# Children's Hearings Scotland

## 2024/25 Annual Audit Report

AUDIT SCOTLAND

**Prepared for Children's Hearings Scotland and the Auditor General for Scotland**

September 2025

# Contents



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# Key messages

## Audit of the annual report and accounts

**1** Audit opinions on the annual report and accounts are unmodified.

**2** The unaudited annual report and accounts and working papers were received in accordance with the agreed audit timetable. The financial statements were adjusted to correct misstatements that were identified during the audit.

## Financial Sustainability and Best Value audit

**3** CHS operated within its revised budget for 2024/25.

**4** The 2025/26 Scottish Government initial budget allocation for CHS is £6.2 million below the approved budget for the year and this creates significant uncertainty in the financial planning process.

**5** CHS has appropriate arrangements in place for securing Best Value.

# Introduction

## Purpose of the Annual Audit Report

**1.** The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Children's Hearings Scotland's annual report and accounts and the wider scope areas specified in the Code of Audit Practice (2021).

**2.** The Annual Audit Report is addressed to Children's Hearings Scotland, hereafter referred to as 'CHS' and the Auditor General for Scotland, and will be published on Audit Scotland's website in due course.

## Scope of the audit

**3.** The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure
- an opinion on statutory other information published with the financial statements in the annual report and accounts, namely the performance report and governance statement
- an opinion on the audited part of the remuneration and staff report
- concluding on the financial sustainability of CHS and a review of the governance statement.
- reporting on CHS's arrangements for securing Best Value.

## Appointed auditor and independence

**4.** Lisa Duthie, Audit Director of Audit Scotland, has been appointed as external auditor of CHS for the period from 2024/25 until 2026/27. As reported in the Annual Audit Plan, Lisa Duthie and the audit team are independent of CHS in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from CHS, including the provision of non-audit services.

## Responsibilities and reporting

**5.** The Code of Audit Practice sets out the respective responsibilities of CHS and the auditor. A summary of the key responsibilities is outlined below.

### Auditor's responsibilities

**6.** The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on CHS's arrangements in place for the wider scope areas and Best Value.

**7.** The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve CHS from its responsibilities outlined below.

**8.** The Annual Audit Report includes an agreed action plan at Appendix 1 setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

### Children's Hearings Scotland's responsibilities

**9.** CHS has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- establishing arrangements to ensure the proper conduct of its affairs
- preparation of an annual report and accounts, comprising financial statements that give a true and fair view and other specified information
- establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption
- implementing arrangements to ensure its financial position is soundly based
- making arrangements to secure Best Value
- establishing an internal audit function.

## National and performance audit reporting

**10.** The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to CHS and the Audit and Risk Committee. Details of national and performance audit reports published over the last year can be seen in Appendix 3.

## Acknowledgements

**11.** We would like to thank CHS and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

# Audit of the annual report and accounts

### Main judgements

Audit opinions on the annual report and accounts are unmodified.

The unaudited annual report and accounts and working papers were received in accordance with the agreed audit timetable. The financial statements were adjusted to correct misstatements that were identified during the audit.

## Audit opinions on the annual report and accounts are unmodified

**12.** The Board approved the annual report and accounts on 24 September 2025. The Independent Auditor's Report is included in CHS's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

## The audit has been delivered in accordance with the agreed timetable

**13.** The unaudited annual report and accounts and all working papers were received on 16 June 2025 in accordance with the agreed audit timetable. We found that the working papers presented for audit were of a good standard.

## The audit fee is unchanged from the level reported at planning

**14.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £16,150. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

## Materiality was reviewed on receipt of the unaudited annual report and accounts

**15.** Materiality is applied by auditors in planning and performing an audit. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

**16.** Materiality levels for CHS were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated and these can be seen in Exhibit 1.

### Exhibit 1
**2024/25 Materiality levels**

| Materiality | Amount |
|---|---|
| **Materiality** – set at 2% of gross expenditure | £180,000 |
| **Performance materiality** – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required. | £135,000 |
| **Reporting threshold** – set at 5% of materiality. | £10,000 |

Source: Audit Scotland

## Significant findings and key audit matters

**17.** ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for CHS is the Audit and Risk Committee.

**18.** The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and include:

- areas of higher or significant risk of material misstatement
- areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty
- significant events or transactions that occurred during the year.

**19.** The significant findings and key audit matters to report are outlined in Exhibit 2.

## Exhibit 2
### Significant findings and key audit matters

| Significant findings and key audit matters | Outcome |
|---|---|
| **Capital asset not received by year end**<br>Our testing of the ownership of non-current assets identified CHS had capitalised £75,000 equipment and recognised an accrual for the cost, but the equipment had not been received by year end. | Management have amended the accounts to remove the capital addition and accrual. |
| **Recharged ICT costs**<br>Under the shared services agreement, some ICT costs are recharged from the Scottish Children's Reporter Administration (SCRA) to CHS. Our audit work found the following errors in relation to the accounting of these costs:<br>• The testing of journal entries identified a non-pay expenditure item that partly related to 2025/26. The required prepayment of £21,000 had not been created.<br>• £47,000 of costs relating to 2024/25 which had not been invoiced to CHS by year end were not included in non-pay expenditure or accrued.<br>• Two prior period accrual errors were identified. The net impact of these is an overstatement of £25,000 in 2024/25 non-pay expenditure. | Management have adjusted the accounts for the £21,000 prepayment error and £47,000 accrual error.<br><br>The two prior period accrual errors are both immaterial and no prior year restatement was requested.<br><br>As a result of these findings, management identified that more frequent billing of ICT cost recovery from SCRA to CHS is required to support complete and accurate accounting. ICT costs have previously been recharged through one large invoice at the year end. The revised approach will support budget holders in both organisations by increasing the visibility of the costs incurred or recovered. |
| **Thistle House lease term**<br>CHS had calculated the right of use asset and lease obligation in the unaudited accounts based on an estimated lease term to March 2029.<br>During the final accounts audit, management brought to our attention that a new Memorandum of Terms of Occupation had been agreed in 2024/25, which extended the expected lease term to March 2030. | Management supplied revised calculations to reflect this remeasurement of the lease and adjusted the accounts accordingly. |

Source: Audit Scotland

### Qualitative aspects of accounting practices

**20.** ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of CHS's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

### Accounting policies

**21.** The appropriateness of accounting policies adopted by CHS was assessed as part of the audit. These were considered to be appropriate to the circumstances of CHS, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

### Accounting estimates

**22.** Accounting estimates are used in CHS's financial statements, including the valuation of the pension liability. Audit work considered the process CHS has in place, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- there were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable
- there was no evidence of management bias in making the accounting estimates.

### Disclosures in the financial statements

**23.** The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as valuation of the pension liability.

## There were misstatements identified during the audit process

**24.** Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. We identified total adjustments of £188,000. Details of all audit adjustments greater than the reporting threshold of £10,000 are outlined in Appendix 2.

**25.** In addition to the corrected misstatements outlined in Appendix 2, we identified two prior period errors relating to recharged ICT costs. The errors are both immaterial and no prior year restatement has been requested.

**26.** In response to the misstatements identified we performed additional testing to obtain assurance that the prepayment and accruals balances are free from material misstatement. Management should undertake a review of the existing accounting processes to identify the root cause of the errors and ensure that year end accruals and prepayments are accounted for correctly going forward.

**Recommendation 1**

A review of the existing accounting processes should be carried out to ensure that year end accruals and prepayments are accounted for correctly.

## We concluded that appropriate systems of internal control are in place, however, we did identify some areas for improvement

**27.** From our review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach, we did not identify any significant internal control weaknesses which could affect CHS's ability to record, process and report financial and other relevant data to result in a material misstatement in the financial statements.

**28.** We identified two instances where the implementation of key controls could be improved. The annual review of user access is typically completed at the end of each financial year (in March), however, this did not occur until July 2025. Similarly, application level (eFinancials) user access of an employee who left the organisation was removed retrospectively following a meeting with the audit team. Management should ensure that user access controls are applied timeously to reduce the risk of unauthorised access to key financial systems.

**Recommendation 2**

Management should ensure that user access controls are applied timeously to reduce the risk of unauthorised access to key financial systems.

## Our audit work responded to the significant risks of material misstatement identified in the Annual Audit Plan

**29.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in Exhibit 3.

## Exhibit 3
### Significant risks of material misstatement to the financial statements

| Risk of material misstatement | Planned audit response | Outcome of audit work |
|---|---|---|
| **Fraud caused by management override of controls**<br><br>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively. | The audit team will:<br>• Evaluate the design and implementation of controls over journal entry processing.<br>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.<br>• Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end.<br>• Evaluate significant transactions outside the normal course of business.<br>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.<br>• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. | Audit work performed found:<br>• The design of controls over journal processing were appropriate and these were implemented as intended.<br>• No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.<br>• No significant issues were identified from testing of journal entries.<br>• No significant issues were identified from transactions outside the normal course of business.<br>• The controls in place for identifying and disclosing related party relationships and transactions were adequate.<br>• No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.<br><br>**Conclusion**: no evidence of fraud caused by management override of controls. |

Source: Audit Scotland

## Three out of seven prior year recommendation have been fully implemented

**30.** CHS has made progress in implementing three of the agreed prior year audit recommendations and there is evidence that the remaining actions are being progressed. For actions not yet implemented, revised responses and timescales have been agreed with CHS and are outlined in Appendix 1.

# Financial Sustainability and Best Value audit

### Conclusion

CHS operated within its revised budget for 2024/25.

The 2025/26 Scottish Government initial budget allocation for CHS is £6.2 million below the approved budget for the year and this creates significant uncertainty in the financial planning process.

CHS has appropriate arrangements in place for securing Best Value.

## Audit approach to wider scope and Best Value

### Wider scope

**31.** The Annual Audit Plan reported CHS was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of CHS.

### Duty of Best Value

**32.** The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Best Value in public services: guidance for Accountable Officers is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

**33.** Consideration of the arrangements CHS has in place to secure Best Value have been carried out alongside the wider scope audit.

## Conclusions on Financial Sustainability

### CHS operated within its revised budget for 2024/25

**34.** The main financial objective for CHS is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government.

**35.** CHS has reported net expenditure before Scottish Government funding of £9.1 million in 2024/25. This is an underspend of £0.2 million against Scottish Government funding of £9.3 million.

### The Scottish Government has published a new Medium-Term Financial Strategy

**36.** In June 2025 the Scottish Government published a new Public Service Reform Strategy (PSRS), its seventh Medium-Term Financial Strategy (MTFS) and the first Fiscal Sustainability Delivery Plan (FSDP). These documents provide a framework for the future of Scottish public sector finance and public service reform.

**37.** The 2025 MTFS presents a stark picture with gaps in resource projected to grow from a balanced budget in 2025/26, to a gap of £2.6 billion in 2029/30. Similarly capital spending is forecast to exceed the available budget by £1.1 billion in 2026/27, rising to a gap of £2.1 billion in 2029/30. Significant further action is required, for both resource and capital, to deliver a sustainable future for the Scottish public sector.

### The 2025/26 Scottish Government initial budget allocation for CHS is £6.2 million below the approved budget for the year

**38.** A five-year strategic financial plan 2025/26-2029/30 was presented at the November 2024 Board meeting. This was an update on the previous five-year financial plan approved in November 2023.

**39.** The previous forecast budget requirement for 2025/26 of £12.0 million was revised to £12.1 million to reflect the latest assumptions.

**40.** In December 2024, the Scottish Government published its proposed budget for 2025/26, with £5.9 million allocated to CHS. This leaves an initial funding gap of £6.2 million.

**41.** The existence of a funding gap on this scale is consistent with prior years and creates significant uncertainty in the financial planning process. It is important that CHS continues to work with the Scottish Government to identify ways to address the funding gap and ensure financial sustainability.

## Conclusions on governance arrangements

### Governance Statement disclosures are consistent with the financial statements and comply with statutory guidance

**42.** CHS's governance arrangements have been set out in the Governance Statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate. We are also satisfied that the Governance Statement has been prepared in line with the FReM and Scottish Public Finance Manual and is consistent with the financial statements.

**43.** Members of the audit team routinely attend Audit and Risk Committee meetings and note that these are well attended. Papers are circulated in good time and members provide effective scrutiny and challenge.

### CHS has introduced a Volunteer Recognition Policy in response to our prior year recommendation

**44.** In our 2023/24 Annual Audit Report, we concluded that improvements were required to ensure that CHS events are in line with the principles of value for money, and demonstrate good governance.

**45.** We recommended that there should be a clear policy setting out key considerations when planning an event, including guidelines for spend on areas such as food, beverages, and overnight accommodation. There should be clear guidance on the circumstances in which a policy may be waived.

**46.** CHS introduced a Volunteer Recognition Policy in September 2024, which covers the principles of recognition and expectations around the provision of food, beverages and overnight accommodation. It also includes a pro forma business case that must be completed and approved for recognition events going forward. Due to the timing of events that we reviewed in 2024/25, we were unable to confirm that the policy is operating effectively in practice (Appendix 1). We will revisit this as part of our 2025/26 audit.

**47.** Event expenditure is not clearly identifiable in the general ledger as it is charged to various account codes which are also used for recording non-event costs. As a result, CHS was unable to provide a complete list of the total cost of volunteer recognition events held in 2024/25. There are no other methods in place for monitoring total event costs.

### Recommendation 3

Management should ensure the Volunteer Recognition Policy is operating in practice and develop a process for tracking event costs.

## Conclusion on duty of Best Value

**48.** The audit work performed on the arrangements CHS has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- CHS having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements

- the arrangements CHS has in place to secure financial sustainability which help ensure the effective use of available resources.

# Appendix 1 – Action plan 2024/25

## 2024/25 recommendations

| Matter giving rise to recommendation | Recommendation | Agreed action, officer and timing |
|---|---|---|
| **1. Review of accounting processes**<br>Our audit identified misstatements relating to prepayments and accruals and we performed additional testing to obtain assurance that the reported balances are free from material misstatement.<br>Risk – there is a risk that future financial statements are materially misstated if accounting processes are not reviewed. | A review of the existing accounting processes should be carried out to ensure that year end accruals and prepayments are accounted for correctly. | **Accepted**<br>More frequent billing of ICT cost recovery from SCRA to CHS will be undertaken to support complete and accurate accounting and increase visibility of costs incurred. An additional review of year-end accruals and prepayments will be undertaken prior to the start of audit fieldwork in June 2026.<br>**Responsible officer:** Finance Manager<br>**Agreed date:** 31 March 2026 |
| **2. User access controls (eFinancials)**<br>The annual review of user access is typically completed at the end of each financial year, however, this did not occur until July 2025. Similarly, application level (eFinancials) user access of an employee who left the organisation was removed retrospectively following a meeting with the audit team.<br>Risk – unauthorised access to the general ledger may result in fraud or error. | Management should ensure that user access controls are applied timeously to reduce the risk of unauthorised access to key financial systems. | **Accepted**<br>The finance system administrator will ensure the annual review of user access takes place before 31 March 2026 and that the finance system access is removed timeously from leavers.<br>**Responsible officer:** Finance Manager<br>**Agreed date:** 31 March 2026 |

| Matter giving rise to recommendation | Recommendation | Agreed action, officer and timing |
|---|---|---|
| **3. Volunteer recognition events**<br>CHS introduced a Volunteer Recognition Policy in September 2024, but due to timing of events in 2024/25 our audit was unable to confirm the policy is operating effectively in practice. We will revisit this as part of our 2025/26 audit. We also found that event expenditure is not clearly identifiable in the general ledger as it is charged to various account codes which are also used for recording non-event costs.<br>Risk – There is a governance risk if the policy is not followed and related costs cannot be monitored accurately. | Management should ensure the Volunteer Recognition Policy is operating in practice and develop a process for tracking event costs. | **Accepted**<br>CHS will administratively track recognition events annually and include confirmation of event costs.<br>**Responsible officer:** Director of Tribunal Delivery<br>**Agreed date:** 30 April 2026 |

## Follow-up of prior year recommendations

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|---|---|---|
| **PY 1. Related Parties disclosure**<br>**2023/24 AAR**<br>It was identified that updated registers of interest hadn't been completed by all senior management and Board Members in advance of the draft accounts being produced.<br>Risk – That related parties are not identified and adequately disclosed within the financial statements. | Recommendation – As part of the final accounts' preparation process, management and Board members should complete registers of interest. These registers should be reviewed and should inform the disclosure in the Related Parties note in the accounts to ensure it is accurate.<br>Agreed action – All Senior Leadership Team members and Board members will be invited in March 2025 to complete registers of interest by 31 May 2025<br>Responsible officer: Corporate Governance Manager<br>Agreed date: 31 May 2025 | **Implemented** |

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|---|---|---|
| **PY 2. Remuneration Report issues**<br><br>**2023/24 AAR**<br><br>Changes to the remuneration report were required so that the report met the disclosure requirements of the Government Financial Reporting Manual. One such issue was the disclosure of the real increase in Cash Equivalent Transfer Value, which required adjustment to be in line with requirements.<br><br>Risk – the Remuneration Report does not comply with FReM requirements. | Recommendation – As part of the final accounts' preparation process, a comparison should be made against the Remuneration Report requirements to ensure it is presented in the required format.<br><br>Going forward, more comprehensive information should be requested from the actuary, including any assumptions and the methodology applied.<br><br>Agreed action – The Shared Services Finance Manager will work with Lothian Pension Fund and the actuary to ensure 2024/25 information meets FReM requirements.<br><br>Responsible officer: Shared Services Finance Manager<br><br>Agreed date: 31 May 2025 | **Implemented** |
| **PY 3. Business continuity plan testing**<br><br>**2023/24 AAR**<br><br>CHS have sufficient procedures in place to address IT risks. However, one area for improvement was identified and communicated to management. This related to plans to introduce testing of the business continuity plan.<br><br>Risk – Business continuity arrangements are not fit for purpose. | Recommendation – CHS should introduce a testing schedule of their Business Continuity plan and Digital Disaster Recovery plan.<br><br>Agreed action – This will be progressed in 24/25 with a proposal for testing and review submitted to the May Audit and Risk Committee meeting.<br><br>Responsible officer: Corporate Governance Manager<br><br>Agreed date: 31 May 2025 | **Implemented** |

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|---|---|---|
| **PY 4. Asset Register reconciliation**<br>**2023/24 AAR**<br>As part of our work on non-current assets we identified that management are aware of differences between the fixed asset register used for preparation of the financial statements and the operational asset tracker spreadsheet which have not been reconciled.<br><br>Risk – Fixed assets as reported in the accounts are misstated. | Recommendation – Finance and IT teams should work together to ensure the accounts reflect an accurate position, taking into account additions and disposals of assets. As part of the account's preparation in 2024/25, work should be undertaken to ensure the asset tracker reconciles to the fixed asset register.<br><br>Agreed action – The Finance and IT teams will reconcile the fixed asset register and operational asset tracker as at 31 March 2025.<br>Responsible officer: Digital Strategy and Delivery Manager<br>Agreed date: 30 April 2025 | **Work in progress**<br>Work is being undertaken and processes to support reconciliation are in development.<br>**Responsible officer:** Digital Strategy and Delivery Manager<br>**Revised date:** 31 March 2026 |

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|---|---|---|
| **PY 5. Funding gap**<br>**2023/24 AAR**<br>CHS face significant cost pressures as a result of legislative and organisational change. A budget gap of £5m is forecasted for 2024/25. | Recommendation – CHS should continue to work with the Scottish Government to identify ways to address the funding gap.<br><br>Agreed action – Monthly meetings with Sponsor Team and quarterly Accountability meetings will continue in order to address the 2024/25 pressure and, as last year, the National Convenor/CEO and Board Chair of CHS will meet with Director of Children and Families/Deputy Director Children's Rights, Protection and Justice in advance of 2025/26 to secure sufficient assurances that CHS's 25/26 resource needs will be met.<br>Responsible officer: National Convener/CEO<br>Agreed date: 31 March 2025 | **Work in progress**<br>2024/25 budget gap was addressed in-year. However, this pressure continues to exist with a budget gap of £6 million forecast for 2025/26.<br>**Responsible officer:** National Convener/CEO<br>**Revised date:** 31 March 2026 |

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|---|---|---|
| **PY 6. Governance arrangements**<br><br>**2023/24 AAR**<br><br>CHS does not have a policy in place for national events, including the provision of food, beverages and accommodation.<br><br>Additionally, there is no formal guidance setting out in which circumstances aspects of a policy can be waived. | Recommendation – There should be a clear policy setting out key considerations when planning an event, including guidelines for spend on areas such as food, beverages, and overnight accommodation.<br><br>There should be clear guidance on when a policy may be waived.<br><br>Agreed action – An events policy will be brought to the Board before 31 March 2025, and guidance will be issued to staff on when policies may be waived.<br><br>Responsible officer: Corporate Governance Manager<br><br>Agreed date: 31 March 2025 | **Superseded by 2024/25 recommendation 3** |

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|---|---|---|
| **PY 7. Performance report compliance with FReM**<br>**2022/23 AAR**<br>There were presentational issues identified in relation to the disclosure of key information required by the 2022/23 FReM.<br>Risk – There is a risk that CHS' accounts do not comply with the FReM. | Recommendation and Agreed action – CHS should continue to review and update the performance report on an annual basis to ensure they are presenting the key information including financial information in a user-friendly way and to ensure that all FReM requirements are met.<br><br>The CHS Performance and Quality Managerial post is currently vacant, so there was no formal review of the performance report to ensure FReM compliance, as recommended in 2022/23. It is hoped that this will be possible next year, once the post is filled.<br>Responsible officer: Corporate Governance Manager<br>Revised date: 30 April 2025 | **Implemented** |

# Appendix 2 – Misstatements

| Details | Financial statements lines impacted | Statement of Comprehensive Net Expenditure (SoCNE) | | Statement of Financial Position (SoFP) | |
|---|---|---|---|---|---|
| **Adjusted misstatements** | | **Dr** | **Cr** | **Dr** | **Cr** |
| | | **£000** | **£000** | **£000** | **£000** |
| | | | | | |
| 1. Capitalised asset not received by year end | | | | | |
| | Trade and other payables | | | 75 | |
| | Property, plant & equipment | | | | 75 |
| 2. Prepayment not recognised | | | | | |
| | Trade and other receivables | | | 21 | |
| | Other administration costs | | 21 | | |
| 3. Non-pay expenditure not recognised | | | | | |
| | Other administration costs | 47 | | | |
| | Trade and other payables | | | | 47 |
| 4. Lease term incorrect | | | | | |
| | Right of use asset | | | 45 | |
| | Lease obligation | | | | 45 |
| | | | | | |

| Details | Financial statements lines impacted | Statement of Comprehensive Net Expenditure (SoCNE) | | Statement of Financial Position (SoFP) | |
|---|---|---|---|---|---|
| **Unadjusted misstatements** | | **Dr** | **Cr** | **Dr** | **Cr** |
| | | **£000** | **£000** | **£000** | **£000** |
| 1. Net overstatement of 2024/25 expenditure due to prior period errors | | | | | |
| | 2023/24: Other administration costs | 25 | | | |
| | 2023/24: Trade and other payables | | | | 25 |
| | 2024/25: Trade and other payables | | | 25 | |
| | 2024/25: Other administration costs | | 25 | | |

# Appendix 3 – National reports

| Report name | Date published |
|---|---|
| Local government budgets 2024/25 | 15 May 2024 |
| Scotland's colleges 2024 | 19 September 2024 |
| Integration Joint Boards: Finance and performance 2024 | 25 July 2024 |
| The National Fraud Initiative in Scotland 2024 | 15 August 2024 |
| Transformation in councils | 1 October 2024 |
| Alcohol and drug services | 31 October 2024 |
| Fiscal sustainability and reform in Scotland | 21 November 2024 |
| Public service reform in Scotland: how do we turn rhetoric into reality? | 26 November 2024 |
| NHS in Scotland 2024: Finance and performance | 3 December 2024 |
| Auditing climate change | 7 January 2025 |
| Local government in Scotland: Financial bulletin 2023/24 | 28 January 2025 |
| Transparency, transformation and the sustainability of council services | 28 January 2025 |
| Sustainable transport | 30 January 2025 |
| A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study | 20 February 2025 |
| Additional support for learning | 27 February 2025 |
| Integration Joint Boards: Finance bulletin 2023/24 | 6 March 2025 |
| Integration Joint Boards finances continue to be precarious | 6 March 2025 |
| General practise: Progress since the 2018 General Medical Services contract | 27 March 2025 |
| Council Tax rises in Scotland | 28 March 2025 |

# Children’s Hearings Scotland

**2024/25 Annual Audit Report**

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