

Scottish Human Rights Commission

Report to the Commission and the Auditor General for Scotland on the 2021/22
audit

Issued on 8 December for the meeting 16 December 2022

Contents

01 Final report

Introduction	3
<i>Financial statements audit</i>	
Quality indicators	6
Our audit explained	7
Significant risks	8
Other significant findings	11
Our audit report	13
Your annual report	14
<i>Audit dimensions and Best Value</i>	
Overview	16
Governance statement	16
Financial sustainability	17
Purpose of our report and responsibility statement	20

02 Appendices

Action plan	22
Audit adjustments	24
Our other responsibilities explained	26
Independence and fees	27

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the Annual Report and Accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Commission for the year ending 31 March 2022 audit of the Scottish Human Rights Commission ('the Commission'). The scope of our audit was set out within our planning report.

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 annual governance statement**; and
 - The **financial sustainability** of the Commission and the services that it delivers over the medium to longer term. As part of this work, we have followed up on progress with the recommendations made in our previous years audit report.

Conclusions from our testing

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

Following updates made by management, the Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Commission. Following updates made by management, the auditable parts of the Remuneration and Staff Report have been prepared in accordance with the relevant regulations.

A summary of our work on the significant risks is provided in the dashboard on page 8.

We have identified disclosure misstatements in relation to the Remuneration Report which is included on page 25. We identified three corrected misstatements as detailed on page 24.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions

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

Financial sustainability – The Commission has achieved financial balance in 2021/22, however there is a risk that without contingency funding the Commission will not achieve short-term financial balance in 2022/23.

There is a risk that robust medium-to-long-term planning arrangements are not in place and the Commission should develop a Medium Term Financial Plan.

The Commission should develop a workforce plan. 75% of commission members and 35% of staff departed between March and September 2022. Based on the level of departures a root cause analysis should be performed and a remediation plan implemented based on its findings. It is clear that had the SPCB not made the secondment of an interim COO, the Commission would have been unable to operate until a new Chair was appointed. In the period from March 2022 there remained significant risks to the Commission’s operations relying on a small number of staff.

We recommend that the organisation seeks to put Internal audit in place and may wish to utilise a shared service facility with other office holders.

The Commission should continue to progress with the implementation of the full shared services arrangement by April 2023.

Our detailed findings is included on pages 16 - 19 of this report.

Next steps

An agreed Action Plan is included on pages 22 – 23 of this report, including a follow-up of progress against prior year actions.

Added value

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

Managing transition to 2022/23 audits

2021/22 is the final year of the current audit appointments. We will minimise disruption to all parties, and maximise the transfer of knowledge of the Commission, by working in partnership with Audit Scotland and the incoming auditors.

We would like to put on record our thanks to the Commission, management and staff for the good working relationship over the period of our appointment.

Pat Kenny
Associate Partner

Annual Report and Accounts audit



Quality indicators

Impact on the execution of our audit

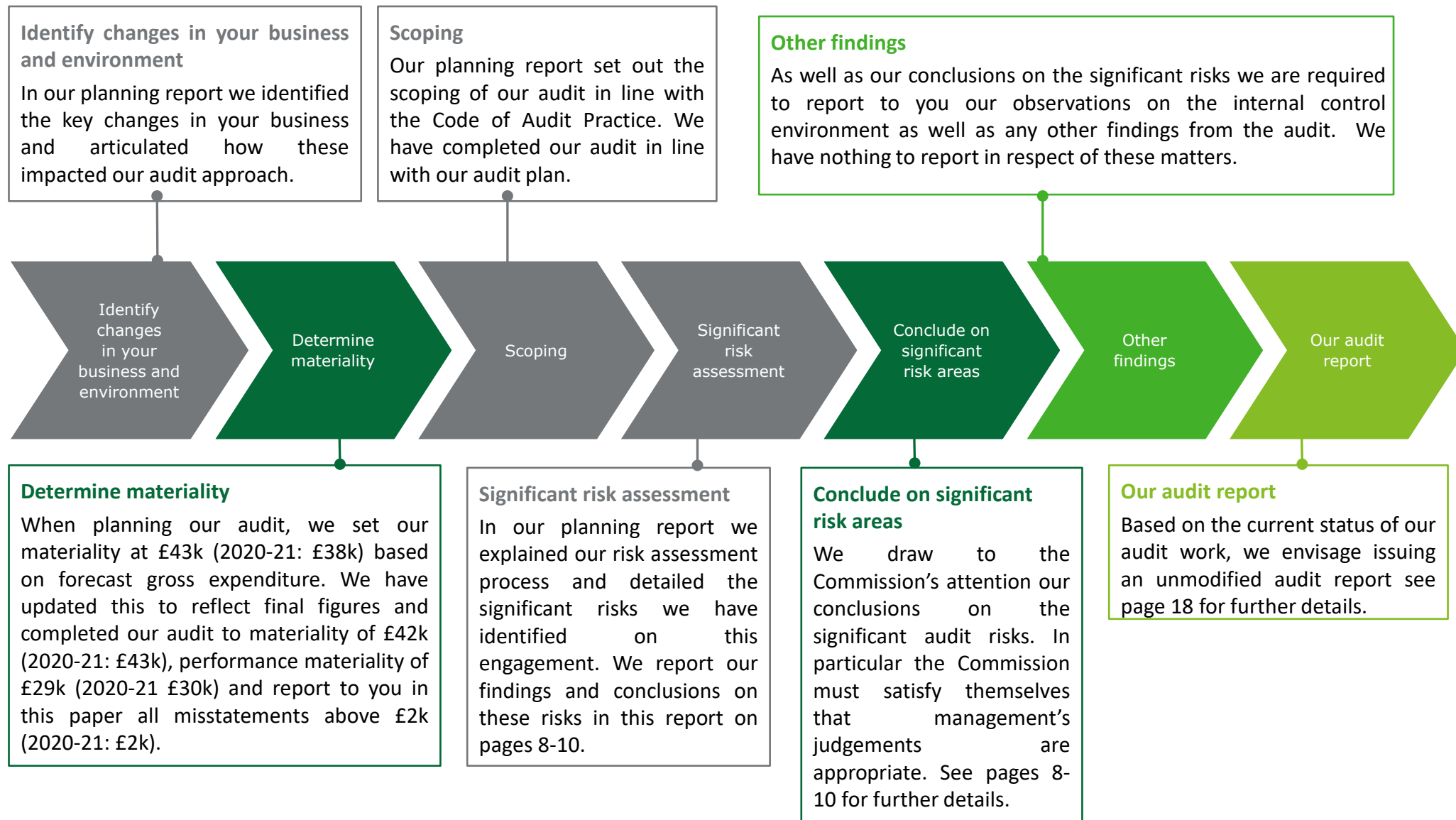
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to 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
	FY22	FY21	FY20	
Timing of key accounting judgements				All information and supporting documentation for judgements made was available on request.
Adherence to deliverables timetable				Management provided 60% of deliverables in line with the agreed deadlines. Follow up requests during the audit were slower than usual due to the lack of capacity within the Commission.
Access to finance team and other key personnel				Deloitte and the Commission have worked together to facilitate remote communication during the audit which has been successful. There have been no issues with access to the finance team or other key personnel.
Quality and accuracy of management accounting papers				Documentation provided has been of a reasonable standard, which enabled the audit testing to be undertaken. The majority of working papers were clear and reconcilable to the Annual Report and Accounts. There were completeness issues relating to the holiday pay and remuneration report schedules.
Quality of draft financial statements				A full draft of the Annual Report and Accounts was received for audit in line with a revised timetable. Minimal changes to the accounts were required.
Response to control deficiencies identified				We identified a control finding in relation to the documentation of segregation duties relating to the preparation and approval of journal entries as detailed on page 11.
Volume and magnitude of identified errors				We have identified financial and disclosure misstatements outlined on pages 24-25. These relate to the recognition of commissioner salaries, holiday pay accrual and the remuneration report.

Lagging Developing Mature







Our audit explained

We tailor our audit to your business and your strategy



Significant risks

Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Operating within expenditure resource limits			D+I	Satisfactory		Satisfactory	9
Management override of controls			D+I	Satisfactory		Satisfactory	10

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Operating within expenditure resource limits



Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for the Commission as there is little incentive to manipulate revenue recognition with the majority of revenue being from the 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. The risk is that the Commission could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.

Deloitte 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, we confirm that the Commission has performed within the limits set by SPCB and has achieved an overall underspend in the year. This was following additional contingency funding received in the year.



Deloitte response and challenge

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

- Evaluating the design and implementation of controls around monthly monitoring of financial performance and year end accruals;
- Performed focused testing of accruals and prepayments made at the year end; and
- We tested a sample of post year-end payments to assess the accuracy of the year-end accruals.

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; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

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

Deloitte view


We have not identified any significant bias in the key judgements made by management.

We have not identified any instances of management override of controls in relation to the specific transactions tested. We have raised an internal control finding regarding segregation of duties during the year as detailed on page 11.

Other Significant Findings

Internal control and risk management

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

Area	Observation	Priority
Journal Review: Segregation of Duties	During the audit, we identified that there was no documented evidence of review of the journal entries posted to SAGE from November 2021 to March 2022. All journals should be prepared and reviewed by different individuals to ensure there is appropriate segregation of duties in place and while we note this may have happened in practice there is no evidence available to support it.	

The purpose of the audit was for us to express an opinion on the Annual Accounts. The audit included consideration of internal control relevant to the preparation of the Annual Accounts 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, we set out the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

Following updates made by management, the Commission accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM).

Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation, the basis of assessment relation to the going concern assumption, and the new fair pay requirements.

Regulatory change

IFRS 16, Leases, comes into effect on 1 April 2022, therefore will be first implemented in financial year 2022/23. This will require adjustments to recognise on balance sheet arrangements currently treated as operating leases. We have considered the preparatory work carried out by management and the disclosures made in the 2021/22 Annual Report and Accounts and satisfied that the new standard has been appropriately considered and is not expected to have an immediate effect on the organisation.

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

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

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Our opinion on the financial statements is expected to be unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

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



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 13.

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 Commission's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Commission.	<p>We have assessed whether the performance report has been prepared in accordance with the accounts direction. 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 Annual Governance Statement is consistent with the Annual Report and Accounts, has been prepared in accordance with the accounts direction and is consistent with our knowledge of the entity. No exceptions have been noted.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes and have received an updated version reflecting these changes.</p> <p>We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts direction. We provided management with comments and suggested changes and have received an updated version reflecting these changes.</p>

Audit dimensions



Audit dimensions

Overview

As set out in our Audit Plan, the Code of Audit Practice sets out four **audit dimensions** that frame the wider scope of the audit of the accounts. The audit dimensions provide a common framework for all the audit work conducted for the Auditor General and for the Accounts Commission.



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 annual governance statement (which is discussed on page 13) and
- The financial sustainability of the Commission and the services that it delivers over the medium to longer term. As part of this work, we have followed up on progress with the recommendations made in our previous years audit report.

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

Financial sustainability

Can short-term (current and next year) financial balance be achieved?



Is there a long-term (5-10 years) financial strategy?



Is investment effective?



Financial Sustainability

Short term financial planning

The approved 2021/22 budget of £1,184k was approved by the SPCB on 25 March 2021, though there were no efficiency targets built into the budget. It has been updated throughout the year to include in-year movements and the final outturn as reported in the Annual Report and Accounts is an underspend of £0.061m (5%) against the original budget. The SMT and Commission regularly review progress against budget throughout the year. From review of the reporting throughout the year, variances are clearly reported and explained.

The 2022/23 budget of £1,099k was approved by the SPCB on 3 March 2022. They additionally approved contingency funding of £300k subject to an independent review of the business case submitted. This independent review did not occur and therefore the funding was not provided to the Commission. This raises concern about the process in place to formulate the business case however the lack of activity is due to the whole sale staffing and leadership changes as detailed on page 18.

Based on the above, there is a risk that the Commission will not achieve short term financial balance in 2022/23 without contingency funding, for which management have submitted a request to SPCB.

Medium-to long-term financial planning

While there is some financial information in the 2020-24 Strategic Plan, there remains a risk that robust medium-to-long-term planning arrangements are not in place and that the Commission has not quantified any funding gaps which need to be addressed over the medium-term. This is especially important given the ongoing effects of economic pressures, the risk to short-term financial balance and the significant risks arising from staffing and leadership changes.

Management have not progressed with our prior year recommendation in relation to developing a medium-term financial plan due to resourcing constraints.

Financial sustainability (continued)

Workforce Planning

The Commission should develop a formalised Workforce Plan to plan for any changes in the staff mix, talent pool and perform succession planning. This is important given the high proportion of staff costs to total costs and the overall importance of staff in performing the duties of the body. If this was to be completed then the workforce plan could be tailored to bridge the gap between the current, and required, staffing. This will also help to evidence that they possess the skills and capacity to deliver planned services in the future.

Leadership and Staffing Changes

Commission Departures:

- Chair of the Commission departed 12 March 2022
- Commission member departed 3 June 2022
- Commission member departed 3 June 2022

In addition, four members of the Commission's Management Team departed the Commission's employment as follows:

- Head of Corporate Services departed on 25 March 2022
- Head of Communications and Engagement departed on 27 May 2022
- Head of Strategy and Legal departed on 8 July 2022; and
- Head of Legal and Policy departed on 30 September 2022.

A further two members of staff have also left the Commission's employment in recent months: The Finance Officer on 21 April 2022; and the Records and Data Business Support Officer on 20 July 2022.

75% of commission members and 35% of staff departed between March and September 2022. Based on the level of departures a root cause analysis should be performed and a remediation plan implemented based on its findings.

In the period from 12 March 2022 to 20 June 2022, the Commission was led by a Member of the Commission, and an Interim Chief Operating Officer (COO), seconded on a part time basis from the SPCB. It is clear that had the SPCB not made this secondment and increased the part-time Commission members availability, the Commission would have been unable to operate until a new Chair was appointed. However, it potentially could have acted earlier to expediate the appointment of a new chair and commission members. Throughout this period there remained significant risks to the Commission's operations relying on a small number of staff to operate and there were significant capacity issues particularly given the part-time nature of the Commission and interim COO roles.

The current Commission Chair, Ian Duddy, was formally appointed by nomination of the Scottish Parliament and joined the Commission on 20 June 2022, also taking up the role of Accountable Officer.

Internal Audit

The Commission operated its previous governance structures throughout 2021/22 however it does not have an appointed internal audit function. We recommend that the organisation seeks to put this in place and may wish to utilise a shared service facility with other office holders.

Financial sustainability (continued)

Finance Capacity

The Commission has encountered significant issues with capacity across the organisation throughout 2021/22 and to the time of writing this report.

The only financially qualified member of staff left the organisation in March 2022 and the Finance officer left in April 2022. This left the interim COO (a qualified accountant) and an executive assistant to complete all financial processing limiting the segregation of duties within the organisation. The individuals have not had the capacity to perform the additional roles given to them. This was recognised by the Commission and external support was procured which we welcome. The Commission has considered it appropriate to procure ongoing external support through a shared services arrangement which will be fully implemented in April 2023.

Deloitte view – Financial sustainability

The Commission has achieved financial balance in 2021/22, however there is a risk that without contingency funding the Commission will not achieve short-term financial balance in 2022/23.

There is a risk that robust medium-to-long-term planning arrangements are not in place as outlined in our prior year report. The Commission should develop a workforce plan in line with our previous recommendation, which is especially important considering the significant staff and leadership changes.

75% of commission members and 35% of staff departed between March and September 2022. Based on the level of departures a root cause analysis should be performed and a remediation plan implemented based on its findings.

It is clear that had the SPCB not made the secondment of an interim COO, the Commission would have been unable to operate until a new Chair was appointed. In the period from March 2022 there remained significant risks to the Commission's operations relying on a small number of staff.

We recommend that the organisation seeks to put internal audit in place and may wish to utilise a shared service facility with other office holders.

The Commission should continue to progress with the implementation of the full shared services arrangement by April 2023.

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 Commission discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report and Accounts;
- Our internal control observations; and
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Commission, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Commission.

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

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny, CPFA

For and on behalf of Deloitte LLP

Glasgow | 8 December 2022

Appendices



Action plan

Recommendations for improvement

No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1	<i>Internal Control: Segregation of Duties</i>	The preparation and approval of each journal entry posted to the SAGE system should be approved and this approval should be evidenced by both individuals	Agreed. While we are content that adequate review arrangements were in place, the evidence of this was not recorded. This was an oversight as previous month journals were supported by an evidenced review.	Andrew Munro, Interim Chief Operating Officer	31 December 2022	High
2	<i>Finance Capacity</i>	We recommend that the Commission continues to progress with the implementation of the full shared services arrangement by April 2023.	Prior to the audit commencing, the Commission had already agreed, with the support of the SPCB, to share a range of corporate services with the Scottish Public Services Ombudsman (SPSO). Financial processing support is being provided by the SPSO in 2022/23 and a full transfer of financial services will take place on 1 April 2023.	Andrew Munro, Interim Chief Operating Officer	1 April 2023	Medium
3	<i>Internal Audit</i>	We recommend that an internal audit function is appointed with the potential to use a shared service arrangement in this area with other officeholders.	Agreed. Internal audit will form part of the shared corporate services agreement being developed between the Commission and the SPSO.	Andrew Munro, Interim Chief Operating Officer	1 April 2023	Medium
4	<i>Levels of departures</i>	We recommend that a root cause analysis of why there have been such a significant level of departures in both Commission members and Staff be performed and a remediation plan implemented based on its findings.	Agreed. The Commission is committed to instructing an independent review of its governance frameworks in the early part of 2023. The review will include a review of any underlying themes and issues that that may have contributed to the significant turnover of both Members of the Commission and its staffing team during 2022.	Andrew Munro, Interim Chief Operating Officer	1 April 2023	Medium

Action Plan

Follow-up 2020/21 action plan

We have followed up the recommendations made in our previous years audits.

Recommendation	Management Response	Priority	Management update 2021/22
<p>Financial Planning</p> <p>The Commission should develop a Medium Term Financial Plan, to ensure that the Commission can manage its finances sustainably and deliver services effectively over the medium to longer-term.</p>	<p>The Commission will review example plans from relevant public sector organisations and consider a form of MTFP which is appropriate to the Commission's funding context and existing planning cycles. Committing resources to this when the Commission's funding is tied to a one year process overseen by SPCB is a challenging decision to make.</p>	<p>Medium</p> <p>Responsible Person: Head of Corporate Services</p>	<p>As per its founding legislation (The Scottish Commission for Human Rights Act 2006) the Commission is funded by the Scottish Parliamentary Corporate Body (SPCB) on an annualised cash limited basis limiting the added value of preparing a medium or longer term plan. However, following the new Chair taking up post in June 2022, the Commission's staffing establishment was reviewed and a budget bid for 2023/24 was submitted to the SPCB in October 2022. The budget bid is designed to bring stability to the Commission's staffing establishment and recurring budget while reducing reliance on in-year bids to the SPCB for contingency funding which have been required in previous years.</p> <p><i>Partially implemented</i></p>
<p>Workforce Planning</p> <p>The Commission should develop a workforce plan to ensure that the Commission can identify necessary resources over the medium to longer-term.</p>	<p>The Commission will review example plans from relevant public sector organisations and consider a form of MTFP which is appropriate to the Commission's funding context and existing planning cycles. Committing resources to this when the Commission's funding is tied to a one year process overseen by SPCB is a challenging decision to make.</p>	<p>Medium</p> <p>Responsible Person: Head of Corporate Services</p>	<p>The Commission's workforce and staffing establishment was reviewed in August 2022 with two senior posts reconfigured to replace former posts at equivalent grades. As a small organisation, capacity and resources are subject to constant review and the Commission is committed to a further detailed review in Autumn 2023 prior to the 2024/25 budget proposal. Any lessons learned from the Commission's planned review of its governance frameworks, to be instructed in early 2023, will be considered in future workforce and staffing establishment proposals.</p> <p><i>Partially implemented</i></p>

Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We none the less communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) Statement of Comprehensive Net Expenditure £	Debit/ (credit) in net assets £	Debit/ (credit) prior year Taxpayers equity £	Debit/ (credit) Taxpayers equity £	If applicable, control deficiency identified
Holiday Pay Accrual	[1]	3,848	(3,848)	-	-	N/A
Commissioner Salaries	[2]	-	(-)	-	-	N/A
Interim COO secondment costs	[3]	2,747	(2,747)			
Total		6,595	(6,595)	-	-	

[1] From our testing, we identified that the initial holiday pay accrual made did not include any accrual for TOIL/Flexi balances and therefore was understated. Management have agreed to correct this misstatement.

[2] During the audit, we identified that the accruals made for Commissioner salaries to 31 March 2022 were inaccurate. While these individuals are paid by SPCB the accrual held within the Commissions accounts should have been reviewed against source documentation before finalising the accounts. Management have agreed to correct this misstatement.

[3] Following the audit, it was identified that an accrual required to be made for the secondment costs of the interim COO. Management have agreed to correct this misstatement.

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
Remuneration and Staff Report: <ul style="list-style-type: none">- Fair pay disclosures required to be re-worked for a number of areas of non-compliance- The FTE for Commissioners was incorrectly stated- There was an incorrect presentation of banding within the single total figure of remuneration table	Disclosure of the required elements as per section 6.5 of the FReM	Qualitatively material - Important for the users' understanding of the organisation's remuneration and for ensuring compliance with laws and regulations.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

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

As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Commission to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity.

We have also asked the Commission to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in relation to operating within the expenditure resource limit and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

Independence and fees

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

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Commission and our objectivity is not compromised.

Fees

The audit fee for 2021/22, in line with the expected fee range provided by Audit Scotland, is £14,500, as analysed below:

	£	
	2021/22	2020/21
Auditor remuneration	11,340	11,100
Pooled costs	2,620	2,560
Contribution to AS costs	540	570
Total fee	14,500	14,230

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.



Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.