



# Scottish Social Services Council

**Final report to the Audit and Assurance Committee, Council and the Auditor General  
for Scotland on the 2022/23 audit**

**Issued on 14 September 2023 for the meeting on 26 September 2023 (updated 24/10/2023)**

# Contents

## **01 Final report**

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Partner Introduction [3](#)

### ***Annual Report and Accounts***

Quality indicators [7](#)

Our audit explained [9](#)

Significant risks [10](#)

Other significant findings [16](#)

Our audit report [17](#)

Your Annual Report and Accounts [18](#)

### ***Wider scope audit***

Overview [20](#)

Financial management [21](#)

Financial sustainability [24](#)

Vision, leadership and governance [31](#)

Use of resources to improve outcomes [34](#)

Best value [37](#)

Climate change [38](#)

Cyber Risk [40](#)

Purpose of our report and responsibility statement [41](#)

## **02 Appendices**

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Action plan [43](#)

Our other responsibilities explained [45](#)

Independence and fees [46](#)

# 1.1 Partner introduction

## The key messages in this report

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

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

I have pleasure in presenting our final report to the Audit and Assurance Committee (“AAC”) of the Scottish Social Services Council (“SSSC”) for the 2022/23 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Council in March 2023.

I would like to draw your attention to the key messages of this paper:

### **Conclusions from our testing**

Based on our audit work, we have issued an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of SSSC. We provided management with comments and suggested changes based on review of the first draft and an update has been received confirming compliance.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation..

A summary of our work on the significant risks is provided in the dashboard on page [9](#). SSSC met its financial targets for 2022/23 as the final outturn was a small deficit of £383,000 which was funded by use of reserves as agreed with the Scottish Government.

No material errors have been identified and there are no uncorrected misstatements.

# 1.2 Partner introduction (continued)

## The key messages in this report (continued)

### Status of the Annual Report and Accounts audit

Outstanding matters to conclude the audit include:

- Finalisation of internal quality control procedures;
- Receipt of final Annual Report and Accounts;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2023.

### Conclusions from wider scope audit work

**Financial management** – effective budget setting and monitoring arrangements in place. While there have been a number of changes to the finance team in the year, we have not identified any risks with the teams capacity that has impact on the operational financial management of SSSC. There does remain a risk in relation to the capacity at a strategic level as there is no dedicated finance representative part of the Executive Management Team (EMT), This is being managed through the Head of Finance being invited to EMT and Board meetings. We will continue to monitor this during our audit appointment.

**Financial sustainability** – financial balance has been achieved in 2022/23 and funding confirmed for 2023/24, however there remains a gap between the funding confirmed and the expected costs to deliver the services. Scottish Government have agreed to fund this as an “unfunded pressure” in the year, however, a deficit position is projected over the next two years. There therefore remains a risk that SSSC is not financially sustainable.

A comprehensive financial strategy is in place and good progress has also made in making efficiency savings, with the Future Proofing Programme expected to make longer term savings. Given the Scottish Government’s policy of no compulsory redundancies, it is not clear how financial savings will be realised.

**Vision, leadership and governance** – the latest Corporate Strategy recognises the challenges coming out of the pandemic and the upcoming period of change, and clearly sets out the vision of the organisation.

The Chief Executive is currently on a period of long term absence, and three of the five EMT positions are being filled on an Acting capacity. The Director of Finance post is also currently vacant. While these temporary arrangements are being well managed, it is important this is closely monitored. There also remains a risk that the financial impact of strategic decisions across the EMT and the Council are not fully understood due to lack of a finance representative as part of EMT.

The governance arrangements continue to operate effectively and SSSC continues to be open and transparent.

**Use of resources to improve outcomes** – a clear performance management framework is in place. SSSC has continued to perform well during 2022/23, actively managing its performance and taking appropriate action and recognising the risks that remain.

## 1.3 Partner introduction (continued)

### The key messages in this report (continued)

#### Conclusions from wider scope audit work (continued)

**Best Value** - SSSC has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk.

**Climate change** – Recognising the nature of SSSC as a public sector body with one office site and as a consequence relatively low carbon emissions, it is clear that SSSC is committed to take action to meet the Scottish Government’s ambitious targets in relation to sustainability and climate.

**Cyber risk** – Cyber security has been a high priority for SSSC, with mitigating action in place including regular cyber security incident management plan testing in place. SSSC has also maintained its cyber essentials accreditation.

#### Next steps

An agreed Action Plan is included on pages [42 to 43](#) of this report, including a follow up of progress against prior year actions.

#### Added value

Our aim is to add value to SSSC 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 SSSC promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

**Pat Kenny**  
Lead audit partner

# Annual Report and Accounts Audit









## 2.1 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	Further detail
Timing of key accounting judgements		Information provided for dilapidations was not complete as the dilapidations report was not initially provided to the audit team.	N/A
Adherence to deliverables timetable		About 30% of deliverables were not provided at the request due date with some delayed deliverables being resubmitted for further clarification. The resubmission rate was also 19%. This was in part due to the new finance team as discussed further on page <a href="#">22</a> .	<a href="#">Page 22</a>
Access to finance team and other key personnel		The audit team had access to the finance team and key personnel from beginning through to the end of the audit process. Holidays of key personnel were communicated to the audit team and work reallocated to accommodate this.	N/A
Quality and accuracy of management accounting papers		The majority of working papers provided were of a good quality. Some areas however required resubmission following clarification of exact requirements but this did not impact on audit quality or timelines of the audit.	N/A

## 2.2 Quality indicators (continued)

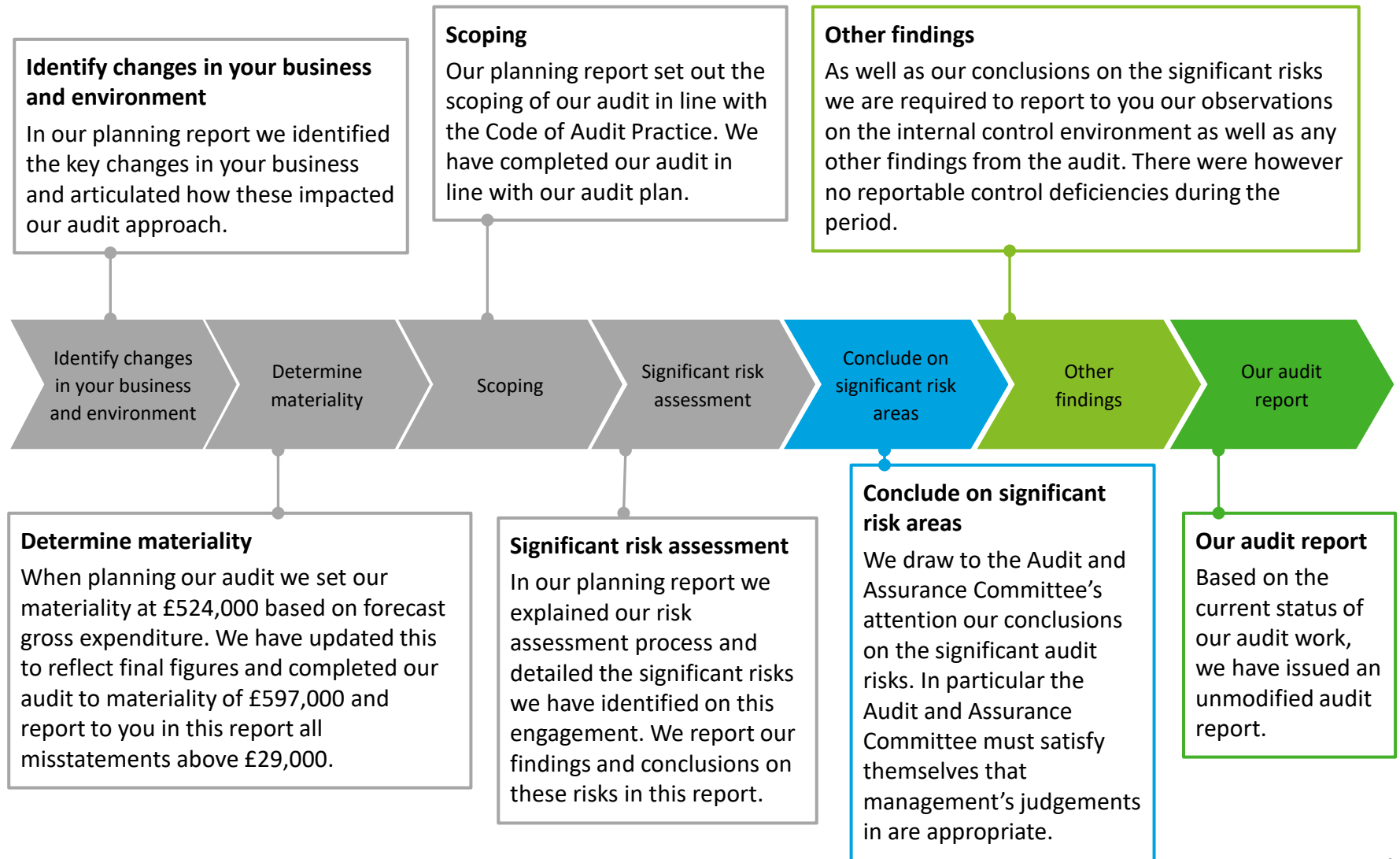
### Impact on the execution of our audit

Area	Grading	Reason	Further detail
Quality of draft Annual Report and Accounts		Quality of draft was generally of a high standard although there were a few immaterial compliance issues which have subsequently been updated.	N/A
Response to control deficiencies identified		There were no reportable control deficiencies.	N/A
Volume and magnitude of identified errors		No material errors have been identified and there are no uncorrected misstatements.	N/A












## 2.3 Our audit explained


We tailor our audit to your business and your strategy






## 2.4.1 Significant risks

### Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory	
Operating within the approved budget			Satisfactory	
Completeness of Fee Income			Satisfactory	

**Controls approach adopted**  
 Assess design & implementation

**Controls conclusion**  
 Satisfactory  
 Not Satisfactory

**Consistency of judgements with Deloitte's expectations**  
 Consistent  
 Improvement required  
 Inconsistent

## 2.4.2 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. A summary of the key estimates and judgements considered is provided on the next page; 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 instances of management override of controls from our audit procedures.

## 2.4.3 Significant risks (continued)

### Management override of controls (continued)

**Key estimates and judgements** The key estimates and judgments in the Annual Report and Accounts includes those which we have selected to be significant audit risks around expenditure recognition (see page [13](#)). This is inherently the area in which management has the potential to use their judgement to influence the Annual Report and Accounts. As part of our work on this risk, we reviewed and challenged management’s key estimates and judgements including:

Estimate / judgement	Details of management’s position	Deloitte Challenge and conclusions
Dilapidations	As at 31 March 2023, SSSC has a provision of £466,000 for dilapidations, with no change to the provision carried forward from 2021/22. The value of the provision is based on information provided by Avison Young and comprises costs required to restore leased office space to their original state.	We have assessed the use of information provided by the independent experts and confirmed the existence of the obligation to provide for dilapidations within the lease agreements. We have reviewed both confirmatory and contradictory evidence and concluded that the value provided is reasonable and that the provision has been appropriately disclosed in line with reporting requirements.

## 2.4.4 Significant risks (continued)

### Operating within the expenditure resource limits



#### Risk identified and key judgements

In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We consider this fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. The risk is that SSSC could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

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



#### Deloitte response and challenge

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

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Confirming the resource limits allocated to SSSC by the Scottish Government by reference to the Budget Act and letter;
- Performing focused testing of accruals and prepayments made at the year end; and
- Performing focused cut-off testing of invoices received and paid around the year end.

#### Deloitte view

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

Based on our audit procedures, we confirm that SSSC has performed within the limits set by Scottish Government as the final outturn was a small deficit of £383,000 which was funded by use of reserves as agreed with the Scottish Government.

## 2.4.5 Significant risks (continued)

### Completeness of fee income



#### Risk identified and key judgements

ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give risk to such risks.

We have assessed the income streams for SSSC and concluded that the risk of a material misstatement due to fraud in relation to the Grant-in-Aid funding is limited given the funding can be agreed to confirmations supplied.

We have therefore pinpointed our significant risk to the registration fee income, being fees charged to social service workers (£4.7m in 2022/23). As a result of the agreement as part of the Scottish Local Government pay settlement for 2022/23 which confirmed that local government employed staff would no longer be required to pay SSSC registration fees, the fees recognised are lower in comparison with prior year at £1.1m, with the lost income provided by the Scottish Government.

In particular, given future year financial pressures and a projected underspend position in the current year, we have pinpointed the risk to completeness as management may be incentivised to allocate revenue to future years.



#### Deloitte response and challenge

Our work in this area included the following:

- Evaluated the design and implementation of controls around recognition of fee income;
- We focused our testing on the year-end cut off arrangements, testing the occurrence of fee income recognised at the year-end and the existence of receivables at the year-end.

#### Deloitte view

Based on our testing performed, we have concluded that fee income has been recorded appropriately within the Annual Report and Accounts and is complete and accurate. Controls in place around recognition of income were found to be designed and implemented satisfactorily.

## 2.5 Other Areas of Audit Focus

### Defined benefits pension scheme

#### Background

SSSC participates in the Tayside Superannuation Fund, administered by Dundee City Council, which is a defined benefit scheme.

The pension balance has moved from a liability position to an asset position in 2022/23. In 2021/22, there was a pension liability of £9.7m whereas in 2022/23, there was a pension asset of £11.9m and a pension liability of £0.3m.



#### Deloitte response

- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- We reviewed and challenged the assumptions made by Barnett Waddington;
- We have obtained assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund Annual Accounts;
- We have reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities;
- We have assessed whether the recognition of the asset is in line with standards and within the rules of the pension scheme; and
- We reviewed the disclosures within the accounts against the FReM.

	Council	Comments
Discount rate (% p.a.)	4.8%	Reasonable
RPI Inflation (% p.a.)	3.5%	Reasonable
CPI Inflation (% p.a.)	2.9%	Reasonable
Pension increase (CPI)(% p.a.)	2.9%	Reasonable
Salary increase (% p.a.)	3.9%	Reasonable
Mortality - Life expectancy of a male/ female pensioner from age 65 (currently aged 65)	19/22.4	Reasonable
Mortality - Life expectancy of a male/ female pensioner from age 65 (currently aged 45)	20.4/23.9	Reasonable

#### Deloitte view

We have concluded that the pension asset and liability in relation to the defined benefit pension scheme is fairly stated.



## 2.5 Other significant findings

### Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

#### Qualitative aspects of your accounting practices:

SSSC's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FReM"). Following our audit work, we are satisfied that the accounting policies are appropriate.

#### Significant matters discussed with management:

No significant matters discussed with management.

#### Regulatory change

IFRS 16, Leases, came into effect on 1 April 2022, therefore 2022/23 is the first year of implementation. This required adjustments to recognise on balance sheet arrangements previously treated as operating leases.

We tested the completeness of leases identified on transition. SSSC has two leases, being its office accommodation. We tested the transactions to assess accuracy of the Right of Use Asset and lease liability. We identified no significant issues on IFRS 16 recognition and disclosure.

#### Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

We will obtain written representations from SSSC 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.

## 2.6 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.

66  
99

#### **Our opinion on the Annual Report and Accounts**

Our opinion on the financial statements is unmodified.



#### **Going concern**

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

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



#### **Emphasis of matter and other matter paragraphs**

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

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



#### **Other reporting responsibilities**

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts 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 Annual Report and Accounts 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 [18](#).

## 2.7 Your Annual Report and Accounts

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 SSSC's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by SSSC.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. 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.</p> <p>We provided management with comments and suggested changes which management have updated in the revised draft.</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 and has been prepared in accordance with the accounts direction. No exceptions noted.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provided management with comments and suggested changes which management have updated in the revised draft.</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.</p>

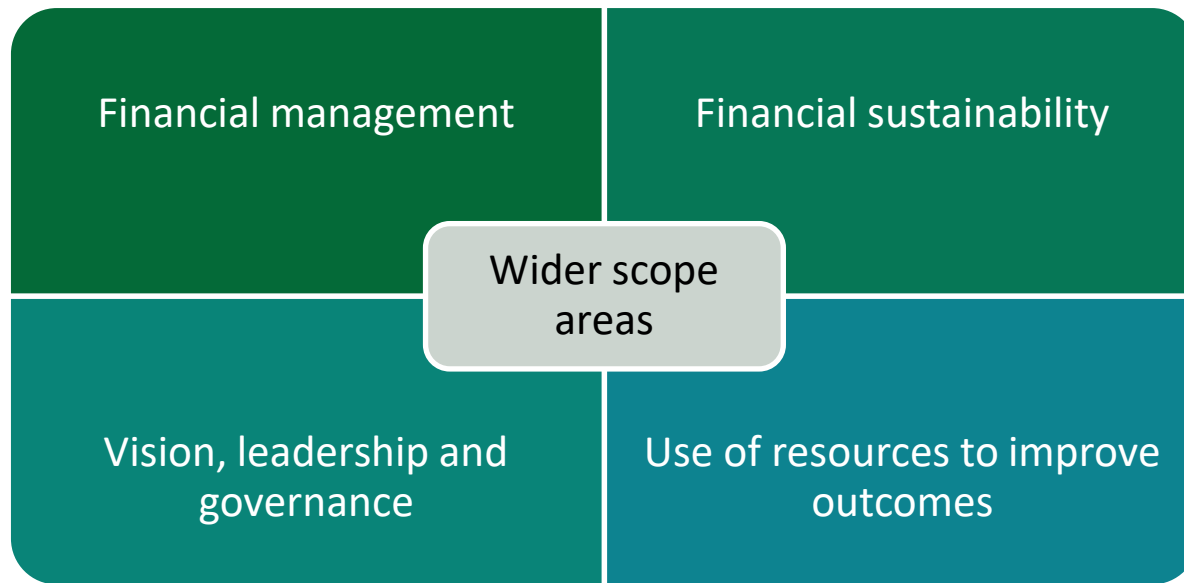
# Wider scope audit



# 3.1 Wider scope requirements

## Overview

As set out in our audit plan, Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In its planning guidance, Audit Scotland has also highlighted the following national or sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits:

- Climate change.
- Cyber security.

Our audit work has considered how SSSC is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

## 3.2 Wider scope requirements (continued)

### Financial management

Is there sufficient financial capacity?

#### Significant risks identified in Audit Plan

In our Audit Plan we highlighted that during 2022/23, there had been a significant turnover of finance staff, with 60% vacancies reported to the Audit and Assurance Committee in February 2023. While most vacancies had been filled at the time our Audit Plan was issued, capacity issues remain until training and development is completed for the new staff. In addition, the Interim Director of Finance left at the end of March 2023. There was therefore a significant risk that financial controls were not fully implemented and that financial reporting to the Committee and Council was out of date. We have considered the impact on the following pages.

Is there sound budgetary processes in place?

#### Current year financial performance

The 2022/23 budget was approved by the Council on 25 March 2022. The approved budget was a deficit position of £1.638m, which the Scottish Government agree to fund as an “unfunded pressure” in the year, recognising that the Grant in Aid budget allocated was not sufficient to meet the needs of SSSC. This was updated throughout the year to reflect change for specific grant funded projects with the revised budgeted deficit of £2.614m agreed to be funded from reserves carried over from previous years.

Is the control environment and internal controls operating effectively?

SSSC reported a smaller deficit than budget, being £383,000, a variance of £2.231m. The key reasons for the variance were a combination of increase in expenditure and a higher increase in income, including increase in practice learning rates, additional grant-in-aid to fund the budgeted deficit of £1.638m and increased funding from the Scottish Government in agreement to fund SSSC registration fees for local authority workers. The Scottish Government Sponsor agreed that SSSC could carry forward the underspends to 2023/24, i.e. the reserve balance has not reduce as much as anticipated.

Financial Management

The Executive Management Team and Council regularly review progress against budget through the year, with quarterly reporting to the Council. Any variances arising during the year are clearly reported and there is a clear link between the financial information reported in the year and the Annual Report and Accounts. Due to the challenges with the finance team capacity during the year, discussed further on page [22](#), the reporting to the Council during the year was not always as up to date as it could be, for example the report to the February 2023 meeting reported the position at November 2022. We are satisfied that this has not significantly impacted on the overall arrangements and was a temporary issue while the team were recruited.

## 3.3 Wider scope requirements (continued)

### Financial management (continued)

#### Finance capacity

The finance team continues to be led by an experienced Head of Finance. Following a period of high turnover and vacancies within the team, there is now a stable team in place. Training and development has taken place, and will continue during 2023 to build the capability within the team.

The Interim Director of Finance and Resources' contract came to an end at 31 March 2023 and, as considered further on page [32](#), has been left vacant pending a wider review. Arrangements have been put in place to allocate the responsibilities across the current members of the EMT as well as the Head of Finance.

In view of the recent changes in the leadership of the shared service function, SSSC and the Care Inspectorate have reviewed the arrangements and concluded that the strategic accounting and budgeting functions will now be directly controlled by the respective organisations and remove from the shared service agreement. This provides clarity on the arrangements that are currently in practice with the two teams effectively operating independently. The transaction services will continue to be provided by the shared service as this has operated successfully for both organisations for many years.

While there have been a number of changes in the year, and time is needed for the new team to be embedded within SSSC, we have not identified any risks with the teams capacity that has impact on the operational financial management of SSSC. There remains a risk around the strategic financial management which we have considered further on page [33](#). We will continue to monitor this during our audit appointment.

#### Internal controls and internal audit

SSSC relies upon the financial systems provided by the Scottish Government, in particular the general ledger, purchase ledger and payment of invoices. A detailed Framework Agreement is in place, which was signed in February 2022.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2022/23. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2022/23 Internal Audit Plan was approved by the AAC in February 2022 and comprised six planned reports, covering shared services, organisational development, payroll, procurement and creditors/purchasing, health and safety and digital transformation/IT strategy. Detailed reports are provided to the Committee for each project.



## 3.4 Wider scope requirements (continued)

### Financial management (continued)

#### Standards of conduct for prevention and detection of fraud and error

We have assessed SSSC's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularities 2021/22 – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the arrangements to be to be designed and implemented appropriately.

#### National Fraud Initiative (NFI)

A number of central government bodies, including SSSC are participating in the most recent NFI exercise. We have monitored SSSC's participation and progress in the NFI exercise.

The AAC considered the outcome of the 2020/21 exercise at its meeting in November 2022 along with the self-appraisal checklist in line with the recommendations in Audit Scotland report.

SSSC is progressing with its review and in line with previous exercises will provide a report to AAC in October 2023 once concluded. We have therefore concluded that SSSC is fully engaged in the exercise.

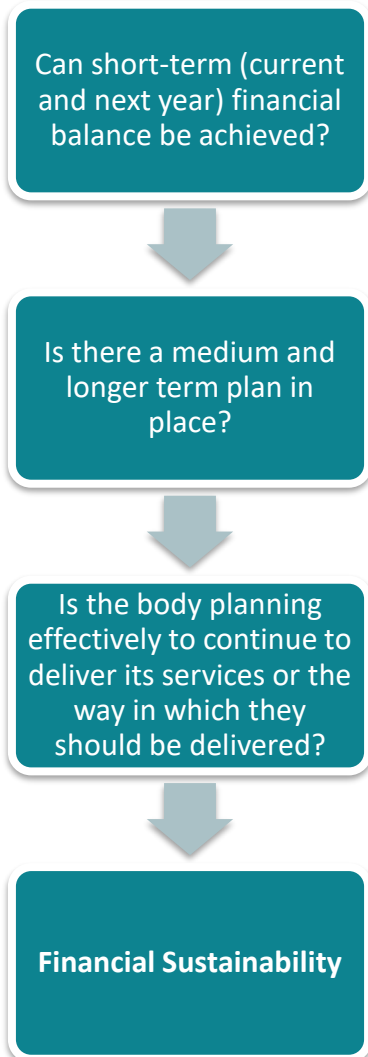
#### Deloitte view – financial management

SSSC continues to have effective budget setting and monitoring arrangements in place. This is supported by an experienced Head of Finance and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

While there have been a number of changes to the finance team in the year, and time is needed for the new team to be embedded within SSSC, we have not identified any risks with the teams capacity that has impact on the operational financial management of SSSC. There does remain a risk in relation to the capacity at a strategic level. We will continue to monitor this during our audit appointment.

## 3.5 Wider scope requirements (continued)

### Financial sustainability



#### Significant risks identified in Audit Plan

In our audit plan we highlighted that SSSC had recently approved a Medium Term Financial Strategy (MTFS) covering the period 2023-26 and its draft budget for 2023/24 identifies significant budget gaps over the next 3 years. As with all public sector bodies, it is becoming increasingly challenging to balance the income expected with the increasing expenditure, particularly in view of pay costs and inflationary pressures. There is therefore a significant risk that SSSC do not have sufficient plans in place to manage its finances sustainably and deliver services effectively, over the medium to longer term.

#### 2023/24 budget setting

A detailed timetable is in place to ensure sufficient time is dedicated across the organisation to develop a robust budget. The process started in August 2022 and was aligned to the Business Plans development timeline. The EMT is given several opportunities to review, challenge and prioritise, before a first draft being considered by the Council in February. The final draft was then approved by the Council in March 2023. As part of the EMT prioritisation work, the budget is scrutinised and prioritised as either “Statutory, Must, Should, Could, Would”.

In a similar approach to 2022/23, discussed on page [21](#), the Council approve a deficit budget on the assumption that the Scottish Government has agreed to fund this as an “unfunded pressure” in the year.

	Running costs (£m)	Disbursements (£m)	Total (£m)
Expenditure	19.382	5.007	24.389
Grant-in-aid (GiA)	(13.621)	(5.007)	18.628
Registration fees	(3,310)	-	(3.310)
Other income	(0.385)	-	(0.385)
<b>Deficit</b>	<b>2.066</b>	-	<b>2.066</b>

## 3.6 Wider scope requirements (continued)

### Financial sustainability (continued)

#### 2023/24 budget setting (continued)

The budget papers clearly set out the assumptions that have been applied in developing the budget.

A model has been developed by the finance team to allocate the budget by strategic outcome. Due to staff shortages, discussed on page [22](#), this was not fully updated as part of the 2023/24 budget and the 2022/23 allocations were used as an estimate. The model is an area of good practice and we would encourage this to be fully implemented as part of the 2024/25 budget to help SSSC demonstrate how resources are being directed to improving outcomes.

The approved budget clearly sets out the risks associated with the budget, including the strategic risk that SSSC fails to secure sufficient budget resources to fulfil the financial plans required to deliver the Strategic Plan. Other risks identified include:

- Lack of permanent additional Grant-in-Aid resulting in being unable to commit to temporary or permanent posts that are needed to deliver on strategic outcomes. £199,000 of temporary funding is being used to fund permanent posts in 2023/24.
- Registration fees are not increasing in line with costs. Fees have not increased since 2017 and Ministers agreed with SSSC recommendation to postpone reviewing fees in 2021/22 and 2022/23 due to the cost of living crisis. During 2022, Ministers agreed to pay fees for registrants working for local authorities adding to the complexity.

- The risk associated with pay claims and other costs being more than allowed for in the budget.
- Risks associated with the business case funding for the Future Proofing Programme not yet approved. This was subsequently approved in May 2023 and Scottish Government has advised that any underspends in 2023/24 can be carried forward due to the delay in getting approval.
- As a result of the minimal digital or development funding, SSSC may not be able to deliver system changes and other initiatives that will support delivery of business as usual and business improvements.
- Uncertainties relating to potential implications from the National Care Service and the Independent Review of Inspection, Scrutiny and Regulation.
- The Reward Review, which commenced in 2019, was paused in August 2022 due to no extra funding being available to implement a new pay and grading structure, and would therefore have to be met from existing resources. This is expected to be revisited in 2023.

#### Reserves

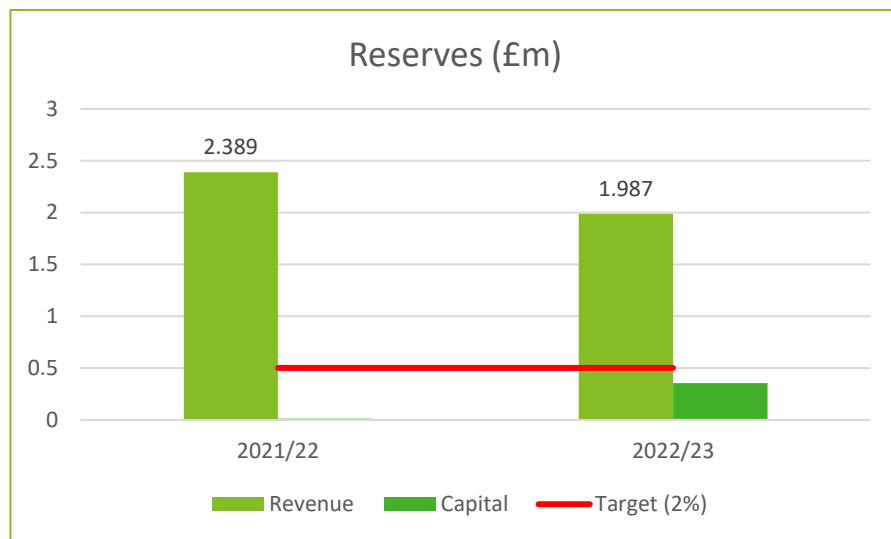
SSSC is in the unusual position as a central government body where it holds reserves. The level of reserves held are considered as part of the budget setting process each year and any use, including carry forward, is agreed with Scottish Government. The SSSC policy is to maintain a target of 2% to 2.5% (£500,000 to £625,000) as a general reserve. The remaining balance is held for specific purposes.

## 3.7 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Reserves (continued)

The balance held at 31 March 2023 is illustrated below, showing the balance held is largely in line with the previous year. The balance is also significantly above the 2% target, however, this incorporates some balances carried forward for specific purposes, e.g. specific grants, Voluntary Sector Development Fund and post graduate bursaries, due to timing of payments. It is important that this continues to be closely monitored as part of the regular financial monitoring to ensure the best use of the reserves.



#### Medium-to-long term financial planning

The Council approved its Financial Strategy covering the period 2023-2026 at its meeting in February 2023. This was developed to be aligned to the new Strategic Plan for 2023-2026. As a change from the previous strategy approved in 2019, SSSC have removed the detailed financial analysis from the strategy and instead included this within the budget papers for approval of the 2023/24 budget.

The strategy sets out the following financial strategic objectives:

1. Achieve long term corporate financial sustainability.
2. Invest appropriately in our key resources and capabilities over the medium and long term.
3. Plan and control the financing of developments.
4. Integrate and harmonise financial and other strategies.

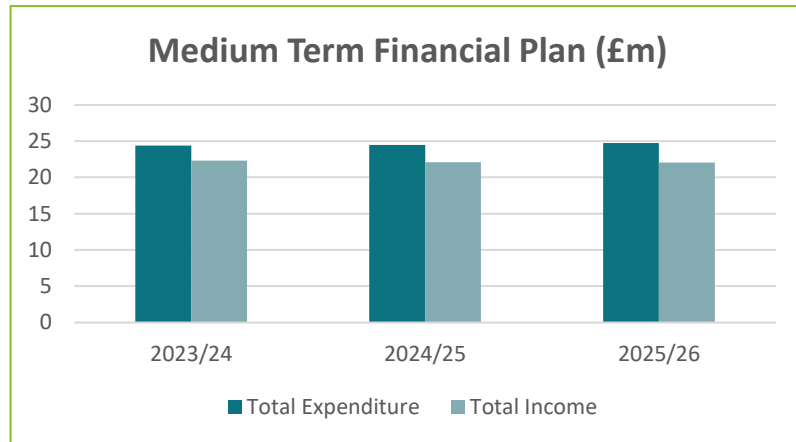
The Strategy incorporates a number of areas of best practice including a clear understanding of the business model and its costs, savings options, scenario planning and sensitivity analysis.

As part of approval of the 2023/24 budget, the Council also approved indicative budget figures for 2024/25 and 2025/26, which are illustrated on the following page, showing that SSSC continue to project a deficit position over the next two years.

## 3.8 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Medium-to-long term financial planning



The Council paper clearly sets out that SSSC acknowledges that it does not have enough funding to cover its baseline costs and will continue to work with the Scottish Government Sponsor to secure a permanent increase in GiA and/or review of the registration fees in future years.

While the paper clearly sets out the assumptions applied, and the Financial Strategy includes scenario analysis on the 2022/23 figures, the annual budget paper could be further enhanced by setting out what the different scenarios look like in terms of the next 3 years budgets so that there is a clear picture of the “best case”, “worst case” and “realistic” scenarios.

As part of internal audit’s plan for 2022/23, they also carried out a review considering the long term financial planning arrangement which SSSC has in place to ensure financial sustainability, and support effective planning and business decision making in the medium-to-long term. The overall level of assurance provided was “good” indicating that the system meets the control objectives. A “good” conclusion was made across the following objectives:

1. SSSC has developed a medium term financial strategy, which includes longer term financial forecasts that underpin the organisations strategic aims.
2. SSSC is effectively engaged with the Sponsor Department in Scottish Government in developing its financial strategy.
3. Risks to the successful achievement of the financial strategy have been identified and are being managed in line with SSSC’s risk management policy.
4. Robust scenario planning and forecasting has been undertaken which includes sensitivity analysis to fully understand the impact of the cost of living crisis, and public sector funding constraints on the delivery of the SSSC strategy.
5. There is a clear focus on identifying and delivering savings opportunities and maximising available income streams.

These conclusions are therefore in line with our findings.

## 3.9 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Medium-to-long term financial planning (continued)

As part of the Spending Review 2022, the Scottish Government expected bodies to set an annual efficiency target of 3% and also expects them to explore the scope to maximise the use of shared services across the public sector landscape. We have considered each of these elements as applicable to SSSC as follows.

#### *Savings targets*

The Financial Strategy includes a section on “efficiencies and savings options” where it recognises that it is important to review the areas with potential to deliver efficiencies and/or cost reductions. The following savings have been reported:

- Over £14m savings over the last 10-years by introducing legally qualified chairs to Fitness to Practise panels and by implementing orders by consent.
- Considerable savings by increasing thresholds for referral, introducing opt in hearings, increasing the number of cases SSSC close at screening and reducing the ratio of staff that maintain the register.
- The move to agile working allows savings of £270,000 to be achieved from 2023/24 by halving the office space.

Other areas identified for further efficiencies include workforce planning, staff turnover and the Future Proofing Programme.

As a further enhancement to the annual budget setting papers, these could be expanded to set out what efficiency savings have been incorporated into the budget. While the 3% target has been removed in the latest Scottish Government Medium Term Financial Strategy published in May 2023, it is still important for SSSC to demonstrate how efficiencies are being achieved.

#### *Use of shared services*

SSSC currently have a number of shared service agreements in place, in particular the shared service function with the Care Inspectorate which includes finance, procurement, HR and Estates and Health and Safety.

As part of the internal audit plan for 2022/23, they carried out a review of the shared service and in particular building on previous shared service reviews that were conducted in May 2021 and August 2021. This audit considered the way in which the shared service specification has been embedded and reviewed the extent to which the new arrangements introduced in 2021 are delivering the anticipated benefits in service delivery. The overall level of assurance provided was “satisfactory” indicating that the system meets the control objectives with some weaknesses present. An Action Plan, with four recommendations, has been agreed with management for implementation.

## 3.10 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Medium-to-long term financial planning (continued)

The Future Proofing Programme (FPP) was a commitment in the SSSC 2020-23 Strategic Plan, with the aim of modernising and improving the structure for carrying out the SSSC's core statutory functions.

The FPP focusses on three main workstreams:

1. The structure of the register.
2. Qualifications and skills.
3. Review of the Code of Practice.

A comprehensive report was considered by the Council in November 2022 where approval was given for the future proofing proposals related to the structure of the Register and to qualifications and skills. This set out details on each proposal, the consultation and engagement carried out, the concerns and risks along with mitigation and the expected benefits. Work is progressing on these, however, implementation is not possible until April 2024 at the earliest due to the need to change the rules and legislation. This will also need to fit in with the government's work around the National Care Service Bill.

Work on the third workstream is ongoing. As part of the 2023/24 budget, a separate business case was submitted to Scottish Government for additional funding of £1.092m for this one-off programme of work due to be completed by 31 March 2024.

A Project Initiation Document was developed in January 2023, and reviewed in July 2023 which set out to define the project in detail so that it can be used by the Project Board to assess the project and see how it performed. This included a detailed "benefits" section, setting out the expected benefits across the following categories:

- Customer and staff benefits.
- Resource benefits (financial).
- Disbenefits.

The benefits around staff savings are still being fully developed, however, SSSC expect to have baselines to work to by the end of October 2023.

Reports are provided to the AAC on a six monthly basis setting out the benefits realised for specific projects/programmes, with more detailed reports presented to the relevant programme board. The two active programmes being reported are the digital programme and the FPP. The report to the May 2023 AAC highlighted that only the digital programme has closed projects that have benefits realised in the last 6 months. The report highlights the benefits realised since April 2020, when SSSC first started reporting on this measure.

The reports are well structured, applying Red, Amber, Green (RAG) ratings to allow the AAC members to clearly see where benefits have been realised, partial/not yet realised or where they will not be realised.



## 3.11 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Deloitte view – Financial sustainability

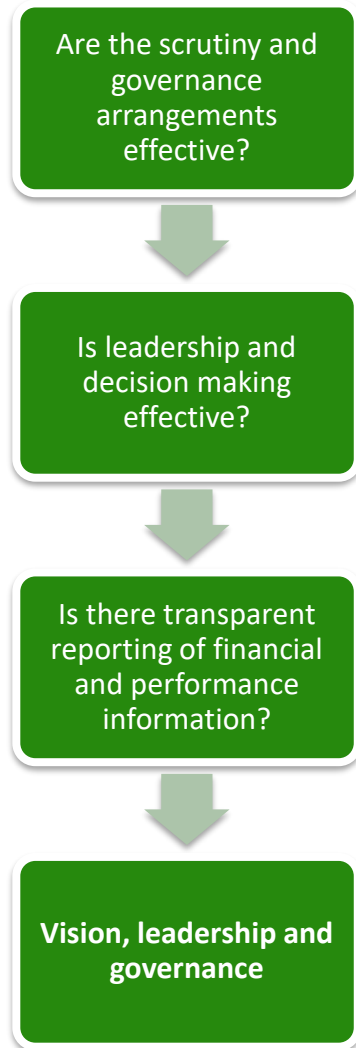
SSSC has achieved financial balance in 2022/23 and has confirmed funding for 2023/24, however there remains a gap between the funding confirmed and the expected costs to deliver the services. Scottish Government have agreed to fund this as an “unfunded pressure” in the year, however, over the medium term, a deficit position is projected over the next two years. There therefore remains a risk that SSSC is not financially sustainable.

A comprehensive financial strategy is in place, and SSSC have a clear understanding of its cost pressures and risks faced. Good progress has also been made in making efficiency savings, with the Future Proofing Programme expected to make longer term savings by modernising and improving the structure of the statutory functions. Robust monitoring is in place to track the benefits across projects, with work progressing to develop baseline information.

Given the Scottish Government’s policy of no compulsory redundancies, and over 75% of SSSC costs relate to staff, it is not clear how financial savings will be realised. The implications of the Reward Review project also need to be considered once re-convened to assess the implications on the financial sustainability of the organisation.

## 3.12 Wider scope requirements (continued)

### Vision, leadership and governance



#### Significant risks identified in Audit Plan

We did not identify any significant risks in relation to vision, leadership and governance during our planning work. We therefore restricted our audit work to reviewing the work of the Council and its Committees to assess whether the arrangements continue to operate effectively, including assessing whether there is effective scrutiny, challenge and informed decision making.

#### Vision and strategy

2022/23 was the final year of the Strategic Plan which covered the period 2020-2023. During that period extensive engagement and consultation has taken place with key stakeholders which fed into the development of the new Strategic Plan 2023-26 which was approved by Council in February 2023. The updated plans acknowledges the impact of the COVID-19 pandemic and the challenges the social work, social care and children and young people workforce faced, and also recognises that there is a period of change approaching with the introduction of the National Care Service Bill, the delivery of The Promise and recommendations from the Independent Review of Inspection, Scrutiny and Regulation due in the summer of 2023.

Both plans clearly set out the vision of the organisation, its strategic outcomes and priorities that support the delivery of the plan. The four strategic outcomes are as follows:

1. People who use services are protected by ensuring the regulated workforce is fit to practise.
2. The SSSC supports and enhances the development of the regulated workforce to deliver high standards of practice and drive improvement.
3. Our workforce planning activities, support employers, commissioners and policy makers to deliver a sustainable, integrated and innovative workforce.
4. The social work, social care and early years workforce is recognised as professional and regulated and valued for the difference it makes to people's lives.

## 3.13 Wider scope requirements (continued)

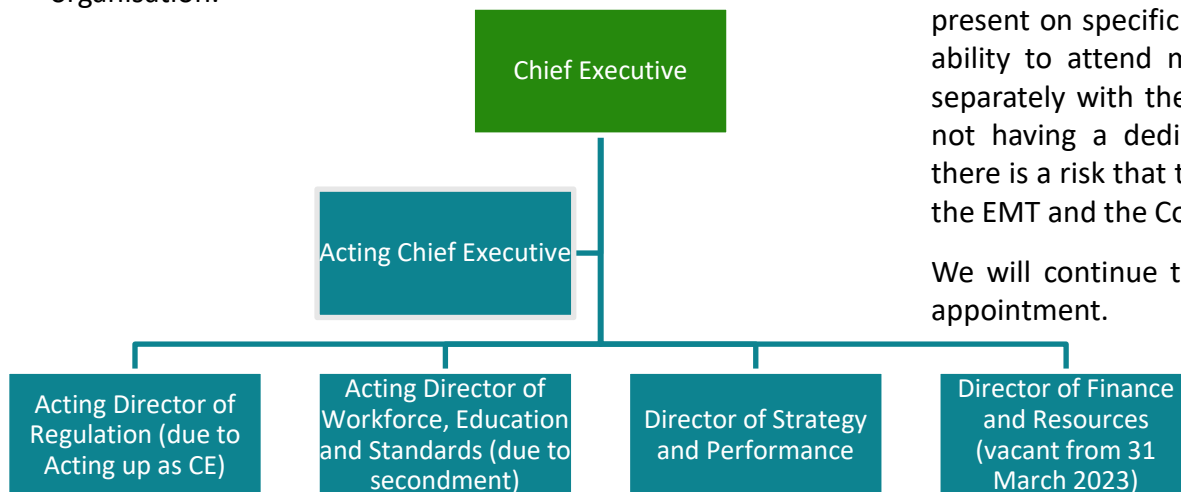
### Vision, leadership and governance

#### Vision and strategy (continued)

SSSC measure its impact over the lifetime of the strategic plan through a series of measures and KPIs, which we have considered further on page [33](#). The Strategic Plan also sets out how SSSC contribute to the Scottish Government National Performance Framework.

#### Leadership

The Chief Executive is currently on long term absence, with the role currently being covered by the Director of Regulation. The current Executive Management Team (EMT) structure is illustrated below, which highlights that three of the five EMT posts are acting up positions, and as discussed on page [22](#), the Director of Finance and Resources post is currently vacant. It was agreed to leave the role vacant pending a wider review of the pay and grading structure. The arrangements also provide an opportunity to consider the future structure of the organisation.



A paper was considered by Council in May 2023 providing an update on the interim arrangement and to provide assurance to members around how the responsibilities of the Director of Finance vacant post was being managed. This report highlighted that the current structure could indicate concern about stability in the organisation, re-assurance is given in the fact the members of staff working in their acting up capacity are experienced and are supported with experienced and stable teams below them.

The Directors have also confirmed that the strong operational experience at the Head of service level will allow them to manage the additional responsibilities absorbed following the departure of the Director of Finance.

Based on our observations during the audit, the temporary arrangements are being well managed, however, it is important that this is closely monitored to ensure any impact is managed from both an operational and wellbeing perspective. While the Head of Finance is invited along to EMT and Council meetings to present on specific papers, current capacity has impacted on their ability to attend meetings in full. The Head of Finance meets separately with the Acting Chief Executive on a weekly basis. By not having a dedicated finance representative as part of EMT, there is a risk that the financial impact of strategic decisions across the EMT and the Council are not fully understood.

We will continue to monitor the impact of this during our audit appointment.

## 3.14 Wider scope requirements (continued)

### Vision, leadership and governance

#### Governance and scrutiny arrangements

The Scottish Government Framework Agreement was last signed in 2022. This sets out the broad framework within which the SSSC operates and defines key roles and responsibilities which underpin the relationship between SSSC and the Scottish Government. strategic relationship and a number of shared principles between Disclosure Scotland, Scottish Ministers and the Scottish Government.

The council approved a new Code of Corporate Governance in February 2023. This new Code aligns with the Framework Document.

In line with good practice, the Council carries out an annual effectiveness review, which was discussed as part of its Away Day in November 2022 and actions agreed.

The AAC continues to be a key element of the governance arrangements in place.

The Council also provide oversight and scrutiny of the risk management activity. An updated Strategic Risk Register was reviewed by the Council in May 2023, with updates provided on the work being done to mitigate the strategic risks.

We have reviewed meetings attendance from the past year and confirm that they have been generally well attended. In addition, from review of the minutes and observation at meetings, we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

#### Transparency of reporting

All Council and AAC minutes and papers are publicly available through the SSSC website. Council meetings also continue to be held in public in line with good practice.

The SSSC website includes a comprehensive suite of information including links to strategies and plans, annual report and accounts and key statistics, thereby demonstrating openness and transparency of decision making and performance information (which is considered further on page [35](#)).

#### **Deloitte view – Vision, leadership and governance**

SSSC has recently updated its vision and strategy, with the 2023-26 Strategic Plan approved in February 2023. This recognises the challenges coming out of the pandemic and the upcoming period of change, and clearly sets out the vision of the organisation.

The Chief Executive is currently on a period of long term absence, and three of the five EMT positions are being filled on an Acting capacity. The Director of Finance post is also currently vacant. While these temporary arrangements are being well managed, it is important this is closely monitored. There also remains a risk that the financial impact of strategic decisions across the EMT and the Council are not fully understood due to lack of a finance representative as part of EMT.

The governance arrangements continue to operate effectively and SSSC continues to be open and transparent.

## 3.15 Wider scope requirements (continued)

### Use of resources to improve outcomes



#### Significant risks identified in Audit Plan

In our audit plan we highlighted that the Council had recently approved its updated Strategic Plan for 2023-2026. The delivery of the plan relies on an increase in Grant-in-Aid allocation which has not been confirmed. There is a risk that should this additional funding not be received, SSSC is unable to deliver on all of its objectives. The Plan also recognised significant uncertainties around the National Care Service and Independent Review of Inspection, Scrutiny and Regulation and how that will impact SSSC.

#### Performance management framework

SSSC monitors and reports on its performance against the strategic performance indicators linked to its Strategic Plan. A regular “Assurance Report” is provided to each Council meeting which includes a comprehensive suite of performance information including:

- Strategic Risk Register – new, emerging and changed strategic/directorate risks identified;
- Corporate financial position;
- Strategic Performance Indicators (SPI);
- Programme Management Office – overall summary of programmes;
- External stakeholder engagement;
- Strategy and Performance: SSSC complaints information;
- Human Resources Performance; and
- Legal and Corporate Governance.

Against each SPI, a narrative is provided setting out management action and risk.

## 3.16 Wider scope requirements (continued)

### Use of resources to improve outcomes

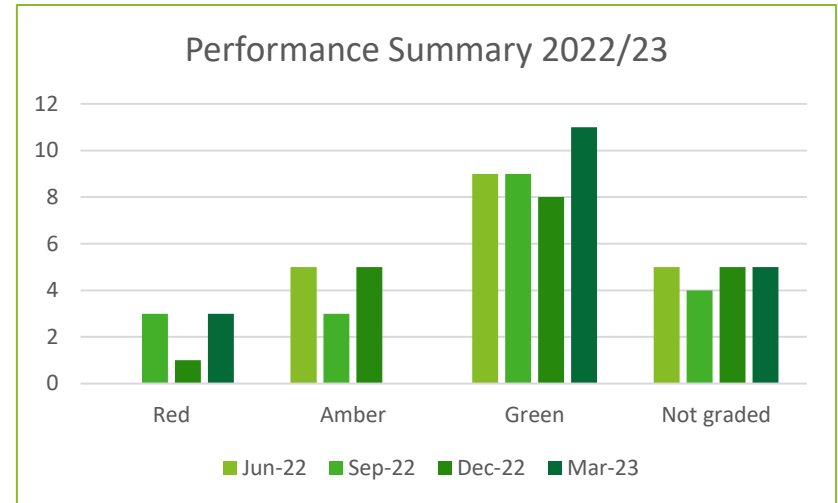
#### Performance data

A summary of the performance reported to the Council during the year is provided in the chart opposite. As explained on page 31, SSSC has 4 strategic outcomes. It measures its impact over the lifetime of the strategic plan through a set of Strategic Performance Indicators.

From this it is clear that SSSC is actively managing its performance, with the number classed as green (being above the ambition) increasing during the year.

For the indicators classed as green (being below the ambition), there are clear management actions in place. This includes work that is being done as part of the FPP, therefore improvements in the time taken to being registered is not expected to materialise until that is implemented from 2024. The other area which is below ambition is the level of sickness absence and staff turnover which are being actively managed.

As highlighted in his blog “Christie 10-years on” [Blog: Christie 10-years on | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/blog/christie-10-years-on), the Auditor General for Scotland noted that Christie challenged us to make a shift towards prevention and deliver improved long term outcomes for individuals and communities. But we still measure the success of public services by short-term, service specific measures. Public bodies need to rethink radically how we measure success and hold organisations to account for their performance.



While each SPI is linked to one of the 4 strategic outcomes, the SPI's themselves are more output focused rather than outcomes. This is understandable given the work that SSSC carries out and how it works with other bodies to help Scottish Government to deliver its national outcomes. Consideration should be given to if there are other areas where there are specific outcomes that can be monitored and reported to demonstrate that continuous improvement.

## 3.17 Wider scope requirements (continued)

### Use of resources to improve outcomes

#### Performance data (continued)

##### **Deloitte view –Use of resources to improve outcomes**

SSSC has a clear performance management framework in place. Regular reporting on performance is provided to the Council as part of the quarterly Assurance Reports. The Strategic Plan also sets out how SSSC contribute to the Scottish Government National Performance Framework. Consideration should be given to if there are other areas where there are specific outcomes that can be monitored and reported to demonstrate that continuous improvement.

SSSC has continued to perform well during 2022/23, actively managing its performance and taking appropriate action and recognising the risks that remain.

## 3.18 Wider scope requirements (continued)

### Best value

#### Requirements

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 (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

#### **The duty of BV in Public Services is as follows:**

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
  - Vision and Leadership
  - Governance and Accountability
  - Use of resources
  - Partnership and collaborative working
  - Working with Communities
  - Sustainability
  - Fairness and equality

#### Conclusions

SSSC has a number of arrangements in place to secure best value. As noted elsewhere within this report, the updated Strategic Plan provides a clear vision and has specific focus on some of the BV characteristics including partnership and collaboration, sustainability and a focus on continuous improvement. Despite the temporary nature of some posts, there continues to be strong leadership in place with a positive culture on collaboration.

Financial sustainability remains a key risk, as is the case across the public sector. The Future Proofing Programme is progressing with robust monitoring in place to track the benefits across projects, with work progressing to develop baseline information.

Governance arrangements are robust and the temporary arrangements in place for the EMT are being well managed, however, there remains a risk around the lack of a Director of Finance not being part of the EMT.

#### **Deloitte view – Best Value**

SSSC has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk.



## 3.19 Wider scope requirements (continued)

### Climate change

#### Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below.

Question	SSSC position
1. What targets has the body set for reducing emission in its own organisation or in Its local area?	Within its Carbon Management Plan (CMP) 2020-2023, SSSC set itself a target to reduce carbon emissions by 25% on a baseline of 2015-16. This equates to a figure of 254 tonnes CO <sub>2</sub> e in 2023. An update against this target has been reported as part of the 2022/23 Annual Report and Accounts, which reports 97.2 CO <sub>2</sub> e in 2023.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	<p>SSSC has a CMP covering the period 2018-2023, which replaced the previous plans first published in 2012. This set out existing projects that have been completed since 2014 which have already contributed to SSSC's carbon reductions and corresponding savings. The 2018-2023 Plan sets out future measures focussing on energy, travel and transport, waste and water.</p> <p>Clear roles and responsibilities are set out within the plan, with the Chief Executive being the champion of the project and the Director of Strategy and Performance overseeing the strategic implementation.</p> <p>SSSC manage its carbon emissions in partnership with the Care Inspectorate as part of its shared service provision, with an updated CMP for the period 2023-2026 being developed.</p>

## 3.20 Wider scope requirements (continued)

### Climate change

Question	SSSC position
3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly?	The CMP sets out that an annual review will take place including progress towards overall carbon reduction targets, financial savings, risk register and wider benefits. This annual progress is published on the SSSC intranet. An update is then published within the Annual Report and Accounts.
4. Has the body considered the impact of climate change on its financial statements?	No specific consideration has been given to the impact of climate change on the financial statements. Given the type of public sector organisation, based in one main office site, the expected impact on the financial statements is minimal.
5. What are the areas of the financial statements where climate change has, or is expected to have, a material impact?	As above, given the type of public sector organisation, the expected impact on the financial statements is minimal. Areas that are being considered around agile working, travel and transport and waste management are likely to have an impact on the ongoing annual costs recognised in the financial statements.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	SSSC has included a section on “social and environmental impacts” within the Annual Report and Accounts setting out its achievements to date in reducing emissions. This could be further enhanced by incorporating further details on any specific plans that are in place to achieve the targets and provide hyperlinks to the published CMP and other reporting.

#### Deloitte view – Climate change

As a public sector body with one office site, and as a consequence relatively low carbon emissions, the opportunities for emissions reductions are limited.. The Strategic Plan has a clear commitment on managing its impact on the environment, with a detailed Carbon Management Plan in place. The Annual Report and Accounts also includes a section on achievements to date. It is therefore clear that SSSC is committed to take action to meet the Scottish Government’s ambitious targets.

## 3.21 Wider scope requirements (continued)

### Cyber risk

Area	Management actions	Impact on SSSC's Annual Report and Accounts	Impact on our audit
Cyber risk	<p>SSSC recognise cyber risk as part of its wider strategic risk around Business Continuity Plans register which is monitored by Council.</p> <p>Cyber security has been a high priority for SSSC, with mitigating action in place include regular cyber security incident management plan testing in place. SSSC has also maintained its cyber essentials accreditation.</p>	<p>Reference to the strategic risk and the mitigating action in place is reported within the Performance Report within the Annual Report and Accounts.</p>	<p>We have obtained an understanding the business and its internal controls in relation to cyber including assessing the maturity and coverage of the entity's cyber risk management programme.</p> <p>We obtained an understanding of the relevant laws and regulations in relation to the entity.</p>

## 4.1 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 Audit and Assurance Committee and the Council 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.
- Our internal control observations
- Other insights we have identified from our audit.

### The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

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

### Use of this report

This report has been prepared for SSSC, 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.

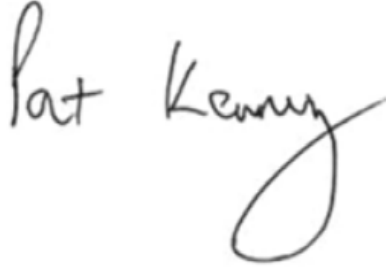
### What we don't report

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

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 audit of the financial statements and the other procedures performed in fulfilling our audit plan.

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



**Deloitte LLP**  
Glasgow | 24 October 2023

# Appendices



# 5.1 Action Plan

The following recommendations have arisen from our 2022/23 audit work:

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Recommendation	Management Response	Priority	Responsible Person	Target Date
<p><b>1. Financial sustainability</b> The annual budget paper could be further enhanced by setting out what the different scenarios look like in terms of the next 3 years budgets so that there is a clear picture of the “best case”, “worst case” and “realistic” scenarios.</p>	<p>This recommendation is accepted. We develop 3 year budgets as part of our budget setting process, these will be enhanced further to include best case, worst case and realistic scenarios and submitted to Council as part of the annual budget paper.</p>	Medium	Acting Chief Executive	February 2024
<p><b>2. Financial sustainability</b> The annual budget setting papers could be expanded to set out what efficiency savings have been incorporate into the budget and ow these contribute to SSSC meeting the 3% efficiency target.</p>	<p>This recommendation is accepted. The Scottish Government 3% efficiency target requirement was replaced in the May 2023 Scottish Government Medium Term Financial Strategy which recognises that public bodies are best placed to assess both the opportunities and action that must be taken to ensure fiscal sustainability, with budgetary allocations providing the parameters for this. We will therefore include efficiency savings that have been incorporated into the budget setting paper.</p>	Medium	Acting Chief Executive	February 2024

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## 5.2 Action Plan (Continued)

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Recommendation	Management Response	Priority	Responsible Person	Target Date
<p><b>3. Use of resources to improve outcomes</b> Consideration should be given to if there are other areas where there are specific outcomes that can be monitored and reported to demonstrate that continuous improvement.</p>	<p>We continue to develop our approach to outcomes improvements and will look at this with our Scottish Government Sponsor department over the next coming years for the next strategic plan in 2026.</p>	Low	Director of Strategy and Improvement	2026 Strategic Plan
<p><b>4. Climate change</b> The reporting within the Annual Report and Accounts could be further enhanced by incorporating further details on any specific plans that are in place to achieve the targets and provide hyperlinks to the published CMP and other reporting.</p>	<p>We will amend the Annual Report and Accounts to include links to the published CMP as well as incorporate further details on any specific plans that are in place to achieve the targets.</p>	Low	Director of Strategy and Improvement	October 2023

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# 6.1 Our other responsibilities explained

## Fraud responsibilities and representations



### Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

### Required representations:

We have asked SSSC 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 are not aware of any fraud or suspected fraud that affects the entity.

We have also asked SSSC to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



### Audit work performed:

In our planning we identified the risk of fraud in management override of controls, completeness of fee income and operating within the revenue budget as key audit risks.

During the 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.

We have reviewed the paper prepared by management for the Audit and Assurance Committee on the process for identifying, evaluating and managing the system of internal financial control

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

### Concerns:

No issues or concerns have been identified in relation to fraud.



## 7.1 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:

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### 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 SSSC, and our objectivity is not compromised.

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### Fees

The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below:

	£
Auditor remuneration	31,360
Audit Scotland fixed charges:	
• Pooled costs	(500)
• Audit support costs	890
• Sectoral cap adjustment	(4,720)
<b>Total expected fee</b>	<b>27,030</b>

There are no non-audit fees.

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### Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council'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.

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### Relationships

We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

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