

Scottish Social Services Council

Report on the 2007/08 Audit



October 2008



Contents

Executive Summary	1	Governance	7
Introduction	3	Performance Management	9
Financial Position	4	Looking Forward	11



Executive Summary

Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by the Scottish Social Services Council (the Council). We audited the financial statements and we also considered aspects of performance management and governance. This report sets out our key findings.

Financial Position

The FReM requirement to account for grant-in-aid as a credit to reserves has resulted in expenditure less other operating income for the year of £8.7 million in 2007/08 (2006/07: £8.9 million). The grant-in-aid and other grants credited to reserves for the year was £9.4 million (2006/07: £8.5 million).

The total grant-in-aid allocated to the Council from the Scottish Government during the year was £9.0 million (2006/07: £7.8 million), all of which was drawn down during the year. The Council also received £0.4 million of Government Grants and other Government Income during 2007/08 (2006/07: £0.6 million).

Monies received from the Scottish Government for Practice Learning Fees income have been accounted for within the Income and Expenditure account as these are not classed as grants.

Financial Statements

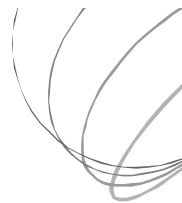
We have given an unqualified opinion on the financial statements of the Scottish Social Services Council for 2007/08.

We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

Governance

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for the Council operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems which underpin the Council's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.



Performance

The Scottish Social Services Council publish an annual corporate plan which covers the objectives for the following three years. As part of the development of the corporate plan each year, a set of Key Performance Indicators (KPIs) are approved by the Council for inclusion in the corporate plan. These KPIs provide the Council with information on how well the Scottish Social Services Council is meeting the objectives set out in the corporate plan. Quarterly performance monitoring reports are presented to the Council providing a summary of actual performance against each of the KPIs.

Best Value

Over the next year we will be developing and refining our approach to the audit of public bodies' arrangements to secure economy, efficiency and effectiveness in the use of resources, as this is one of our key objectives as auditors, set out within the new Code of Audit Practice approved by the Auditor General. This will inform our ongoing work to develop an approach to the audit of Best Value across the Scottish public sector. We intend to consult with both clients and stakeholders at key stages of these initiatives.

Looking forward

The final part of our report notes some key risk areas for the Scottish Social Services Council going forward. The adoption of International Financial Reporting Standards and the unpredictable nature of the level of registrations of social service workers will represent significant challenges to the Council.

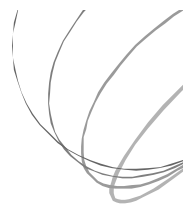
The assistance and co-operation given to us by Council members and staff during our audit is gratefully acknowledged.

Audit Scotland
October 2008



Introduction

1. This report summarises the findings from our 2007/08 audit of the Scottish Social Services Council (the Council). The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 29 February 2008. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance. This report completes our audit by giving an overview of the work we carried out and a summary of the key findings.
2. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Council during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk.



Financial Position

3. In this section we summarise key outcomes from our audit of the Council's financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

4. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of the Council and its expenditure and income for the period in question;
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
 - the consistency of the information which comprises the Management Commentary and the unaudited part of the Remuneration Report included in the Annual Report with the financial statements; and
 - the regularity of the expenditure and receipts.
5. We also review the statement on internal control by:
 - considering the adequacy of the process put in place by the Chief Executive as accountable officer to obtain assurances on systems of internal control; and
 - assessing whether disclosures in the statement are consistent with our knowledge of the Council.

Overall conclusion

6. We have given an unqualified opinion on the financial statements of the Scottish Social Services Council for 2007/08.
7. As agreed, the unaudited financial statements were provided to us on 4 July 2008, supported by a comprehensive working paper package. The good standard of the supporting papers and the timely responses from Council staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 16 October 2008 as planned.



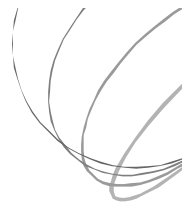
Financial Position

Outturn 2007/08

8. The FReM requirement to account for grant-in-aid as a credit to reserves has resulted in expenditure less other operating income for the year of £8.7 million in 2007/08 (2006/07: £8.9 million). The grant-in-aid and other grants credited to reserves for the year was £9.4 million (2006/07: £8.5 million).
9. The total grant-in-aid allocated to the Council from the Scottish Government during the year was £9.0 million (2006/07: £7.8 million), all of which was drawn down during the year. The Council also received £0.4 million of Government Grants and other Government Income during 2007/08 (2006/07: £0.6 million). Monies received from the Scottish Government for Practice Learning Fees income have been accounted for within the Income and Expenditure account as these are not classed as grants.
10. The Council received Operating Income of £3.0 million during 2007/08 (2006/07: £2.5 million). Operating Income is mainly derived from Practice Learning Fees of £2.4 million (2006/07: £2.0 million) received from of the Scottish Government to be disbursed to universities to fund practice learning days for social work students within workplace settings. Total operating income showed an increase of £0.5m from the prior year, the main reason for this being increases in Practice Learning Fees and Registration Fees.
11. Total Operating Costs of £11.8 million (2006/07: £11.4 million) were mainly attributable to staff costs of £3.7 million (2006/07: £3.1 million); grants, awards and bursaries totalling £5.8 million (2006/07: £6.0 million) with the remainder of £2.3 million representing other operating costs such as property; supplies and services; and administration costs (2006/07: £2.3 million). The increase in staff costs, of £0.6 million, largely represents pay arrears resulting from the introduction of the new pay and grading structure for staff.
12. The Scottish Social Services Council's balance sheet as at 31st March showed net assets of £0.4 million (2006/07 net liabilities: £0.7 million). This movement was mainly attributable to the impact of the deficit on the pension scheme of £0.9 million, a reduction of £0.4 million from last year's deficit, and a surplus on the bank balance of £2.4 million, compared to a technical overdraft of £0.5 million at 31 March 2007.

2008/09 Budget

13. The Scottish Social Services Council approved the Revenue Budget for 2008/09 on 18 March 2008. Total Grant in Aid has been agreed with the Scottish Executive at £9.5 million with other Government Grants and Practice Learning Fee Income set at £3.0 million. Income from other sources, including Registration Fees, is estimated to be £0.6 million.



14. The total budgeted expenditure for 2008/09 has been set at £13.1 million. This comprises staff costs of £4.2 million; Practice Learning Fees, bursaries and disbursements of £6.5 million; with other expenditure making up the remaining £2.4 million. The overall budget has been set as a balanced budget.

Issues arising from the audit

15. As required by auditing standards we reported to the audit committee on 16 October 2008 the main issues arising from our audit of the financial statements. We had no significant exceptions to report to the Committee and were pleased to note the improvement in procedures for requesting drawdown of Grant in Aid at the year-end.
16. **Letter of Representation:** a response to the letter of representation is required before the certification of the accounts.

Regularity Assertion

17. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance. No significant issues were identified for disclosure.



Governance

Overview of arrangements

18. This section sets out our main findings arising from our review of the Council's governance arrangements. This year we reviewed:
- key systems of internal control; and
 - internal audit.
19. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 8-12). Our overall conclusion is that arrangements within the Council are sound and have operated through 2007/08.

Systems of internal control

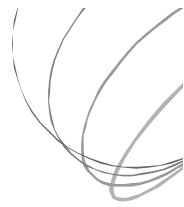
20. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2007/08 internal audit provided the opinion that, based on the internal audit work undertaken during the year, there was 'substantial assurance' that the internal controls and governance frameworks which it operates are sufficient to ensure the adequacy and effectiveness of the systems of internal control.
21. As part of our audit we reviewed the high level controls in a number of the Council's systems that impact on the financial statements. Our overall conclusion was that key controls were operating effectively and there were no issues from our work which merited disclosure within the Statement on Internal Control in the 2007/08 accounts.

Prevention and detection of fraud and irregularities

22. The Council has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Council members.

Internal Audit

23. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit we assessed whether we could place reliance on the Council's internal audit function (provided by Chiene



& Tait). We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in the areas of Corporate Governance and Financial Planning and Management. Internal audit provided 'substantial assurance' for both areas.

24. The Council have appointed Scott Moncrieff as Internal Auditors for the three years from 1 April 2008. We will undertake a review of the new arrangements for internal audit as part of our 2008/09 audit plan.

Statement on Internal Control

25. The Statement on Internal Control provided by the Council's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control set out the Council's approach to this.



Performance Management

26. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
27. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

Best Value developments

28. The positive impact of the Best Value concept in local government led Scottish Ministers to introduce a non-statutory Best Value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on Best Value as a means of supporting public service reform.
29. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review which credited the Best Value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year.
30. The framework for our proposed Best Value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources, and with an evolutionary implementation.
31. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.
32. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self assessment.



Performance Management

33. The Council publish an annual corporate plan which covers the objectives for the following three years. The corporate plan is approved by Scottish Ministers. The Corporate Plan for 2007/08 set the Scottish Social Services Council 11 key objectives, or targets.
34. As part of the development of the corporate plan each year, a set of Key Performance Indicators (KPIs) are approved by the Council for inclusion in the corporate plan. These KPIs provide the Council with information on how well the Council is performing against the objectives set out in the corporate plan.
35. We note that quarterly performance monitoring reports are presented to the Council. These reports provide the Council with a summary of actual performance against each of the KPIs. The reports highlight trends in performance and also provide details of any corrective action required to ensure targets are met.
36. The Council's Annual Report provides a summary of achievement against each of the KPIs. Of the 11 KPI's set, 9 have been completed, the timeframe of 1 was extended in order to capture a wider range of data and 1 was delayed for further development of the On-line Social Care Register (OSCAR) system.



Looking Forward

37. The Council faces a number of challenges in 2008/09, which include:

- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2007 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. A detailed timetable and list of requirements is awaited from the Scottish Government. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how the Council is addressing this developing area as part of the 2008/09 audit.
- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a more challenging funding regime. This includes significantly less scope for the application of end of year flexibility for the Scottish Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on PFI, leases and infrastructure accounting. Although these may not all have a significant direct impact on the Council, the challenge is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland, in response to failures in UK government bodies procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. A report published in June 2008 made recommendations for a higher level of oversight and guidance from the Scottish Government and suggested that there was a need for further measures to



improve the security of sensitive information. We will monitor the Council's response to the review and action taken as part of our 2008/09 audit.

- **Registration** – The number of registrations continues to increase. In the absence of mandatory registration the timing of and rate at which social service workers register with the Council is unpredictable. This presents several challenges in terms of planning the Council's workload, resource requirements, income generation and the calculation and projection of registration and conduct costs.