

# Scottish Information Commissioner External Audit Plan

Year ending  
31 March 2023

15 March 2023



# Contents

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Section	Page
Introduction	03
Plan overview	04
Audit approach	06
Audit timeline	07
Materiality	08
Significant audit risks	09
Other risks identified	12
Other matters	13
Wider scope exemption	16
Audit Fees	17
Adding value through the audit	19
<b>Appendices</b>	<b>20</b>

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the organisation or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Introduction

## Purpose

This document provides an overview of the planned scope and timing of the external audit of the Scottish Information Commissioner for those charged with governance.

We are appointed by the Auditor General as the external auditors of the Scottish Information Commissioner for the five year period 2022/23 to 2026/27.

## Respective responsibilities

Audit Scotland has issued an updated Code of Audit Practice ('the Code') covering this audit appointment period. There are no significant changes in the scope of our work compared to the previous 2016 Code. However, the 2021 Code applies the requirement to communicate key audit matters to all bodies, but requires them to be reported in the Annual Audit Report.

The Code summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities, and that of the Scottish Information Commissioner are summarised in Appendix 1 of this Audit Plan. We draw your attention to this and the Code.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on Scottish Information Commissioner's financial statements, which have been prepared by management with the oversight of those charged with governance (the Scottish Information Commissioner). Our audit of the financial statements does not relieve management or the Scottish Information Commissioner of your responsibilities.

It is your responsibility to ensure that proper arrangements are in place for the conduct of your business, and that public money is safeguarded and properly accounted for. As part of our wider scope work, we will consider how you are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Scottish Information Commissioner and is risk based.



# Plan overview

The audit plan sets out our risk based audit approach for Scottish Information Commissioner. This plan outlines our initial risk assessment and is reported to those charged with governance (the Scottish Information Commissioner) and will be shared with the Audit Advisory Board (AAB) and Audit Scotland.

## 01 Materiality

We have calculated our planning materiality using prior year gross expenditure as per audited 2021/22 financial statements as our benchmark, resulting in the following:

- £37,000 planning materiality (being 1.9% of gross expenditure). Performance materiality (PM) of £24,050 is based on 65% of planning materiality. Trivial is capped at £1,900 being 5% of PM.
- A lower materiality will be used on:
  - our audit of the Remuneration and Staff Report, £5,000
- We will revisit our materiality throughout our audit including updating to reflect the draft unaudited financial statements for 2022/23.

## 02 Financial statement audit

At planning, in accordance with the ISA's (UK) and Practice Note 10 (Revised 2020) 'The Audit of Public Sector Financial Statements' issued by the Public Audit Forum we have identified the following significant financial statement audit risks:

- Management override of controls (ISA (UK) 240);
- Risk of fraud in expenditure recognition – Completeness (PN10);

Two revised Auditing Standards (ISA (UK) 315 (Revised July 2020) ISA (UK) 240 (Revised May 2021)) will be applicable to your audit for the first time in 2022/23. Further detail on the impact of these revised standards is set out in the appendices.

## 03 Wider Scope and Best Value Audit

**In accordance with Code** and supporting guidance: "Supplementary guidance-wider scope audit, less complex bodies and Best Value" we have concluded that Scottish Information Commissioner is a less complex body, and therefore carried out more limited wider scope work as set out in this Audit Plan.

# Plan overview (continued)

## 04 Other audit matters

We summarise other audit matters for the Scottish Information Commissioner's awareness. This includes:

- In accordance with the Code and planning guidance we also complete and submit a number of deliverables during the year, including sharing intelligence with Audit Scotland, and completing Audit Scotland data sets
- Consideration of going concern in accordance with Practice Note 10.

## 05 Our Audit Fee

Audit fees were shared by Audit Scotland with the Scottish Information Commissioner in December 2022. Our fee agreed with the Scottish Information Commissioner is shown below. Audit fees are paid to Audit Scotland who in turn pay Grant Thornton UK LLP.

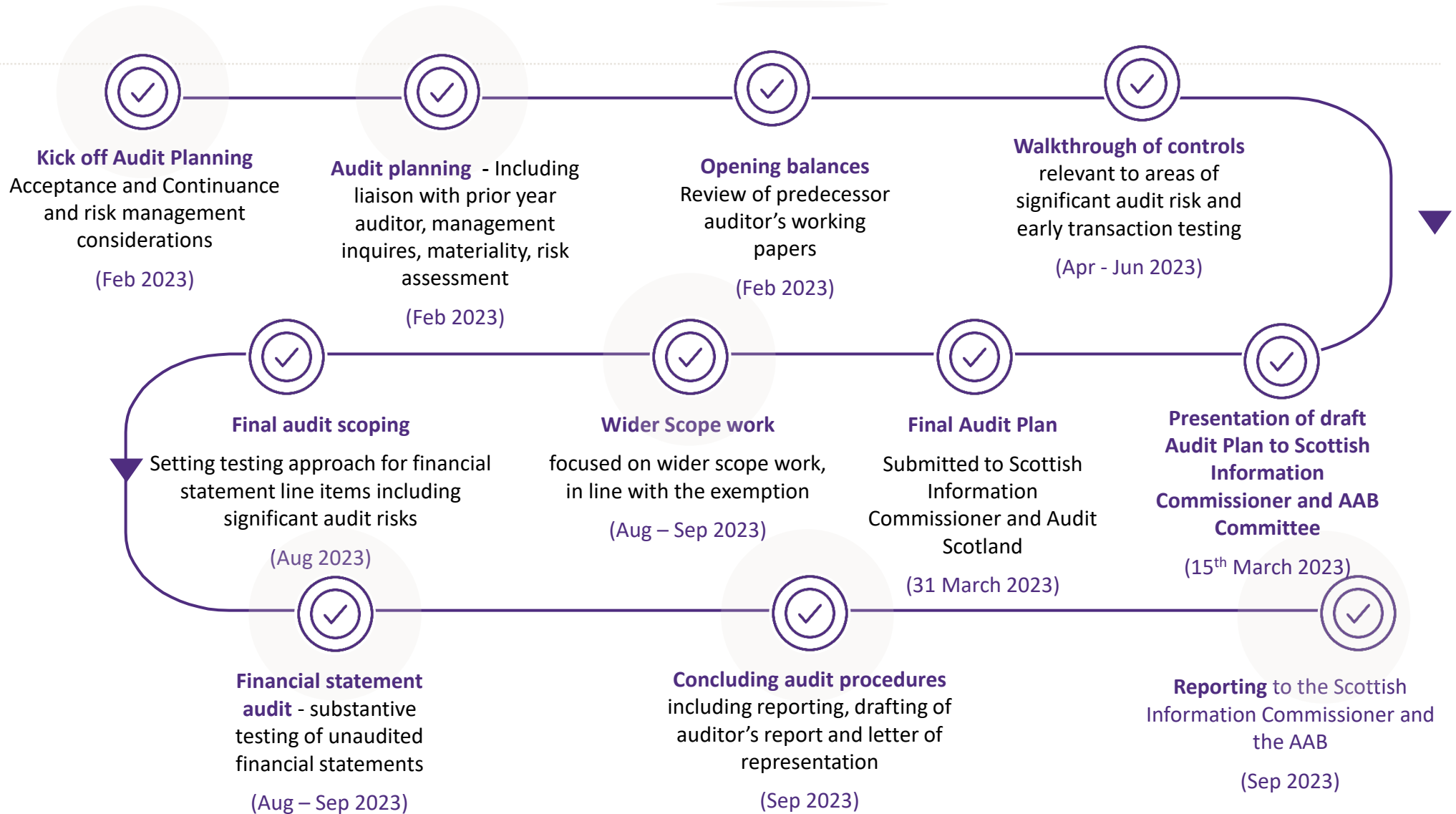
We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

## 06 Adding Value Through the Audit

Our overall approach to adding value through the audit is clear and upfront communication, founded on our public sector credentials. We use our LEAP audit methodology and data analytics to ensure delivery of a quality audit.

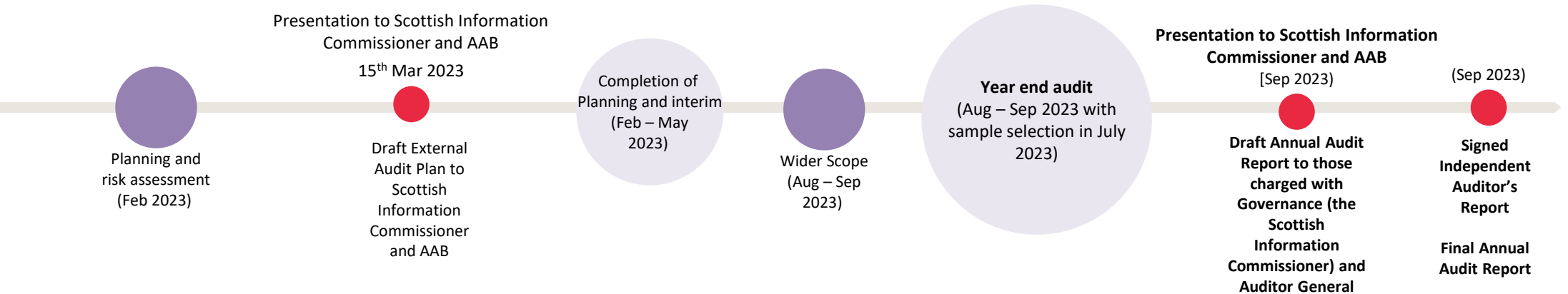
Service	Fees £
External Auditor Remuneration	£30,380
Pooled Costs	-£480
Contribution to Audit Scotland support costs	£860
Contribution to Performance Audit and Best Value	Nil
Sectoral cap adjustment	-£8,250
<b>2022/23 Fee</b>	<b>£22,510</b>

# Audit approach



# Audit timeline

The target dates specified by Audit Scotland for submission of audit Plans, audited accounts and the Annual Audit Report have been brought forward in the 2021 Code. We are required to submit audit plans to Audit Scotland by 31 March 2023, and it is anticipated that we will submit audited accounts and the Annual Audit Report by 31 October 2023. We have set out below our planned timescales for the Scottish Information Commissioner audit.



## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging our other audit engagements. Where additional resources are needed to complete the audit due to an audited body not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

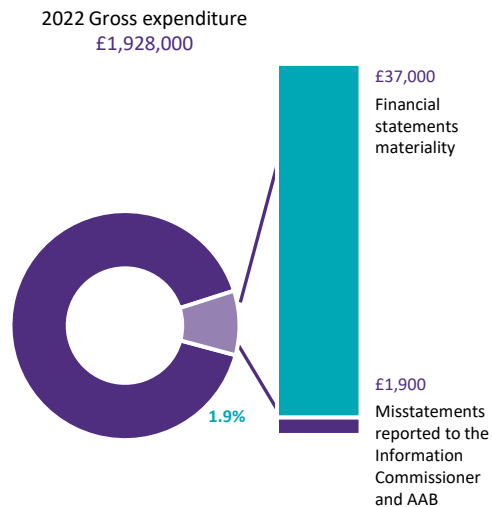
## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft accounts, comprising financial statements and related reports, of good quality, by the deadline we will both agree
- prepare good quality working papers which support the figures included in the financial statements, in line with the working paper requirements schedule that we have shared with you, and make these available to us at the start of the year end audit visit
- provide all agreed data reports to us at the start of the audit, which are fully cleansed and reconciled to the figures in the financial statements
- ensure that all appropriate staff are available to us for queries over the planned period of the audit, or as otherwise agreed
- respond promptly and appropriately to all audit queries, within agreed timescales.

# Materiality

Financial statement materiality is determined based on a proportion of gross expenditure. We have determined **planning materiality** to be £37,000, which equates to approximately 1.9% of gross expenditure as per the 2021/22 audited financial statements.



**Performance materiality (PM)** represents the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. We use this to determine our testing approach to the financial statements. We have set this at 65% of planning materiality (£37,000), giving a PM of £24,050. This is based on our understanding of Scottish Information Commissioner and our overall risk assessment procedures.

Materiality reflects our professional judgement of the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We apply a separate **lower materiality level in the following areas:**

## - Auditable areas of the remuneration report at £5,000

Under ISA 260 (UK) 'Communication with those charged with governance' (the Scottish Information Commissioner), we are required by auditing standards to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance (the Scottish Information Commissioner). We have determined this threshold to be £1,900, being 5% of PM.

**We will update our materiality based on the unaudited 2022/23 financial statements when received. During the course of our audit engagement, we will continue to assess the appropriateness of our materiality.**



# Significant audit risks

Significant risks are defined by ISAs(UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

## Management Override of Controls (as required by Auditing Standards – ISA (UK) 240)

As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.

We will:

- Document our understanding of and evaluate the design effectiveness of management's key controls over journals;
- Analyse your full journal listing for the year and use this to determine our criteria for selecting high risk journals;
- Test the high risk journals we have identified;
- Gain an understanding of the critical judgements applied by management in the preparation of the financial statements and consider their reasonableness;
- Gain an understanding of the key accounting estimates made by management and carry out substantive testing on in scope estimates.
- Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK) 315)

# Significant audit risks (continued (1))

## **Risk of Fraud in Revenue (as required within Auditing Standards– ISA (UK) 240)**

As set out in ISA (UK) 240 (Revised May 2021) there is a presumed risk that revenue may be misstated due to improper recognition of revenue in all entities.

The risk of management manipulation and fraud is deemed to be low. Scottish Information Commissioner’s prior year financial statements indicates that it will recognise around £2,000 of “Other” income in 2022/23 which we deem to be immaterial to the financial statements. We have therefore rebutted the risk of fraud in revenue in relation to these income streams.

# Significant audit risks (continued (2))

## **Risk of Fraud in Expenditure (as recommended in Practice Note 10)**

As set out in practice note 10 (Revised 2020) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

Scottish Information Commissioner's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.

We therefore focus our risk on the following non-payroll expenditure streams: Other administration costs. Our testing will include a specific focus on year end cut-off arrangements, including consideration of the existence of accruals and provisions, In relation to non payroll expenditure.

We will:

- Evaluate your accounting policy for recognition of expenditure for appropriateness and compliance with the FReM;
- Perform detail testing of expenditure transactions at and around year end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period;
- Review the judgements and estimates made by management when recognising accruals and provisions at year end within the financial statements and where appropriate challenge management accordingly.

# Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Implementation of IFRS 16	<p>IFRS 16 was implemented by central government bodies under the FReM from 1 April 2022. Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2023.</p> <p>Further detail on the implications of this Accounting Standard is set out in the Appendices.</p>	<p>Our initial discussions with management at Scottish Information Commissioner, and our review of the predecessor auditor's work in 2021/22, have indicated that:</p> <ul style="list-style-type: none"> <li>- Scottish Information Commissioner has established systems and processes to capture the data required to account for right-of-use lease assets in accordance with IFRS 16</li> <li>- revised its accounting policies for the year ended 31 March 2023 to reflect the requirements of this accounting standard.</li> <li>- The Scottish Information Commissioner has assessed the likely impact of implementing IFRS 16 as not financially material.</li> </ul> <p>We will review the management assessment made as part of our audit processes. This will involve checking the assessment of the existence, accuracy and completeness of the right-of-use assets and associated lease liabilities, and any related disclosures.</p>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you as the audit progresses, and in our Annual Audit Report.

# Other matters

## Auditor Responsibilities

We have a number of audit responsibilities as set out in the Code and Planning Guidance 2022/23 issued by Audit Scotland:

- We audit parts of your Remuneration and Staff Report in your Annual Report and check whether these sections have been properly prepared (opinion).
- We read the sections of your Annual Report which are not subject to audit and check that they are consistent with the financial statements on which we give an opinion (opinion).
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set out in the FReM (opinion).
- We consider our other duties under the Code and planning guidance (2022/23), as and when required, including:
  - Supporting Audit Scotland in Section 22 reporting
  - Providing regular updates to Audit Scotland to share awareness of current issues
  - Notifying Audit Scotland of any cases of money laundering or fraud
  - Review of Central Government Technical guidance prior to issue by Audit Scotland.

## Going concern assessment

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 was updated in 2020 to take account of revisions to ISAs (UK), including ISA (UK) 570 (Revised September 2019) on going concern.

PN 10 allows auditors to apply a 'continued provision of service approach' when auditing going concern in the public sector, where appropriate. Audit Scotland's also issued further guidance in a Going Concern publication in December 2020).

# Other matters (continued (1))

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be considered as part of our audit. However, the procedures will not be as extensive as the procedures adopted for the significant risks we have identified and highlighted in this Audit Plan.

## Internal control environment

During our initial audit planning we will develop our understanding of your control environment (design) as it relates to the preparation of your financial statements. In particular we will:

- Consider key business processes and related controls
- Assess the design of key controls over all significant risks we have identified. This will include key controls over: journals and expenditure completeness.

Our focus is on design and implementation of controls only. We do not intend to assess, or place any reliance on the operating effectiveness of your controls during our audit.

## Audit handover

To facilitate effective audit planning and deliver an efficient audit we gain a detailed understanding of the Scottish Information Commissioner from discussions with key personnel at the entity and the prior year auditor, attendance at Scottish Information Commissioner AAB meetings and review of key documents.

In line with Audit Scotland's Handover guidance we seek to place as much assurance as possible on your previous auditor's work on your opening balances. We visited your previous auditor on 27<sup>th</sup> Feb and reviewed their prior year audit working paper files.

From this review we did not identify any significant issues from the prior year audit which have informed our risk assessment for the current year. Note that due to differing materiality levels, a small amount of work on opening balances will be required in order to gain the assurance required.

## Financial reporting developments

During our audit we will actively discuss emerging financial reporting developments with you. The key financial reporting development for 2022/23 central government audits is the implementation of IFRS16 from 1 April 2022, as set out on page 28 of this Audit Plan.

# Other matters (continued (2))

## Progress against prior year audit recommendations

The predecessor auditor identified the following issues in their 2020/21 audit of the Scottish Information Commissioner's financial statements, which resulted in 2 recommendations being reported in their 2020/21 Annual Audit Report. No new recommendations were made as a result of the 2021/22 audit.

We have followed up on the implementation of their recommendations and the management response is noted below. We will carry out our assessment of the implementation of the recommendations and report them in our final report.

Assessment	Issue and risk previously communicated	Update on actions - management response
<b>Ongoing</b>	The Commissioner should develop a Medium Term Financial Plan (MTFP) to ensure that the Commissioner can manage its finance sustainability effectively over the medium to long term.	A project to consider a MTFP was included within the Operational Plan for 2022/23. The Head of Corporate Services is working on this project. Budget funding is approved on an annual basis and there are parameters in place about what can be sought in any future year. Currently, consideration is being undertaken, with an update to the Senior Management Team (SMT) due soon.
<b>Actioned subject to approval</b>	The Commissioner should develop a workforce plan to ensure the Commissioner can identify necessary resources to enable them to deliver their functions over the medium to long term.	A project to consider the workforce plan was included within the Operational Plan for 2022/23. The Human Resources Strategy has been reviewed in January 2023 and a draft Workforce Plan has been prepared and is due to be discussed and approved by the SMT.

# Wider scope exemption

Under the Code and supporting guidance: “Supplementary guidance - wider scope audit , less complex bodies and Best Value” issued by Audit Scotland, there is an exemption in relation to the normal wider scope audit requirements of the Code for public bodies which are smaller and have limited financial activity (referred to as “Less Complex Bodies”).

As required by the Code and this supporting guidance. we have assessed both the quantitative and qualitative risk factors related to Scottish Information Commissioner and concluded that Scottish Information Commissioner qualifies for this exemption for 2022/23. From a quantitative perspective the gross revenue, gross assets and gross liabilities of Scottish Information Commissioner are not expected to exceed the £10.2 million limit set out in Audit Scotland’s guidance, and from a qualitative perspective we have not identified any wider scope risks beyond financial sustainability that would require further consideration during the audit. Our wider scope work at Scottish Information Commissioner will therefore be limited to the following areas specified for Less Complex Bodies in the Code:

## Wider scope arrangements for less complex bodies set out in the 2021 Code

A review of the Annual Governance Statement

Concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term

During our risk assessment and planning work, we reviewed key documentation including Board minutes, prior year reports, Internal Audit findings, risk registers and other pertinent information.

We will report our findings, conclusions and any recommendations in our Annual Audit Report in relation to our wider scope responsibilities.



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# Audit Fees

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Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC on audit quality and public sector financial reporting. This includes, for Audit Scotland contracts, meeting the expectations of the Audit Scotland Quality Team and the Scottish quality framework.

Audit fees were shared by Audit Scotland with Scottish Information Commissioner in December 2022. Following conclusion of our planning procedures we have agreed our final audit fee with the Information Commissioner, and this is set out on page 18 of this Audit Plan. The audit fee was presented in the Plan to the Audit Advisory Committee on 15 March 2023. Audit fees are paid to Audit Scotland who in turn pay us. We reserve the right to review our fee during the audit should significant delays be encountered and/or new technical matters arise.

## Relevant professional standards

Audit Scotland set the baseline audit fee. We can increase the fee, from the baseline, for the inclusion of additional risks, new technical matters or specific client matters identified.

We are required to consider all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which state that the Engagement Lead must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit Fees (continued)

## Audit fees for 2022/23

Service	Fees £
External Auditor Remuneration	£30,380
Pooled Costs	-£480
Contribution to Audit Scotland support costs	£860
Contribution to Performance Audit and Best Value	Nil
Sectoral cap adjustment	-£8,250
<b>2022/23 Fee</b>	<b>£22,510</b>

## Additional Fees (Non-Audit Services)

Service	Fees £
At planning stage we confirm there are no planned non-audit services	Nil

## Fee assumptions

In setting the fee for 2022/23 we have assumed that you will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence for all critical and significant judgements and estimates made in preparing the financial statements
- provide access to management and respond to audit queries in line with agreed timescales
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

# Adding value through the audit

Our overall approach to adding value through the audit is clear and upfront communication, founded on our public sector credentials and our LEAP audit methodology and use of data analytics to ensure delivery of a quality audit.

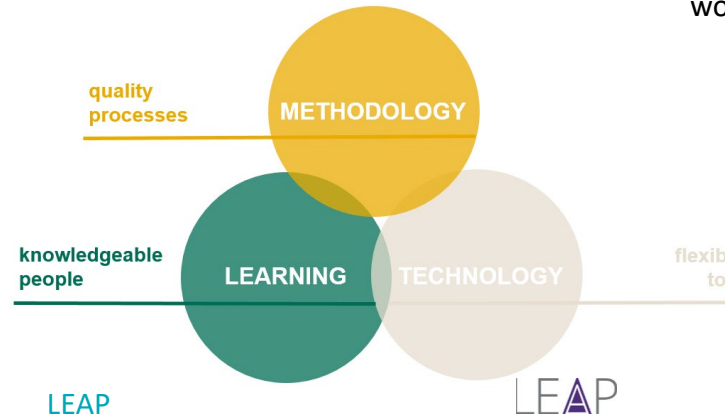
Our audit methodology is risk based and includes developing a good understanding of **Scottish Information Commissioner**. The diagram opposite summarises how our methodology and use of data adds value to our audit.

We comply with UK Auditing Standards and as a Firm we are regulated by the FRC. We take findings on audit quality seriously and continue to invest through our Audit Investment Plan, which is supported by a specific national Public Sector Investment Plan.

We comply with Audit Scotland's quality arrangements, including submitting an Annual Quality Report on our Audit Scotland portfolio. Audit Scotland's quality report for 2021/22 can be found on the [Audit Scotland website](#).

Our wider quality arrangements are set out in our annual transparency reports which are available on our website here: [Annual report 2021](#).

## Use of audit, data interrogation and analytics software



### LEAP

- A globally developed ISA-aligned methodology that re-engineers our audit approach to focus on quality and effectiveness
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- The LEAP approach allows us to tailor the audit programme to help engagement teams respond quickly to any changes as they occur, keeping quality high through responsiveness and flexibility.

### Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST AND SHARE

- Communicate and transfer documents securely; Extract data directly from client systems; Work flow assignment and progress monitoring



#### ASSESS AND SCOPE

- Compare balances and visualise trends; Understand trends and perform more granular risk assessment



#### VERIFY AND REVIEW

- Automate sampling; Download automated work papers



#### INTERROGATE AND EVALUATE

- Analyse 100% of transactions quickly and easily; Identify high risk transactions for investigation and testing; Provide client reports and relevant benchmarking KPIs



#### FOCUS AND ASSURE

- Visualise relationships impacting core business cycles; Analyse 100% of transactions to focus audit on unusual items; Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports

# Appendices

Independence	21
Responsibilities	22
Communication	23
Fraud responsibilities	24
IT audit strategy	26
Right of Use Assets – IFRS 16	28
Future auditing developments	29

# Independence

## Auditor independence

Ethical Standards and ISA (UK) 260 'Communication with Those Charged With Governance' (the Scottish Information Commissioner) require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the Firm, or covered persons, relating to our independence.

We encourage you to contact us to discuss any independence issues, with us and will discuss the matter with you if we make any significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors of Scottish Information Commissioner that we are required to report or wish to draw to your attention.

We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the 2019 Ethical Standard.

Our team complete annual fit and proper declarations, including independence confirmations, as well as confirming independence from individual audited bodies when completing timesheets. The work of our Ethics team is overseen by our Ethics partner and all staff undergo regular ethics training each year.

**We confirm we are independent of the Scottish Information Commissioner.**

## Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. **We did not provide any non-audit or additional services to Scottish Information Commissioner prior to our appointment as auditors.**



# Responsibilities

The Code sets out auditor responsibilities and responsibilities of the audited body. Key responsibilities are summarised below. Please refer to the Code for further detail.

## Scottish Information Commissioner

Your responsibilities include:

- Maintaining adequate accounting records and working papers
- Preparing accounts for audit, comprising financial statements, which give a true and fair view, and related reports
- Establishing and maintaining a sound system of internal control
- Establishing sound arrangements for proper conduct of affairs, including the regularity of transactions
- Maintaining standards of conduct for the prevention and detection of fraud and other irregularities
- Maintaining strong corporate governance arrangements and a financial position that is soundly based
- Establishing and maintaining an effective internal audit function.

## External Audit

Our responsibilities include:

- Compliance with the FRC Ethical Standard
- Compliance with the Code and UK Auditing Standards (ISA's UK) in the conduct and reporting of our financial statements audit
- Compliance with the Code and guidance issued by Audit Scotland in the conduct and reporting of our wider scope work
- Providing assurance on specified returns and other outputs (where required), as specified in guidance issued by Audit Scotland
- Liaison with and notifying Audit Scotland when circumstances indicate a statutory report may be required.
- Contributing to relevant performance studies (as set out in Audit Scotland's Planning Guidance for 2022/23).



# Communication

ISA (UK) 260 'Communication with Those Charged With Governance' (the Scottish Information Commissioner), as well as other ISAs set out prescribed matters which we are required to report to those charged with governance (the Scottish Information Commissioner). Our reporting responsibilities are set out below. We communicate all matters affecting the audit on a timely basis, to management and/or the Scottish Information Commissioner. Any issues arising that needed to be brought to management's attention would be raised during the course of the audit.

<b>Our communication plan</b>	<b>Audit Plan</b>	<b>Annual Report (our ISA 260 Report)</b>
Respective responsibilities of auditor and management/those charged with governance (the Scottish Information Commissioner)	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Scottish Information Commissioner's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report or emphasis of matter		•

# Fraud responsibilities

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' came into force for accounting periods commencing on or after 15 December 2021. The first year this impacted on Scottish Information Commissioner was the year ended 31 March 2023. Requirements in ISA (UK) 240 (Revised May 2021) have been enhanced for the identification and assessment of risks of material misstatement due to fraud and the response to those risks.

**The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance (the Scottish Information Commissioner), employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at Scottish Information Commissioner.**

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance (the Scottish Information Commissioner) including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is the Scottish Information Commissioner's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

As auditors, we are required to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

As part of our risk assessment procedures we are required to:

- identify and assess the risks of material misstatement in the financial statements due to fraud, including financial misreporting and misappropriation of assets.
- hold separate discussions with management, those charged with governance (the Scottish Information Commissioner) and others (as appropriate) to gain insights on their views of fraud.



# Fraud responsibilities (continued)

During our audit work we will:

- design and implement appropriate audit procedures to respond to the risks of misstatement we have identified and reported in this Audit Plan
- remain alert to new risks and amend our risk assessments accordingly
- respond appropriately to any risks identified.

Throughout the audit we work with you to consider the significant risks we identify, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control. We will report to you any significant deficiencies we identify.

In addition, as set out in the Audit Scotland Planning Guidance 2022/23 ,we are required to:

- provide information on fraud cases to Audit Scotland on a quarterly basis
- communicate emerging issues to Audit Scotland, and
- contribute to the National Fraud Initiative report

## **Anti-Money Laundering Arrangements**

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the Audit Scotland Planning Guidance for 2022-23) to inform the National Crime Agency if he knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at Scottish Information Commissioner we will report to the Auditor General as required by Audit Scotland.

# IT audit strategy

ISA (UK) 315 (Revised July 2020): Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and its Environment' came into force for accounting periods commencing on or after 15 December 2021. The first year this impacted on Scottish Information Commissioner was the year ended 31 March 2023.

We are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). The revised requirements in ISA (UK) 315 (Revised July 2020) include:

## Key changes

- An emphasis has been added on the need for auditors to not bias their work toward obtaining corroborative evidence or excluding evidence that is contradictory.
- The concept of 'inherent risk factors' has been introduced to assist the auditor in identifying events or conditions that may affect the susceptibility of assertions about classes of transactions, account balances or disclosures to misstatement.
- A new concept of significant classes of transactions, account balances or disclosures refers to those classes for which there are assertions with an identified risk of material misstatement (referred to as relevant assertions).
- A new concept of spectrum of inherent risk applies to the extent to which inherent risk varies.
- Significant risk relates to an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the affect of inherent risk factors on the combination of the likelihood of a misstatement and the magnitude.
- A requirement for auditors to understand the entity's use of IT in its business, the related risks and the system of internal control addressing such risks. (Guidance is being provided from Audit Scotland's Digital Auditing team to assist auditors in this regard).

During our audit we will complete an assessment of the design and implementation of relevant ITGCs.

# IT audit strategy (continued)

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Sage	<b>Financial reporting</b>	<ul style="list-style-type: none"><li>• Review of ITGCs in operation</li></ul>

# Right of Use Assets - IFRS 16 implementation

IFRS 16 was implemented by Scottish central government bodies from 1 April 2022. This Accounting Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

## Introduction

Following the previous deferrals of IFRS 16 Leases *in the public sector*, Scottish Government has worked with central government bodies in Scotland in the implementation of this new accounting standard. It came into force for Scottish central government bodies on 1 April 2022.

IFRS 16 updates the definition of a lease to “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration”.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to a number of exemptions, as set out below.)

Key points that Scottish Information Commissioner will need to consider in their financial statements in 2022/23 include:

- The need to recognise the cumulative effects of initially applying IFRS 16 on 1 April 2022 as an adjustment to the opening balances of taxpayers' equity. (Prior year comparators do not need to be restated).
- The need to recognise the right-of-use asset for leases previously classified as operating leases at an amount equal to the outstanding lease liability.
- No adjustments are needed for leases for which the underlying asset is of low value (less than £5,000 new) or where the lease term is less than 12 months.

- Assets where there is no, or a below market rate, peppercorn lease premium should be recognised as a right-of-use asset measured at current value in existing use or fair value as appropriate. Any difference between this and the lease liability will be recognised as part of the adjustment to the opening balances of taxpayers' equity.

## Scottish Information Commissioner's systems and processes

Where relevant, central government bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

## Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of both management and TCWG (the Scottish Information Commissioner) in relation to their arrangements for IFRS 16.

# Future auditing developments

There are changes to the following ISAs (UK) which will impact on our central government audits for the first time in future years.

Revised standards applicable for audits of financial statement for periods commencing on or after 15 December 2022.:

- ISQM (UK) 2 (Issued July 2021) 'Engagement Quality Reviews'
- ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

Revised standards applicable for audits of financial statement for periods commencing on or after 15 December 2023.

A summary of the impact of the key changes on various aspects of the audit is included below:

Area of change	Impact of changes
Quality control	<ul style="list-style-type: none"> <li>• ISQM 2 deals with the appointment and eligibility of the engagement quality reviewer (EQR) and the EQRs responsibilities relating to the performance and documentation of an engagement quality review.</li> <li>• The objective of the firm, through appointing an EQR, is to perform an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon.</li> <li>• The objective of the auditor is to implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that the audit complies with professional standards and applicable legal and regulatory requirements; and the auditor's report issued is appropriate in the circumstances.</li> </ul>
Direction, supervision and review of the engagement	<ul style="list-style-type: none"> <li>• Greater responsibilities, audit procedures and actions are assigned directly to the engagement lead, resulting in increased involvement in the performance and review of audit procedures.</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>• The amendment to these auditing standards will result in additional documentation requirements to demonstrate how these requirements of these revised standards have been addressed.</li> </ul>

