

Scottish Public Services Ombudsman

Report to the Scottish Public Services Ombudsman and the Auditor General for Scotland on the 2020/21 audit

Issued on 3 September for the meeting on 23 September 2021

Contents

01 Final report

Introduction 3

Financial statements audit

Quality indicators 7

Our audit explained 8

Significant risks 9

Other significant findings 10

Our audit report 14

Your annual report 15

Audit dimensions and Best Value

Overview 17

Financial sustainability 18

Purpose of our report and responsibility statement 24

02 Sector developments

New Frontiers for Smarter Working 17

03 Appendices

Action plan 28

Audit adjustments 29

Our other responsibilities explained 30

Independence and fees 31

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 Ombudsman for the year ending 31 March 2021 audit of the Scottish Public Sector Ombudsman ('SPSO'). The scope of our audit was set out within our planning report presented to the Ombudsman 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 SPSO 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 the 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 SPSO.

Following updates by management, 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. The SPSO met its financial targets for 2020/21, however this was after receiving contingency funding of £74k from the Scottish Parliamentary Corporate Body ('SPCB').

No uncorrected misstatements in excess of our reporting threshold of £10,000 have been identified up to the date of this report.

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).

Financial sustainability – SPSO are projecting to achieve short term balance in 2021/22 although there is limited explicit consideration of COVID-19 within the budget.

Our view is that although the SPSO receives annual funding, it is possible to prepare a Medium-Term Financial Plan. This is based on the fact that many other public sector organisations prepare plans even though they have single year funding arrangements.

The SPSO should also 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 23 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 SPSO as an Appendix on page 26 of this report.

Next steps

An agreed Action Plan is included in the Appendix on page 28 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 SPSO 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 SPSO 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, supplier payments and remuneration report disclosures.

Financial statements audit



Quality indicators

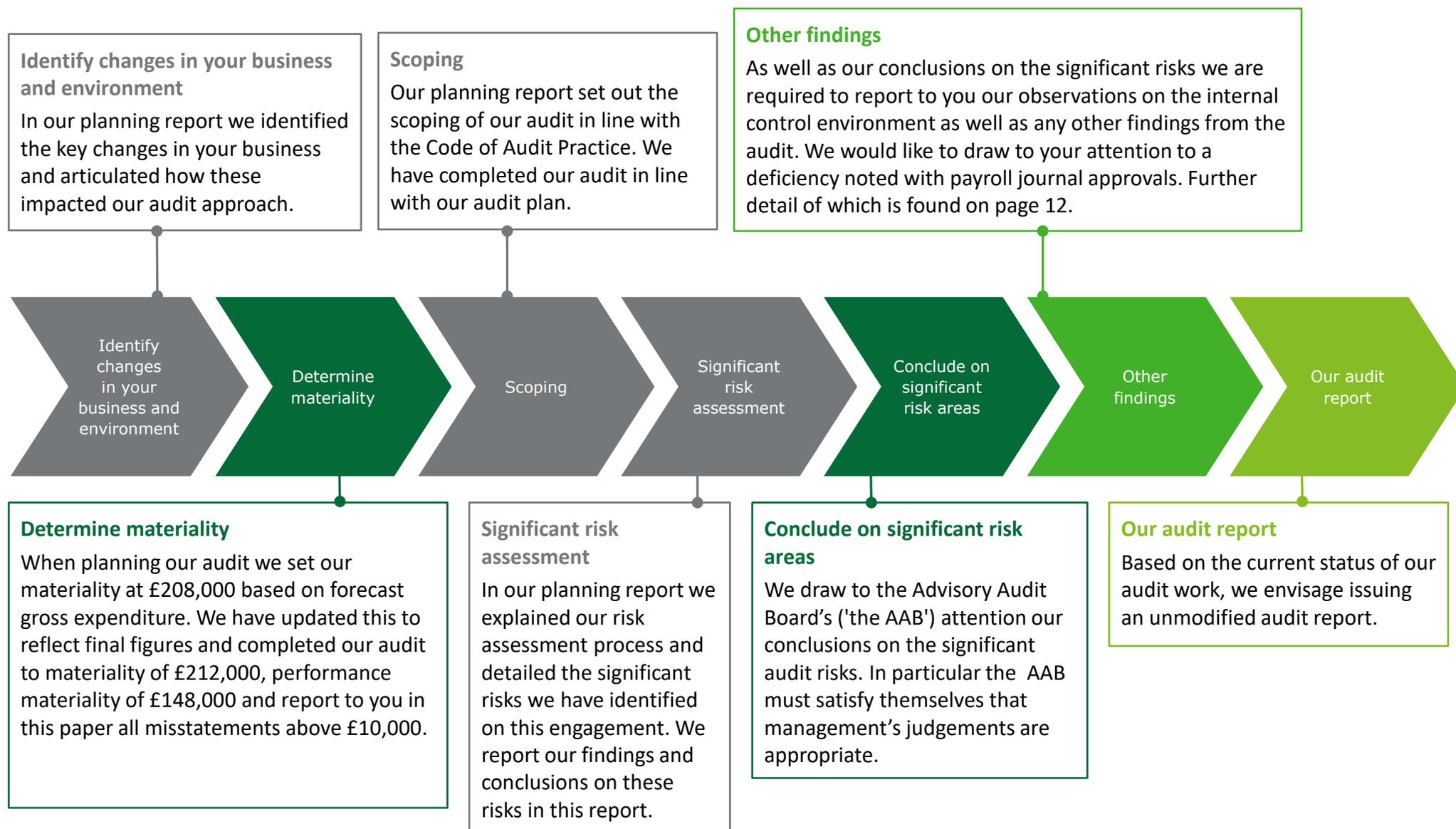
Impact on the execution of our audit

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 information and supporting documentation for judgements made was available on request.
Adherence to deliverables timetable		While some information was not available within the original timetable set, this was clearly communicated to Deloitte prior to the audit commencing.
Access to finance team and other key personnel		Deloitte and the SPSO have worked together to facilitate remote communication during the audit which has been successful.
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		A full draft of the annual report and accounts was received for audit on the 2 July 2021. Whilst generally compliant with the reporting requirements, some amendments were required. These are discussed further on page 29.
Response to control deficiencies identified		A control deficiency has been disclosed and management have investigated appropriately. This is discussed further on page 12.
Volume and magnitude of identified errors		We have not identified any significant financial adjustments to date. We have identified some disclosure adjustments which could have been prevented by a more detailed management review.

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 the 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 SPSO as there is little incentive to manipulate revenue recognition with the majority of revenue being from the SPCB which can be agreed to confirmations supplied.

We therefore considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the SPCB. There is a risk is that the Ombudsman 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 limits set by the SPCB (which are illustrated in the graph below). Our work in this area included the following:

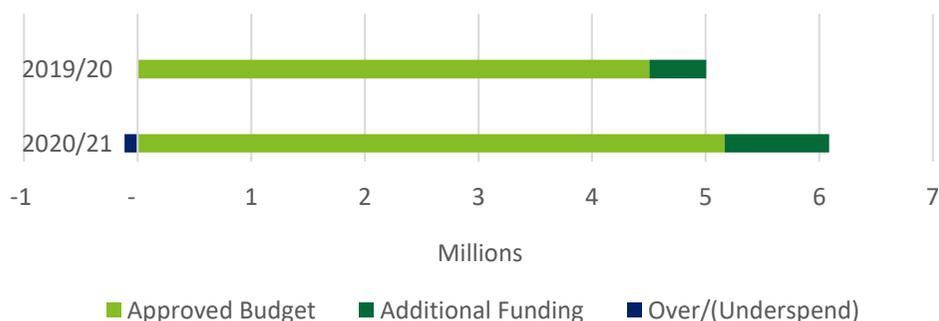
- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Obtaining independent confirmation of the resource limits allocated to SPSO by the SPCB;
- Performing focused testing of accruals and prepayments made at the year end; and
- Performing focused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

Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing to date, we confirm that the SPSO 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.

Analysis of over/(underspend) £m



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 prepayments, accruals and provisions.
- 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 instances of management override of controls and our testing in this area is satisfactory.

Other significant findings

Internal control

During the course of our audit, we have identified one internal control finding, which we have included below for information.

Area	Observation	Priority
Journal approval	<p>We have noted that throughout the whole year (since the first lockdown in March 2020), payroll journals were not approved prior to posting. This is due to time constraints as a result of the pandemic (along with childcare responsibilities associated with working from home).</p> <p>This was mitigated by post payment checks (completed by the Director) to ensure that the amounts drawn down corresponded with the monthly budget forecasting.</p>	

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

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 SPSO accounts have been prepared in accordance with the Government Financial Reporting Manual (FRM).

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 Ombudsman 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.

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 more relevant to the assessment that 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.

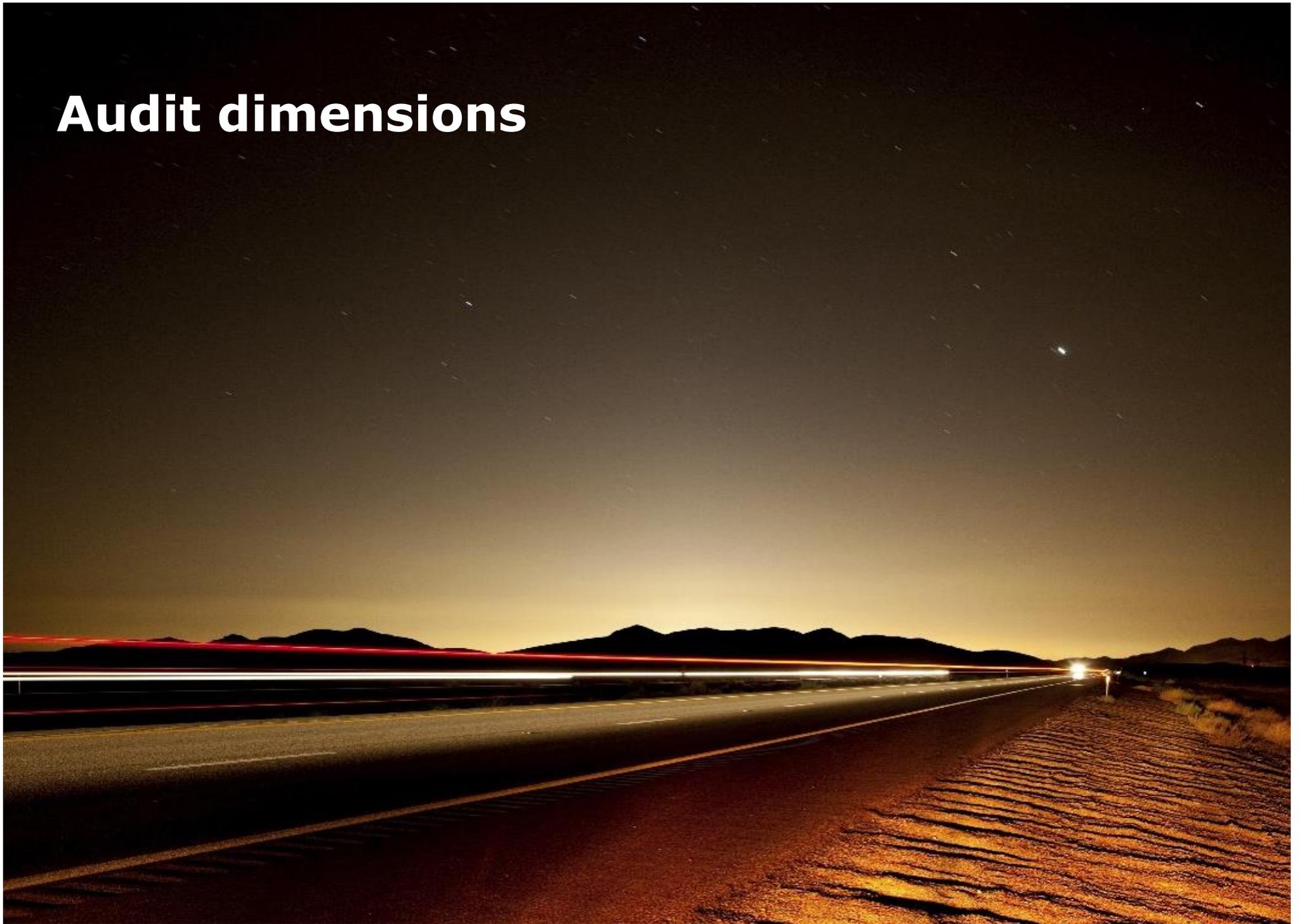
Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 15.

Your annual report

We are required to provide an opinion on the auditable parts of the remuneration 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 SPSO's performance, both financial and non-financial. It also sets out the key risks and uncertainty as set out in the Annual Operating Plan.	<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 provided 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 provided 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, following updates made by management, 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>The 2021/22 budget was approved by the SPCB with revenue resources totalling £6,191k. We have concluded that the plan is sufficiently robust to demonstrate that SPSO will be a going concern for 12 months from signing the accounts.</p> <p>We have reviewed the disclosures made with regards to Going Concern and note that they are sufficient and appropriate in line with the FReM.</p>

Audit dimensions



Audit dimensions

Overview

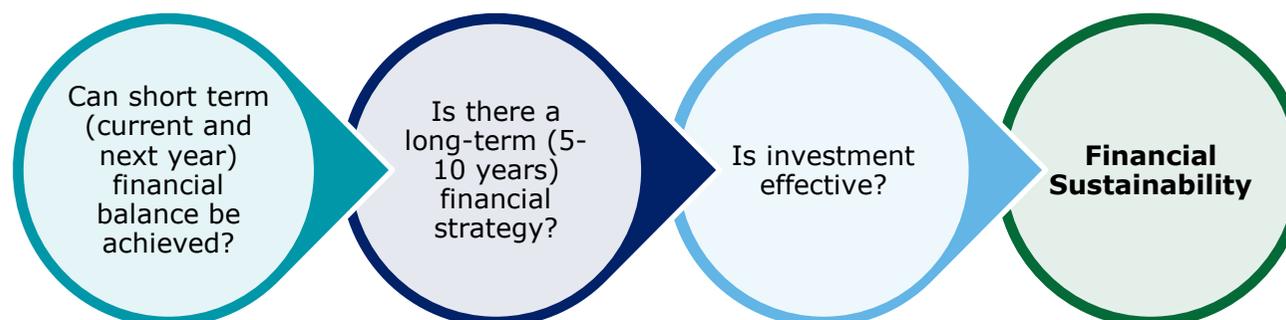
As set out in our Audit Plan, Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following areas. In line with previous years, we have concluded that the full application of the wider scope is 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 15); and
- The **financial sustainability** of the SPSO and the services that it delivers over the medium to longer term.

In addition to the above, we have reviewed the Board’s arrangements for the **prevention and detection of fraud and irregularities**. Overall we found the SPSO arrangements to be operating effectively.

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 unexpected capital expenditure investment to enable staff to work remotely. Additional work was also undertaken administering self-isolation support grants. 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: SPSO did not achieve financial balance in 2019/20 although the overspend was agreed with SPCB. SPSO have set a balanced budget for 2020/21; however, the impact of COVID-19 remains a significant risk which could impact on SPSO achieving short term financial balance depending on the wider economic impact of the pandemic.

2020/21 update: The SPSO submitted their draft budget for 2021/22 to the SPCB on 17 September 2020. The expenditure for the year has been forecast to be £5.542m, compared to a 2020/21 budget of £5.436m. This represents an increase of £106k or 2%.

The budget was tabled and approved at the leadership team meeting on 3 September 2020. This was attended by the Ombudsman, Director, Corporate Services Manager and by the Head of Improvement, Standards and Engagement. This is deemed an appropriate level of leadership team involvement in the budgeting process.

The increase since the prior year has been primarily driven by a £90k increase in staff costs, reflecting 2% cost of living settlement in the coming year. This has been offset by a £26k decrease in other staff-related costs which reflects the one-off INWO funding, for setting up of the function, budgeted in 2020/21 of £30k.

Given that the INWO has now been established, there has been a decreased requirement for professional fees, leading to a further decrease in forecasted professional fees by £11k compared to the 2020/21 budget.

Finally, SPSO anticipate that other income will reduce by 50% to 50k due to a reduction in a reduction in training anticipated, as a result of the COVID-19 pandemic.

We have assessed the assumptions used in the 2021/22 budget and overall consider them to be reasonable. There are no efficiency targets built into the budget. Through the review of the 2020-24 Strategic Plan, cost and other efficiencies are loosely defined and not quantified. The SPSO should consider incorporating discrete efficiency reviews into their budgeting process.

Financial sustainability (continued)

Budget setting (continued)

Having insufficient resources to investigate and decide public service complaints remains one of SPSO's most significant business risks. This has been considered within the SPSO's letter to the SPCB, and through the 2020-24 Strategic Plan, where it was agreed that any contingency to cover overtime would be funded through the SPCB. However, the SPSO should further incorporate a change in demand for their services through a medium-term financial plan (discussed further below).

Through the review of the budget, Brexit has not been explicitly considered. However, the 2020/21 Risk Register notes the risk associated with the negative delivery of services because of Brexit being moderate-major. Management should continue to monitor developments and attend briefing sessions and reflect any significant developments into their budgeting process.

The impact of COVID-19 has been incorporated through the reduction of budgeted training income by half since the 2019/20 outturn. No other impacts of the pandemic have been identified.

The SPSO currently does not utilise Outcome Based Budgeting.

2020/21 conclusion: The SPSO are projecting to achieve short term balance in 2021/22.

The budget setting process has captured the key drivers of movement since 2020/21 although it could be expanded to incorporate efficiencies set out in the 2020-24 Strategic Plan.

There is limited consideration of COVID-19 within the budget. We note that there is a backlog of cases, which have accumulated during the year, which will need to be cleared. The SPSO should explore ways of clearing this by pivoting operations as well as any applications for contingency funding.

Outcome based budgeting has been identified as an area of best practice within other Public Sector bodies. We would recommend that the SPSO progressing towards outcome based budgeting in future.

Financial sustainability (continued)

Medium-to-long-term financial planning

2019/20 conclusion: SPSO has a Strategic Plan in place which highlights the effect changes in demand could have on resources. The Ombudsman does not have any medium or long-term financial plan in place which is as a result of not being able to obtain multiyear funding.

2020/21 update: Although the Ombudsman has contacted the SPCB regarding the possibility of developing a medium-to-long-term financial plan, no such exercise has taken place.

While there is some financial information in the in the 2020-24 Strategic Plan, there remains a risk that robust medium-to-long-term planning arrangements are not in place and that the Ombudsman has not quantified any funding gaps which need to be addressed over the medium-term. This is especially important given the ongoing effects of the COVID-19 pandemic.

The risk of lack of access to adequate funding and resources been identified as a significant risk within the SPSO 2020/21 risk register and noted on the budget submission to the SPCB.

2020/21 conclusion: There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the SPSO can manage its finances sustainably and deliver services effectively, reducing the SPSO'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, due to the ongoing COVID-19 pandemic and due to the operational risk of the SPSO not having sufficient resources to discharge its function to the expected quality.

Our view is that although the SPSO receives annual funding it is possible to prepare a MTFP as other public sector bodies in similar circumstances have MTFPs in place.

Financial sustainability (continued)

Workforce Planning

2019/20 conclusion: Not specifically reported on within our 2019/20 report.

2020/21 update: The SPSO 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.

Throughout this time, the SPSO has continued to score highly on most staff survey metrics throughout the year. Notably health and wellbeing was the theme that people were most engaged in this year, with overall satisfaction at 89% compared to 76% in 2018/19. 98% of respondents (2018/19 94%) agreed with the statement that “People help and support each other at SPSO”. Furthermore, 97% of respondents noted that management kept them well informed of the updating situation surrounding the pandemic.

This is a notable achievement given the additional challenges associated with working from home, especially around keeping staff motivated and informed.

The largest reduction since the prior year were noted in the response to “Our physical environment is structured to enable us to work well together” 2020/21: 47%, 2018/19: 72%. This can be attributed to the impact of working from home. Although the Ombudsman has made investment in computer technology in the year to allow remote working, the SPSO should continue to explore ways to facilitate remote/hybrid working in an effective manner.

Through review of the Q4 HR report, we have noted that absences are down 15% since 2020/21 with 2.8% of working days lost due to illness. Musculoskeletal conditions accounted for 30% of absences with mental health being the second largest cause at 25%. It is encouraging that the SPSO have promoted home working health and safety through the benefits of activity, regular information sharing on good posture and home working support. They should continue to encourage safe and effective work from home practices and further support their employee’s mental health.

The Ombudsman currently does not have a formalised workforce plan. Given that staff costs account for 78.5% it is critical that the SPSO can plan for any changes in the staff mix, talent pool and perform succession planning. The SPSO produces a quarterly HR report, detailing areas such as staff composition, absence data, HR initiatives and COVID-19 impacts. We encourage the SPSO to develop this data further into a Workforce Plan.

	2020/21	2019/20
Staff Absence	517 days	606 days
Staff turnover	6.5%	-
Staff absence per person	6.18 days	7.07 days

Financial sustainability (continued)

Workforce Planning (continued)

2020/21 conclusion: We are satisfied that the SPSO has monitored and supported staff throughout the COVID-19 pandemic and has taken a proactive role in their wellbeing. They should continue to support their employees who work from home, especially around areas of Display Screen Equipment ('DSE') at first point of use and mental health.

The SPSO 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. It should also include workforce statistics covering not just the headcount but also the skills required. Audit Scotland has produced reports on workforce planning in the NHS in Scotland, identifying key areas which need to be considered for effective workforce planning. Although not directly applicable, the overarching principles here should be used to guide the SPSO's workforce 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.

Financial sustainability (continued)

Deloitte view – Financial sustainability

SPSO are projecting to achieve short term balance in 2021/22. There is limited consideration of COVID-19 within the budget. The SPSO should explore ways of clearing the backlog of cases without the need for contingency funding such as by opening up freephone lines to their pre-pandemic hours.

There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the Ombudsman can manage its finances sustainably and deliver services effectively. Our view is that although the SPSO receives annual funding it is possible to prepare a Medium-Term Financial Plan.

The Ombudsman 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. We are satisfied that the SPSO has monitored and supported staff throughout the COVID-19 pandemic and has taken a proactive role in their wellbeing. They should continue to support their employees who work from home, especially around areas of DSE at first point of use and mental health.

The SPSO 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.

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 Ombudsman discharge her governance responsibilities. 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 SPSO, 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 SPSO.

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 | 3 September 2021

Sector developments



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

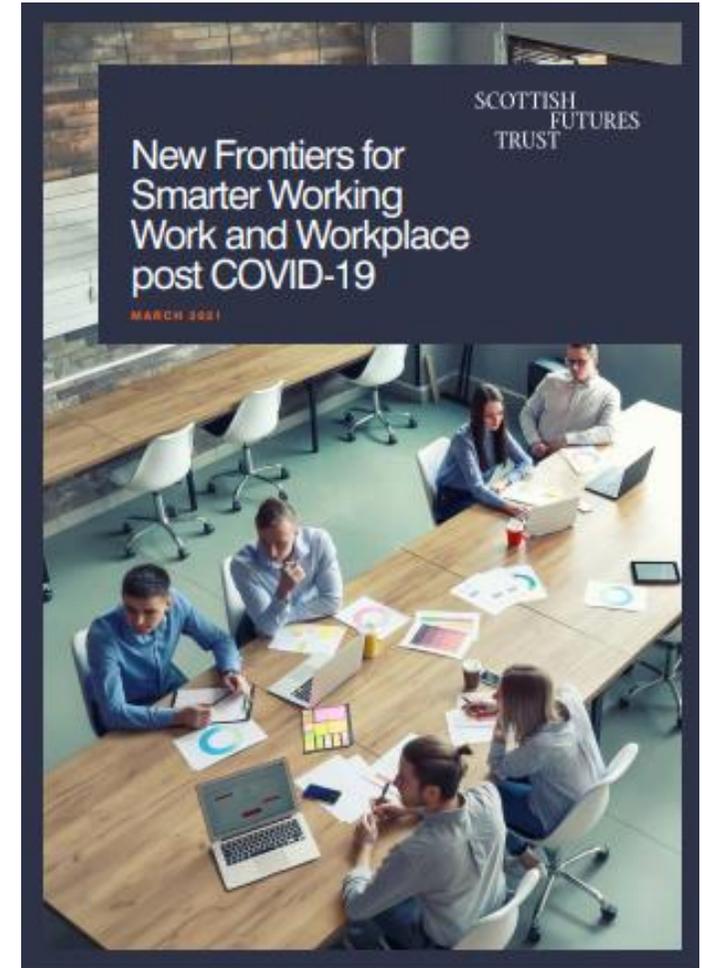
Background and overview

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 (SFT) 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 [Scottish Futures Trust](https://www.scottishfuturestrust.com/).

Appendices



Action plan

Recommendations for improvement

No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1	<i>Financial planning</i>	The SPSO should develop a Medium Term Financial Plan, to ensure that the Ombudsman can manage its resources sustainably and deliver services effectively	<p>As noted in the 2019-20 Auditor's report, SPSO have considered the Scottish Government's Medium-Term Financial Strategy when drafting the a four-year Strategic Plan to ensure it is consistent with the Scottish Government's direction of travel.</p> <p>The Strategic Plan sets out clearly the funding challenges which SPSO face with increased volume and additional responsibilities. SPSO have set out the different funding sources that they have available to them.</p> <p>The lack of medium or long-term financial plan is as a direct result of not being able to obtain multiyear funding from the SPCB. This is compounded by the SPCB request that we work to a zero base budget on an annual basis.</p>	Ombudsman	TBC	Low
2	<i>Workforce Planning</i>	The SPSO 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.	Documenting the SPSO process for workforce planning will be added as a project for the next Business Plan 2022-23, if the required resource for the project becomes available.	Director	2022/23	Low

Audit adjustments

Disclosures

Disclosure misstatements

The following disclosure 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.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<p>Remuneration and Staff Report: Two employees' banding per the remuneration report did not correspond to the signed remuneration letters due to figures not being adjusted for part time hours and holiday leave payments respectively.</p>	<p>Disclosure of the required elements as per sections 6.5 of the FReM</p>	<p>Qualitatively material - Important for the users' understanding of the organisations remuneration and for ensuring compliance with laws and regulations.</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 SPSO 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 SPSO 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 SPSO and our objectivity is not compromised.

Fees

The audit fee for 2020/21, in line with the expected fee range provided by Audit Scotland, is £18,550, as analysed below:

	£
Auditor remuneration	14,480
Audit Scotland fixed charges:	
Pooled costs	3,330
Audit support costs	740
Total fee	18,550

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.

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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