develop a workforce plan, linked to its Strategic plan and vision, which includes succession planning. This workforce plan should identify the current workforce, the workforce currently needed, the workforce needed into the future and the gaps existing presently and expected in the future. There should be detailed information on how these gaps will be addressed: through recruitment (including the method of recruitment - e.g. apprenticeships, graduate placements, experienced hires, secondments), through changing the services provided by the Commissioner's Office, and through development of the current workforce.	The Commissioner's Office agree with the recommendation.	The Commissioner  Senior Management Team	31/03/2020	Medium	<p><i>Partially implemented: Management have decided not to progress any further at this time. We recommend that the Commissioner considers this going forward.</i></p> <p><b>Updated management response:</b> The Commissioner has considered this recommendation taking into account the size of the organisation and the resources available to her. The Commissioner implemented a restructuring plan in 2019/20 addressing a number of workforce issues. This was designed to improve services, reduce costs and develop a more effective workforce.</p> <p><b>Updated target date:</b> 31/01/2021</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 or group.

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.

### Concerns:

No concerns have been identified regarding fraud.



# Independence and fees

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

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**Independence confirmation** We confirm 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's Office and our objectivity is not compromised.

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**Fees** The audit fee for 2019/20, in line with the expected fee range provided by Audit Scotland, is £12,563, as analysed below:

	£
Auditor remuneration	9,643
Audit Scotland fixed charges:	
Pooled costs	2,360
Audit support costs	560
<b>Total fee</b>	<b>12,563</b>

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

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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, 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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# 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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