



Scottish Social Services Council

**Final Report to the Audit & Assurance Committee, the Board and the Auditor General
for Scotland on the 2023/24 External Audit**

2 December 2024

Contents

01 Update Report

Partner Introduction [3](#)

Annual Report and Accounts

Quality indicators [7](#)

Our audit explained [8](#)

Significant risks [9](#)

Your control environment and findings [13](#)

Other significant findings [14](#)

Our audit report [15](#)

Your Annual Report and Accounts [16](#)

Wider scope audit

Overview [18](#)

Financial management [19](#)

Financial sustainability [22](#)

Vision, leadership and governance [29](#)

Use of resources to improve outcomes [32](#)

Best value [35](#)

Purpose of our report and
responsibility statement [36](#)

02 Sector Developments

Sector Developments [37](#)

03 Appendices

Follow up action plan [42](#)

Audit adjustments [44](#)

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 update report to the Audit & Assurance Committee (“the Committee”) of Scottish Social Services Council (“SSSC”) for the 2023/24 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 Committee in March 2024.

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

Conclusions from our testing

Based on our completed audit procedures, 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 Report and Accounts and our knowledge of SSSC. We provided management with comments and suggested changes based on review of the first draft and we have received a final draft 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](#). The Board met its financial targets for 2023/24, achieving a surplus of £0.938m

No material errors have been identified and there are no uncorrected misstatements in the current year. There has been one adjustment above our reporting threshold which has been corrected by management.

1.2 Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

All audit procedures are now complete.

Conclusions from wider scope audit work

- **Financial management** – appropriate budget setting and monitoring arrangements in place. While there have been changes to the Head of Finance position, we have not identified any risks with the team’s capacity that has impacted on the operational financial management of SSSC. Further, the Head of Finance now reports to the Director of Strategy and Performance, improving the governance arrangements from the previous year.
- **Financial sustainability** – financial balance has been achieved in 2023/24 and funding confirmed for 2024/25, 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.
- **Vision, leadership and governance** – the latest Corporate Strategy recognises the significant financial challenges facing the organisation, and clearly sets out the vision of the organisation.
- **Use of resources to improve outcomes** – a clear performance

management framework is in place. SSSC has continued to perform well during 2023/24, 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

A follow up action plan on the prior year recommendations is included on page [42](#) of this report. No additional recommendations have been made this year.

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.

Nicola Wright
Lead audit partner

Annual Report and Accounts Audit










2. Quality indicators

Impact on the execution of our audit

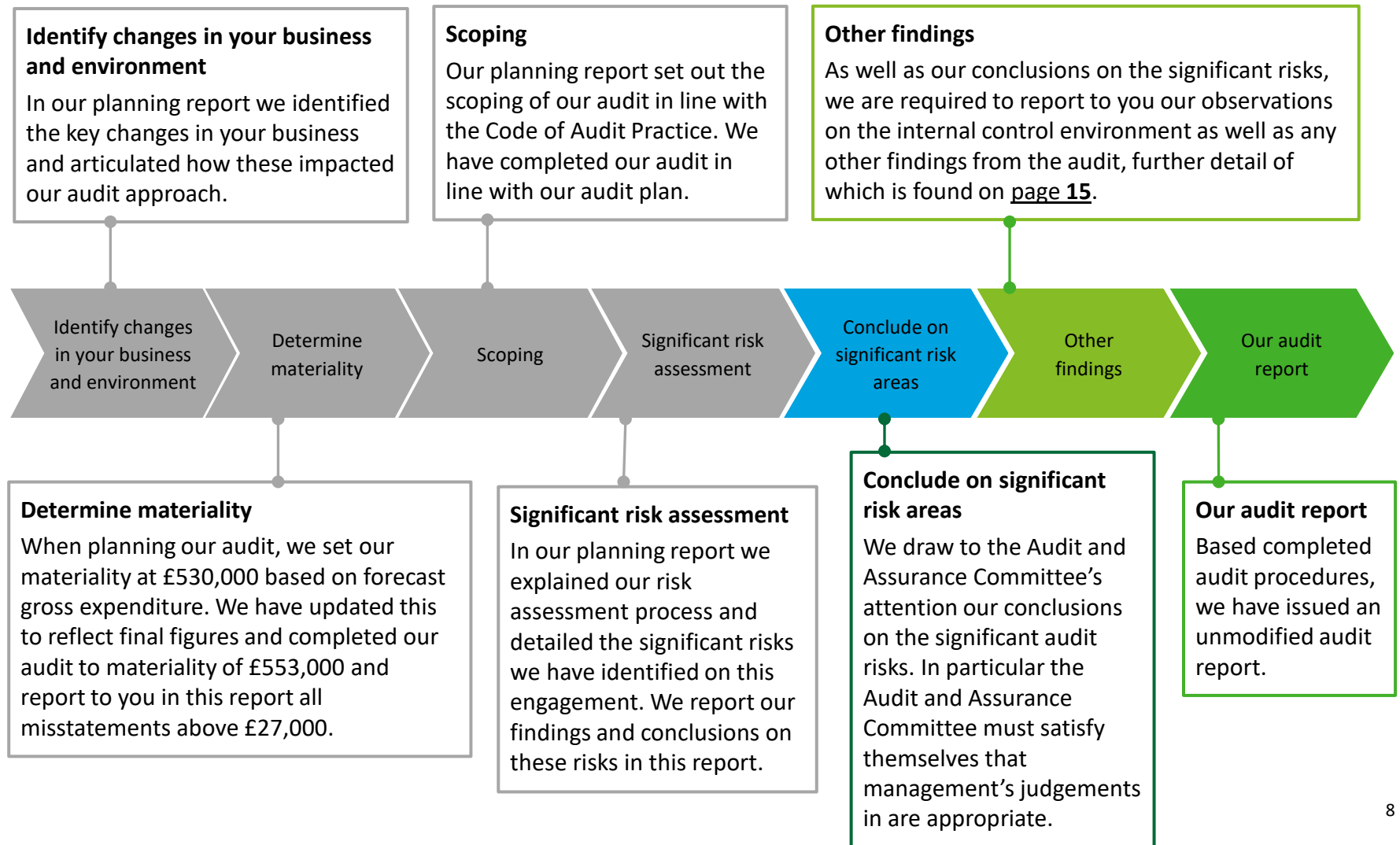
 Lagging
  Developing
  Mature

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		Deliverables and responses to follow ups provided promptly.	N/A
Adherence to deliverables timetable		The majority of the deliverables were received on time, however we note that a number of listings resulted in follow up queries where additional clarification was required. 52% of the requests were provided on time, and however we note that SSSC were very responsive following the commencement of field work.	N/A
Access to finance team and other key personnel		Finance team have been accessible throughout, with the audit team informed of holidays in advance of audit fieldwork.	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
Quality of draft Annual Report and Accounts		Quality of the first draft was generally of a high standard. Review comments were addressed promptly and change logs provided.	N/A
Response to control deficiencies identified		No control deficiencies have been noted.	N/A
Volume and magnitude of identified errors		One misstatement has been identified with respect of the classification between accruals and payables. This is further discussed on page 44.	Page 44

3. Our audit explained

We tailor our audit to your business and your strategy



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 expenditure resource limit			Satisfactory	



Controls approach adopted

Assess design & implementation

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 testing.

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 14](#)). 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 challenge management’s key estimates and judgements including:

Estimate / judgement	Details of management’s position	Deloitte Challenge and conclusions
Dilapidations	As at 31 March 2024, SSSC has a provision of £465,000 for dilapidations, with no change to the provision carried forward from 2022/23. 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 are concluding if the value provided is reasonable and that the provision has been appropriately disclosed in line with reporting requirements.

4.5 Significant risks (continued)

Operating within the expenditure resource limits



Risk identified and key judgements

In accordance with Practice Note 10 (Audit of financial statements and regularity 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. We identified a classification error which has been corrected and does not impact the final position.

Based on our audit procedures, we confirm that SSSC has performed within the limits set by Scottish Government as the final outturn was a surplus of £0.938m.

5. Your control environment and findings

Control deficiencies and areas for management focus

Deloitte comment on any control deficiencies and areas for management focus:

We can confirm that following the completion of our audit procedures, no control deficiencies have been identified.

6. 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:

Significant matters discussed with management include the provision for dilapidations, as discussed on [page 11](#).

Regulatory change

IFRS 16, Leases, came into effect on 1 April 2022, with 2022/23 being the first year of implementation and we did not identify any significant issues. There have not been any material regulatory changes in 2023/24.

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 have obtained written representations from the Board on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

7. 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 than 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 16](#).

8. 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 and have received a final draft confirming compliance.</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>

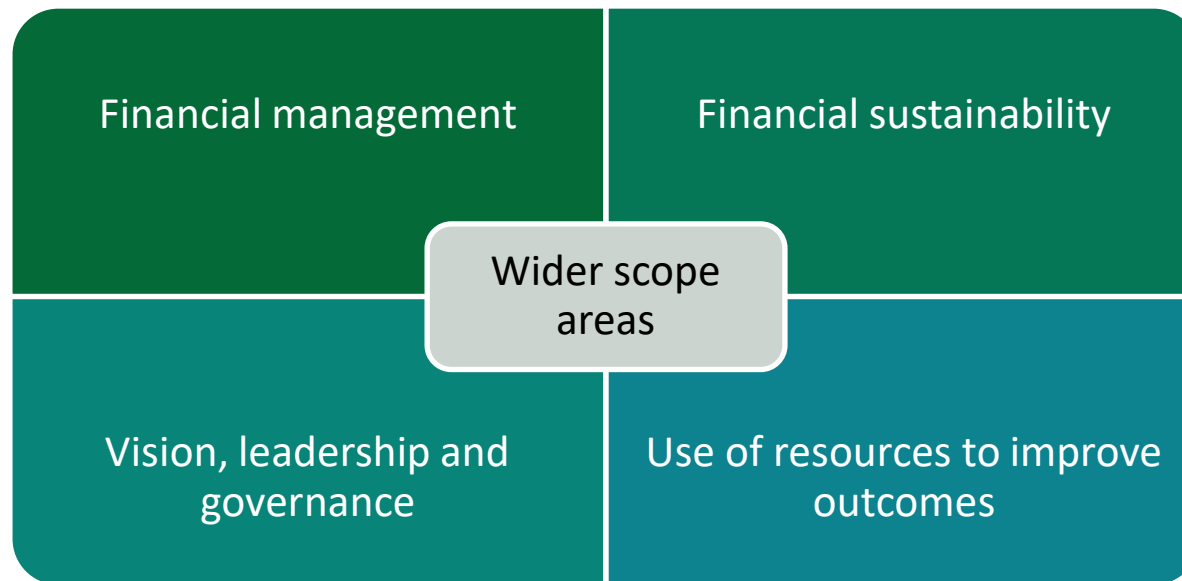
Wider scope audit



9 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.



Our audit work has considered how the Board 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.

10.1 Wider scope requirements (continued)

Financial management

Is there sufficient financial capacity?



Is there sound budgetary processes in place?



Is the control environment and internal controls operating effectively?



Financial Management

Significant risks identified in Audit Plan

In our audit plan we highlighted that while there has been a change in the Head of Finance at SSSC, the staffing levels in the year have remained consistent. As such, we have noted that there has been a reduction in the capacity issues experienced in the previous year.

Current year financial performance

The 2023/24 budget was approved by the Council on 27 March 2023. The approved budget was a deficit position of £2.815m, which the Scottish Government agreed 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.

SSSC reported a surplus in the year of £0.938m, a variance of £3.753m. The key reasons for the variance were a combination of a decrease in expenditure and a higher increase in income, including increase in practice learning rates, additional grant-in-aid to fund the budgeted deficit of £1.625m 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 2024/25, i.e. the reserve balance has not reduced as much as anticipated.

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. We note that due to more stable staffing levels in the finance function that there has been an improvement from the previous year with regards to reporting practices to the Council.

10.2 Wider scope requirements (continued)

Financial management (continued)

Finance capacity

Following the departure of the previous head of finance, the finance team was led by an interim head of finance in the latter part of the year. Following the year end a permanent appointment has been made to this role.

Following a period of high turnover and vacancies within the team in previous years, there is now a stable team in place. Training and development has taken place and will continue during 2024 to build the capability within the team.

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, we have not identified any risks with the team's capacity that has impact on the operational financial management of SSSC. Following a restructuring of roles, the Director of Strategy and Performance now oversees the finance team. 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 considered the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2023/24. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2023/24 Internal Audit Plan was approved by the AAC in April 2023 and comprised seven planned reports, covering internal workforce planning, financial sustainability, debtors / income, partnership working, phase 2 of the future proofing programme, data and intelligence strategy, and follow up reviews. Detailed reports are provided to the Committee for each project.

10.3 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.

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

Deloitte view – financial management

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

While there has been a change to the head of finance in the year, and a permanent appointment made after the year end, and time is needed for the new team to be embedded within SSSC, we have not identified any risks with the team's 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.

11 Wider scope requirements (continued)

Financial sustainability

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



Is there a medium and longer-term plan in place?



Is the body planning effectively to continue to deliver its services or the way in which they should be delivered?



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.

2024/25 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 2023 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 2024. 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 2023/24, 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.

3.6 Wider scope requirements (continued)

Financial sustainability (continued)

2024/25 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. The model is an area of good practice and we would encourage this to be fully implemented as part of the 2025/26 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.
- 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. A consultation with regards to increasing fees is currently ongoing.

- The risk associated with pay claims and other costs being more than allowed for in the budget.
- 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.

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.

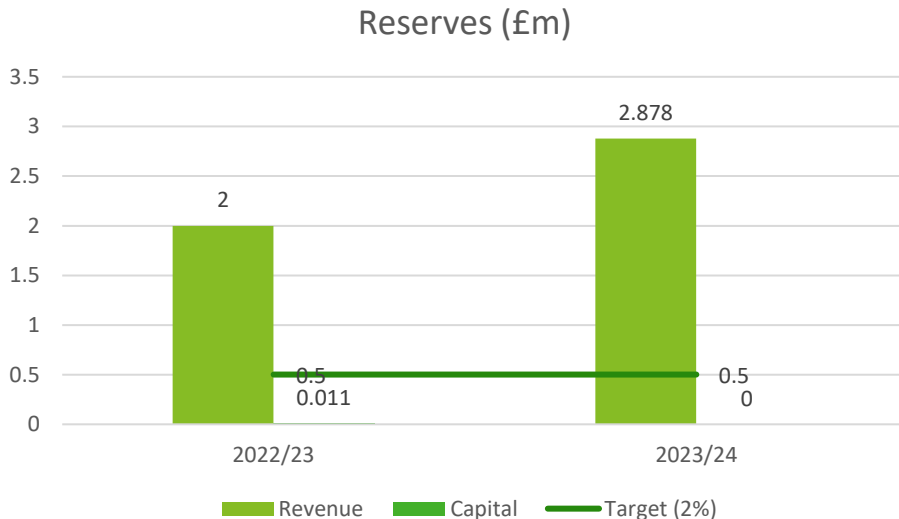
The SSSC policy is to maintain a target of 2% to 2.5% (£500,000 to £625,000) as a general reserve, which applies to operating Grant in Aid. The remaining balance is allowable for use following specific approval by the Scottish Government.

3.7 Wider scope requirements (continued)

Financial sustainability (continued)

Reserves (continued)

The balance held at 31 March 2024 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 covering 2020-2023, the new version focusses on four strategic themes which each have their own outcome. These themes are as follows:

- Trusted
- Skilled
- Confident
- Valued

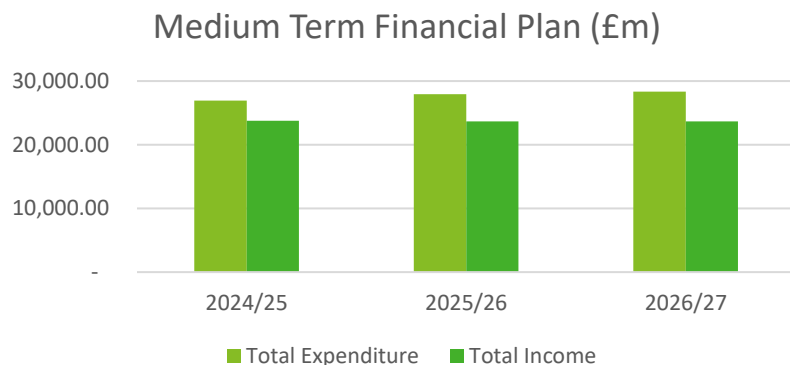
The Strategy incorporates a number areas of best practice including a clear understanding of the business model and its costs, savings options, scenario planning and sensitivity analysis.

As part of approval of the 2024/25 budget, the Council also approved indicative budget figures for 2025/26 and 2026/27, 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 2023/24 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 2023/24, 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 element 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 to be achieved from 2023/24 by renegotiating the lease and reducing 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.

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 procedures in the prior year, a review was carried out 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. We note that the work performed in 2022/23 is still applicable in 2023/24, and that shared services remain a high priority in the strategic plan.

3.10 Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning (continued)

SSSC have continued with the Future Proofing programme of work which commenced in December 2021. This plan is a commitment 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 baselines around staff savings as a result were delivered in October 2023, allowing SSSC to measure the associated reduction in expenditure.

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.

11.2 Wider scope requirements (continued)

Financial sustainability (continued)

Deloitte view – financial Sustainability

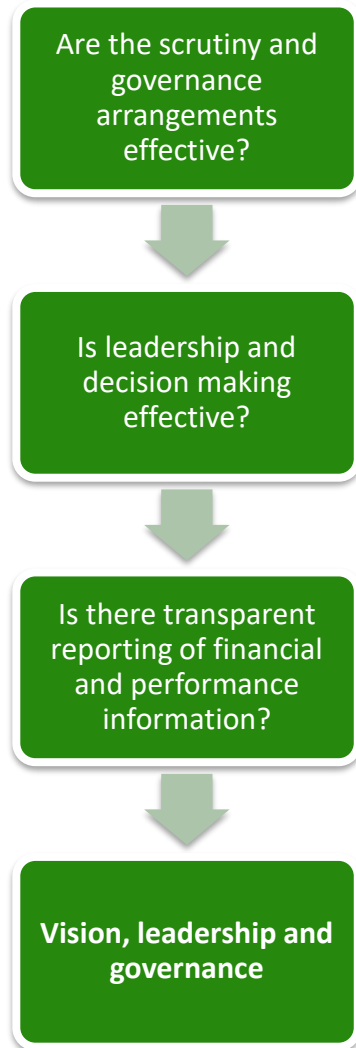
SSSC has achieved financial balance in 2023/24 and has confirmed funding for 2024/25, however there remains a gap between the funding confirmed and the expected costs to deliver the services. Scottish Government have agreed to fund this as an “unfunded pressure” in the year, however, over the medium term, a deficit position is projected over the next two years. There therefore remains a risk that SSSC is not financially sustainable.

A 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. Regular 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

2023/24 was the first year of the new Strategic Plan which covers the period 2023-2026 and was approved in February 2023 following extensive consultation with key stakeholders. The updated plans acknowledges the challenging operating environment within which SSSC like all public sector organisations are working within, as well as the importance of strategic partnerships, workforce transformation, and the development of the National Care Service with corresponding impact.

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. Trusted: People who use services are protected by a regulated workforce that is fit for purpose
2. Skilled: Our work supports the workforce to deliver high standards of professional service
3. Confident: Our work enhances the confidence, competence and wellbeing of the workforce
4. Valued: The social work, social care and children and young people workforce is 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. The Strategic Plan also sets out how SSSC contribute to the Scottish Government National Performance Framework.

Leadership

The former Director of Regulation was fulfilling the role of acting Chief Executive in the year, with the role being made permanent in July 2024. The current Executive Management Team (EMT) structure is illustrated below, which highlights that two of the four EMT posts are acting up positions, and the Director of Finance and Resources post has been absorbed into the remit of the Director of Strategy and Performance. The arrangements also provide an opportunity to consider the future structure of the organisation.



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. Given the restructuring of the EMT we have noted that there is now a finance representative at the EMT due to the oversight of the Director of Strategy and Performance, which reduces the risk that the financial impact of strategic decisions across 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 [34](#)).

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 currently facing the organisation, and clearly sets out the vision of the organisation.

The interim Chief Executive was appointed on a permanent basis in 2024, indicating an improvement on the number of temporary posts in 2022/23. Currently, two of the four EMT positions are being filled on an acting capacity. While these temporary arrangements are being well managed, it is important this is closely monitored. We note that there is now a finance representative at an EMT level now that the Director of Strategy and Performance now oversees the finance function.

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 \(audit-scotland.gov.uk\)](#), 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 four strategic outcomes, the SPIs 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 2023/24, 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, with improvements being made in 2023/24 with regards to EMT structure.

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.

12. 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.

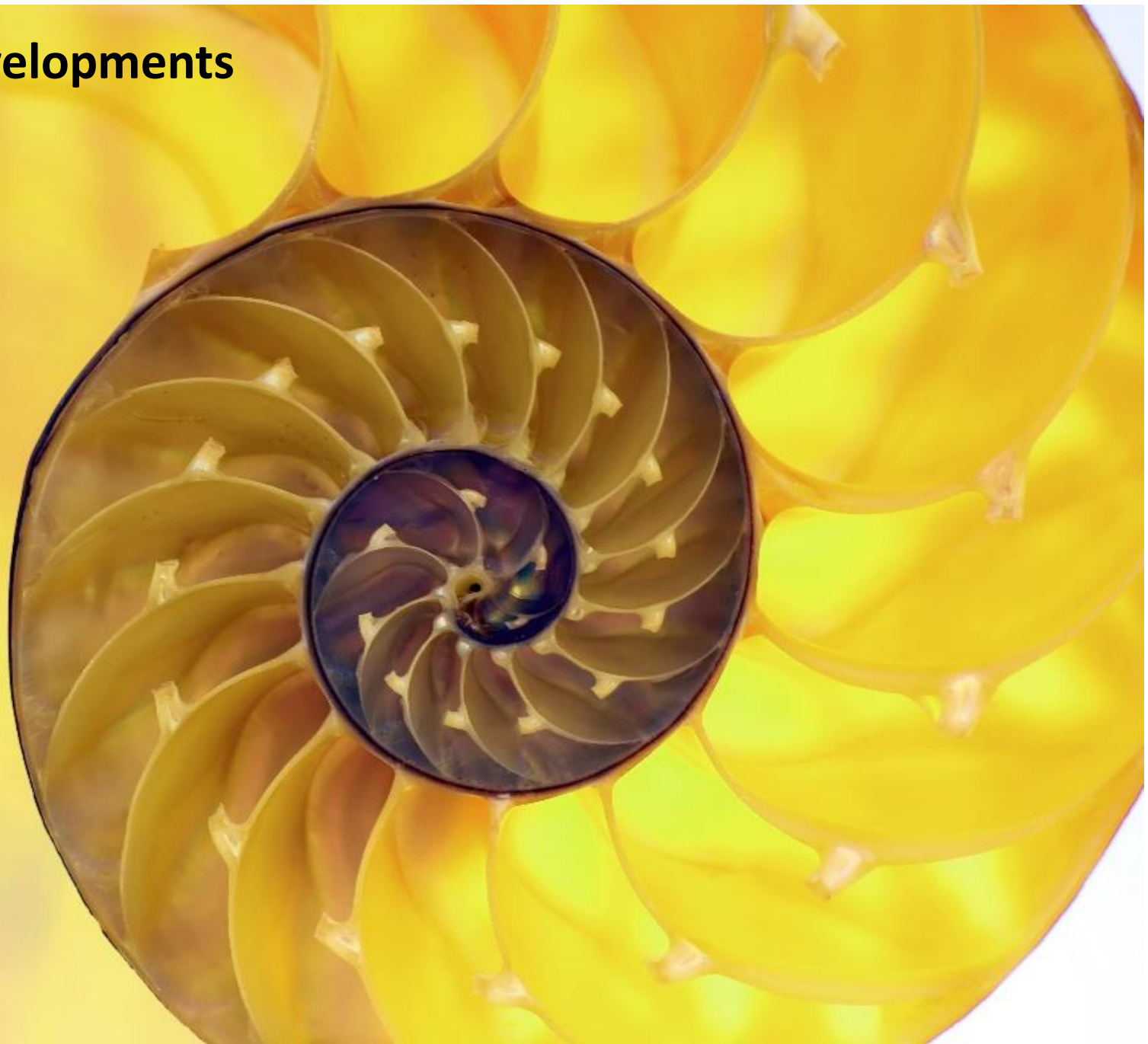
Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our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

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

Deloitte LLP

Newcastle upon Tyne | 2 December 2024

Sector developments



13.1 Sector developments

Audit Scotland: The important role of a CFO

Background and overview

As the challenges across the public sector intensify, the role of CFOs is increasingly in the spotlight. As CIPFA highlight, with existing frameworks on governance and decision-making being pushed to their limits, with public services becoming more complex, the CFO is expected to take an active leadership role, not just within the finance function, but across their organisation, sector and public services as a whole.

When budgets tighten, Audit Scotland highlight that often corporate, or 'back office' functions face the hit, to avoid immediately impacting front line services. Against this background, it is important that in the pursuit of back-office efficiencies, the effectiveness of the financial function is not put at risk.

This is an area of interest for Audit Scotland, and in this report it is outlined that they will be taking an interest in auditor conclusions on the resourcing of the finance function as part of their consideration of the 2023/24 annual accounts.



Next steps

The full report is available at [The Important Role of a CFO \(Audit Scotland\)](#)

13.2 Sector developments

How collaborative leadership can create solutions to big global issues on government's future frontiers

Background and overview

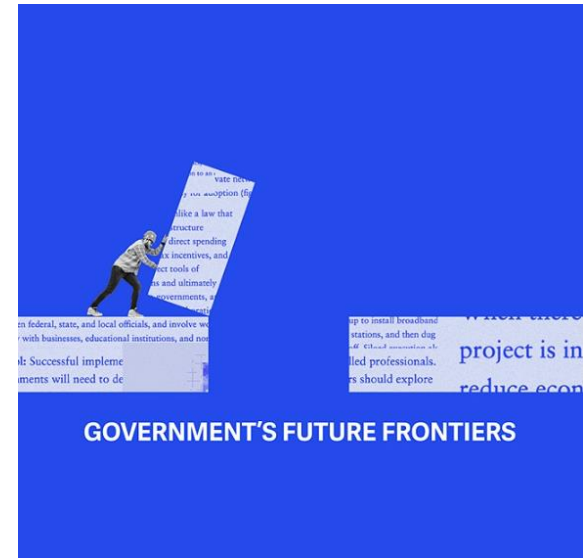
Infrastructure. Security. Health. Technology. The on-the-ground realities of homelessness. The infinite possibilities of space.

These are all big issues, bigger than any one organization can handle alone. Truly tackling the problems and opportunities inherent in these pressing societal concerns could take a concerted effort from all walks of society: Public agencies and private companies, nonprofits and academics, multinational foundations and community activists. But no matter what teams are assembled, government is expected to play a key role in constructing the scaffolding on which solutions are built.

In this publication, Deloitte speak to Bill Eggers and Don Kettl, authors of *Bridgebuilders: How Government Can Transcend Boundaries to Solve Big Problems*. They have more than 75 years of combined experience in the world of public management between them, and they have studies countless efforts to redesign government to make it more agile and responsive.

Next steps

The full publication is available at [Government's Future Frontiers \(deloitte.com\)](https://www.deloitte.com/government/publications/government-s-future-frontiers)



13.3 Sector developments

Government Trends 2023

Background and overview

In the age of discontinuity, governments are moving from hierarchies to networks to enable intragovernment collaboration and nurturing collaborative public-private ecosystems to achieve shared outcomes.

This report outlines nine transformational trends that illustrate governments “bringing down walls” to deliver solutions. The trends outlined are:

- Fluid government workforce models
- Bridging the data-sharing chasm
- Tackling funding silos
- Tailored public services
- Back-office innovations improving mission performance
- Regulation that enables innovation
- Teaming up to deliver whole health
- End-to-end justice
- Security by network

Next steps

The full publication is available at [Government Trends 2023 \(deloitte.com\)](https://www.deloitte.com/gt2023)



Appendices



5.1 Follow Up Action Plan

We have followed up the recommendations made in the prior year audit.

Recommendation	Management Response	Status
<p>1. Financial sustainability 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>SSSC have included scenarios of budgets being cut by 5% as per the recommendation, however our budget was agreed and set with Scottish Government prior to the budget paper being submitted so there was no requirement to develop scenarios further</p>	Ongoing
<p>2. Financial sustainability The annual budget setting papers could be expanded to set out what efficiency savings have been incorporated into the budget and how these contribute to SSSC meeting the 3% efficiency target.</p>	<p>While the 3% target is not a requirement for NDPBs, SSSC strives to make efficiencies where possible. The budget paper to Council in March 2023 identified staff savings through systems efficiencies via the Future Proofing project.</p>	Actioned

5.2 Action Plan (Continued)

Recommendation	Management Response	Status
<p>3. Use of resources to improve 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.</p>	<p>SSSC now has an internal improvement plan tracker and report to EMT improvement made throughout the year across all our functions.</p>	Actioned
<p>4. Climate change 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>SSSC have now included an enhanced environment section in the 2023/24 accounts performance section A that outlined the response to these actions.</p>	Actioned

14. Audit adjustments

Corrected misstatements

The following misstatements have been identified following the completion of audit procedures which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

	Debit/(credit) SOCNE £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m
Misstatements identified in current year				
Accruals	[1]	0.4		
Trade Payables		(0.4)		
Total		nil		

[1] There was one misstatement above our reporting threshold which was identified in relation to the accruals balance. It was determined that £354k of the accruals balance related to items which should have been classified as trade payables. As the correct liability had been recorded, this is a classification error between liability line items and has nil net effect on the net asset position.

15. 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.

16. Independence and fees

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

Independence confirmation

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

Fees

The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:

	£
Auditor remuneration	33,240
Audit Scotland fixed charges:	
• Pooled costs	360
• Sectoral cap adjustment	(4,940)
Total expected fee	26,660

There are no non-audit fees.

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.

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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