



The Scottish Information Commissioner

2015/16 Annual audit
report to the Scottish
Information Commissioner
and the Auditor General
for Scotland

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Gillian Woolman Assistant Director, Audit Scotland is the appointed external auditor of the Scottish Information Commissioner for the period 2012/13 to 2015/16.

This report has been prepared for the use of the Scottish Information Commissioner and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General in support of her wider responsibilities, including reporting to the Scottish Parliament.

Contents

Key messages.....	3
Introduction.....	4
Audit of the 2015/16 financial statements	5
Financial Management and Sustainability	8
Governance and transparency.....	11
Best Value	14
Appendix I: Significant audit risks	15
Appendix II: Summary of local audit reports 2015/16.....	16
Appendix III: Summary of Audit Scotland national reports 2015/16	17

Key messages

Audit of financial statements

- We have given an unqualified independent auditor's report on the 2015/16 financial statements.
- Working papers were of a good standard and officers provided good support which enabled the audit team to complete on-site fieldwork by the planned target date.
- All presentation and disclosure issues, identified in unaudited accounts, were corrected by management in the audited financial statements.

Financial Position

- All financial targets in 2015/16 were met.
- There is an underspend of £2,000 against an approved budget of £1.563million.
- Financial management was found to be generally sound.

Governance & accountability

- Overall, we found the Scottish Information Commissioner has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
- We consider business undertaken by the Scottish Information Commissioner to be open and transparent with the majority of items being available on the website.
- We conclude that systems of internal control operated effectively during 2015/16 based on assurances obtained from the Internal Auditors.

Best Value

- Performance against the strategic plan is reported to the senior management team on a regular basis and is also available on the website. It is underpinned by detailed annual operational plans and performance measures.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Scottish Information Commissioner (SIC).
2. Management of the SIC is responsible for:
 - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
 - ensuring the regularity of transactions, by putting in place systems of internal control
 - maintaining proper accounting records
 - publishing with their financial statements an annual governance statement and a remuneration report.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at [appendix II](#) and [appendix III](#).
6. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
7. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2015/16 financial statements

Audit opinions

<p>Financial Statements</p>	<ul style="list-style-type: none"> • The financial statements of the SIC for 2015/16 give a true and fair view of the state of the body's affairs and of its expenditure for the year. • We confirm that the financial statements have been properly prepared in accordance with the 2015/16 Financial Reporting Manual (FReM) and the requirements of the Freedom of Information (Scotland) Act 2002 and Directions.
<p>Regularity</p>	<ul style="list-style-type: none"> • In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.
<p>Other prescribed matters</p>	<ul style="list-style-type: none"> • The part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the requirements of the 2015/16 FReM and the requirements of the Freedom of Information (Scotland) Act 2002 and directions. • The information given in the Annual Report and Accounts (comprising the Performance Report and Accountability Report) is consistent with the financial statements.

Submission of financial statements for audit

8. We received the unaudited financial statements on 12 July, in accordance with the agreed timetable. The working papers were of a good standard and staff provided support to the audit team which enabled us to complete our on-site fieldwork on 18 July.

Overview of the scope of the audit of the financial statements

9. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan issued in February 2016.
10. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed fee for the audit was £11,000 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified two key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure an appropriate level of assurance.

12. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
13. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

14. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
15. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £14,900 (1% of net operating costs of £1.490 million).
16. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £7,450 (i.e. 50% of planning materiality). We report all misstatements identified which are greater than £1,000.

Evaluation of misstatements

17. Minor typographical and rounding errors that were identified during the audit have been adjusted in the financial statements. These errors were minor and were well within our materiality tolerance for the financial statements to present a true and fair view.

Significant findings from the audit

18. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:
- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
19. Minor presentational and monetary rounding errors were identified within the financial statements during the course of our audit. These were discussed with relevant officers and amended accordingly. There are no significant issues, in our view, that require to be communicated to you in accordance with ISA 260.

Future accounting and auditing developments

Audit appointment from 2016/17

20. The procurement process for the new round of audit appointments was completed in March 2016 and Deloitte LLP will be the new appointed auditor for the SIC for the five years commencing 2016/17.
21. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming Audit Manager and new audit team as part of this transition.

Code of Audit Practice

22. A new Code of Audit Practice (the Code) applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. The new Code outlines the objectives and principles to be followed by auditors.
23. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all Annual Audit Reports, from 2016/17, Annual Audit Plans and other significant audit outputs will be available on the Audit Scotland website for all audited bodies. This is irrespective of whether the body meets in public or makes external audit reports publicly available.

Financial Management and Sustainability

24. The Scottish Information Commissioner (the Commissioner) was appointed by Scottish Ministers on 1 May 2012 for a period of 6 years. The Commissioner is supported by a Senior Management Team and other officers and is based in St Andrews.
25. The Commissioner's statutory functions are to:
 - enforce the Freedom of Information (Scotland) Act 2002 (FOISA), the Environmental Information (Scotland) Regulations 2004 (the EIRs), the INSPIRE (Scotland) Regulations 2009 and the Codes of Practice issued under sections 60, 61 and 62 of FOISA
 - provide guidance on FOISA and the EIRs to the public and promote the following of good practice by Scottish Public Authorities
 - give advice to any person on these matters.
26. The Commissioner has a statutory duty to consider and come to a decision about applications for a decision about the way in which Scottish public authorities deal with individual information requests, irrespective of how many she gets.

27. The Commissioner is a Scottish public authority in her own right, subject to the same requirements in relation to governance, efficiency and Freedom of Information as other authorities.
28. The Scottish Parliamentary Commission and Commissioners etc. Act 2010 from 1 April 2011 provided the Scottish Parliamentary Corporate Body (SPCB) with additional powers, including approving the Commissioner's budget.

2015/16 financial position

29. The SIC is an independent public body and receives all of its funding directly from the SPCB. The SIC operates against an annual cash based budget that is reviewed by the SPCB and subsequently approved by the Scottish Parliament. The budget also includes access to contingency funding. The accounts are prepared on an accruals basis but the body is funded on a cash basis and management closely monitor financial performance on a cash basis.
30. The key financial objective for the SIC is to ensure that the cash drawn down for the year is within the cash budget allocated by the SPCB. In 2015/16, the SIC recorded cash expenditure of £1.524 million. Cash drawn down from the SPCB totalled £1.561 million which was just short of the total cash budget of £1.563 million. The cash budget included contingency funding of £100,000 to upgrade SIC's case management system and to cover legal costs, IT development costs and refurbishment of office accommodation.

31. At 31 March 2016 the SIC's Statement of Financial Position shows an increase in total equity of £72,000 from £157,000 (14/15) to £229,000 (15/16). This largely is attributable to two items:
- Significant increase (47% or £63,000) in the investment of non-current assets, and
 - Significant increase (39% or £37,000) in cash and cash equivalents.

Financial management

32. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the Head of Operational Management has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the body
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - members of the Senior Management Team and the Advisory Audit Board (AAB) provide a good level of challenge and question budget holders on significant variances.
33. Based on our accumulated knowledge of the SIC, our review of relevant papers, attendance and observation at AAB meetings, we

conclude that the SIC has appropriate financial management arrangements in place.

Budgetary Control

34. The SIC undertakes monthly budget monitoring on a cash basis to monitor expenditure against the cash budget allocated by the SPCB. This takes into account that although goods and services may be consumed within one financial year, the costs will only be counted when the invoice is actually paid – which may be in the following financial year. At the financial year end the SIC prepares financial statements on an accruals basis to meet the requirements stated in the Direction by Scottish Ministers that the statement of accounts is prepared to comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual which is in force for the year for which the statement of accounts are prepared.

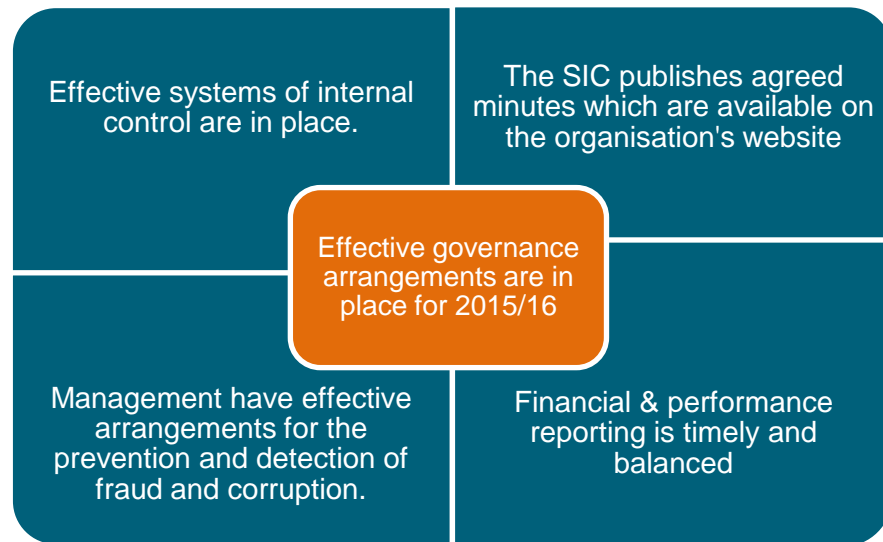
Financial Planning

35. As funding from the SPCB is the SIC's sole source of income there is a greater degree of certainty over future funding streams than for some other public sector organisations who are involved in income generating activities. Therefore, the main focus for the Commissioner is achieving a balanced financial plan to remain within her annual allocation.
36. The latest Strategic Plan covering the period 2016-20 was laid before the Scottish Parliament in February 2016. The Strategic Plan

sets out the Commissioner's vision for the future that Freedom of Information in Scotland will add demonstrable value to public services and contribute positively to the transparency and accountability of public functions in Scotland. The Commissioner considers the greatest challenges to delivering the Strategic Plan as being:

- resource availability: funding, skills and infrastructure
- fluctuations in work volumes. Just as the volume of applications is largely outside the Commissioner's control, the volume of FOI requests is largely outside public authorities' control
- attitudes and culture towards openness and accountability of public services.

Governance and transparency



Corporate governance

37. The SIC, through its Accountable Officer, is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the SIC and for monitoring the adequacy of these arrangements.
38. The Commissioner is accountable for the finances of the SIC to the Scottish Parliament and is the designated Accountable Officer.

39. The Commissioner is supported by a Senior Management Team and the AAB. They hold regular meetings to consider strategic issues, risks, business plans and finances. The minutes of the meetings are published on the SIC website.
40. We concluded that the SIC has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

Transparency

41. The Scottish Government's On Board guidance (<http://www.gov.scot/Publications/2015/04/9736/0>) for board members of public bodies was updated and reissued in April 2015. The Guidance states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:
 - holding an annual open meeting
 - holding board meetings in public unless there is a good reason not to
 - publishing summary reports and/or minutes of meetings
 - inviting evidence from members of the public in relation to matters of public concern
 - consulting stakeholders and users on a wide range of issues
 - making corporate plans and the annual report widely available.

42. The SIC seeks to apply the principles detailed within On Board to its operating procedures where this is practicable and reasonable. The Scottish Information Commissioner is a public official appointed by Her Majesty the Queen on the nomination of the Scottish Parliament. FOISA does not provide for a Board, however quarterly Senior Management Team minutes together with the annual report and a range of corporate plans and performance reports are published on the website.

Internal control

43. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole.
44. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Internal audit

45. Internal audit provides the Commissioner as Accountable Officer and the AAB with independent assurance on the overall risk management, internal control and corporate governance processes. Internal audit is provided by Scott-Moncrieff and work has been agreed for the period 2014/15 to 2016/17. There were no significant

controls issues arising from the work carried out in 2015/16, which covered corporate governance.

46. An Annual Assurance Statement (opinion) was provided by the Internal Auditor to the SIC for 2015/16 and concluded that, "*The control environment over corporate governance and risk management arrangements is robust.*"

Arrangements for the prevention and detection of fraud

47. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions.
48. In our opinion the SIC's overall arrangements for the prevention of fraud, irregularity and corruption are satisfactory, although it should be noted that no system can eliminate the risk of fraud, irregularity or corruption entirely.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

49. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders

and financial instructions. We consider whether bodies have adequate arrangements in place and have concluded that appropriate arrangements exist within the SIC.

Best Value

Arrangements for securing Best Value

50. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.
51. The Auditor General may require that we consider whether Accountable Officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where such requirements are not specified we may, in conjunction with the Commissioner, agree to undertake local work in this area.
52. We did not undertake any specific work in this area during 2015/16.

National performance audit reports

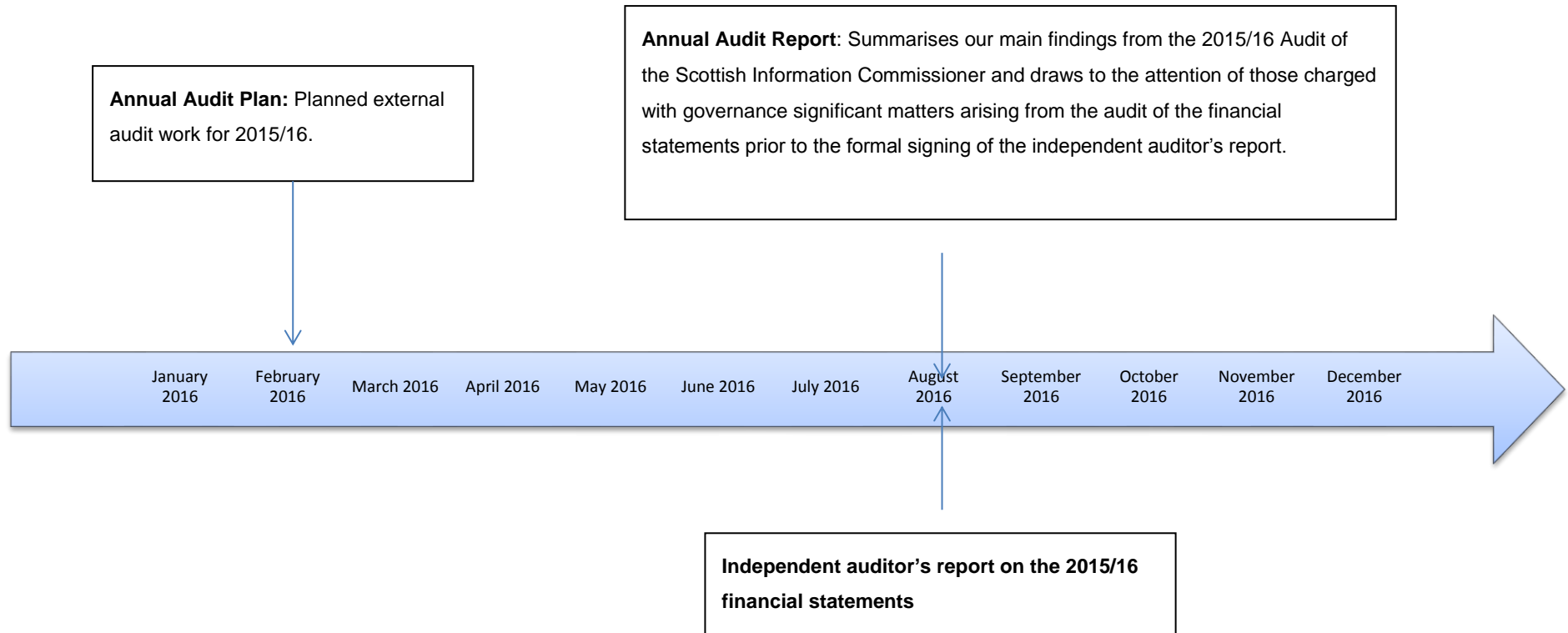
53. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued that may be of interest to the SIC. A summary of these reports is outlined in [Appendix III](#).

Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<p>Financial management: In a period of reducing resources across the public sector, it will be a challenge to balance expenditure and staffing levels against budget, especially when there is potential for increasing workload. There is a risk that SIC cannot meet its statutory obligations to acceptable timescales and standards within available funding.</p>	<p>Evaluation of financial performance against available funding and against statutory obligations.</p>	<p>We reviewed financial performance against available funding and against statutory obligations and found that SIC operated within its cash budget. We found no evidence that statutory obligations are not being met.</p>
<p>Management override of controls: ISA 240 requires auditors to consider, on all audits, management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Detailed testing of journal entries and accounting estimates. Evaluation of any significant transactions that are outside the normal course of business.</p>	<p>No unusual or incorrect entries found from testing.</p>

Appendix II: Summary of local audit reports 2015/16



Appendix III: Summary of Audit Scotland national reports 2015/16

