

# Scottish Social Services Council

Report on the 2008/09 Audit

September 2009



 AUDIT SCOTLAND

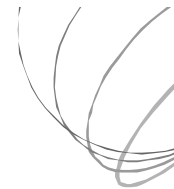


# Scottish Social Services SSSC

**Report on the 2008/09 Audit**

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# Key messages

In 2008/09 we looked at the key strategic and financial risks being faced by the Scottish Social Services SSSC (SSSC). We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

## **Financial statements**

We have given an unqualified opinion on the financial statements of the SSSC for 2008/09. 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.

## **Financial position and use of resources**

The SSSC recorded an overspend of £0.3 million in 2008/09. This is the difference between the net operating costs for the year of £9.6 million and the funding received from the Scottish Government of £9.3 million. The budgeted overspend of £0.3 million was financed by transfers from specific reserves to cover expenditure relating to the system for the On-line Social Care Register and the Mental Health Officer Awards.

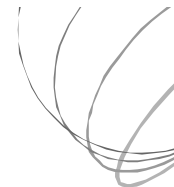
Scottish Ministers have approved a budget for the SSSC of £12 million for 2009/10, with £8.8 million funded by grant in aid from the Scottish Government and the remaining £3.2 million funded from other Government grants, fees and other income. Current projections forecast expenditure to be within budget in 2009/10.

Budgets for 2009/10 and the immediate future will need to be managed within a tighter funding regime. The SSSC will also be expected to achieve 2% year on year efficiency savings. Effective budget monitoring arrangements remain crucial to the SSSC achieving its financial targets and delivering its objectives within tighter financial settlements.

## **Governance and accountability**

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 SSSC operated satisfactorily during the year, as reflected in the Statement on Internal Control.

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



## Performance

The SSSC's annual corporate plan sets out the objectives for the following three years, including a set of Key Performance Indicators which are approved by Scottish Ministers. Of the 13 indicators set for 2008/09, 11 were achieved in full, one was partially achieved and one was delayed.

The corporate plan for 2009-12 sets out five outcomes which will enable the SSSC to contribute towards the achievement of six of the national outcomes set by the Scottish Government under the National Performance Framework. The performance indicators under each of these outcomes will set baselines for future monitoring of performance. Extensive stakeholder surveys have also been conducted which will allow for future evaluation of progress in achieving these outcomes.

## Looking forward

The final part of our report notes some key risk areas and issues for the SSSC going forward. We also highlight a number of national issues which affect all public sector bodies including the SSSC, such as the National Performance Framework; the impact of international financial reporting standards; and the review of data handling arrangements in public bodies across Scotland. The SSSC also faces significant challenges in dealing with increased levels of registration and achieving financial balance. We will continue to monitor the SSSC's progress in these areas.

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



**September 2009**



# Introduction

1. This report summarises the findings from our 2008/09 audit of the SSSC. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 23 February 2009. 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.
2. This report completes our audit by giving an overview of the work we carried out and a summary of the key findings.
3. Best value duties apply across the public sector and, in central government, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and throughout this report we comment on aspects of the SSSC's arrangements.

**Exhibit 1: Framework for a best value audit of a public body**





4. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report is the first step towards that goal.
5. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. We mention the key findings from all relevant reports, and the implications for the SSSC, throughout this report. Full copies of the study reports can be obtained from Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
6. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and Council members of the SSSC during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



# Financial Statements

7. In this section we summarise key outcomes from our audit of the SSSC's financial statements for 2008/09 and the 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

8. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view of the financial position of the SSSC 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
  - the regularity of the expenditure and receipts.
9. 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
  - assessing whether disclosures in the statement are consistent with our knowledge of the SSSC.

## Overall conclusion

10. We have given an unqualified opinion on the financial statements of the SSSC for 2008/09.
11. The unaudited accounts were provided to us on 4 August 2009, supported by a comprehensive working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 28 September 2009 as planned.





## Issues arising from the audit

12. As required by auditing standards we reported to the audit committee on 28 September 2009 the main issues arising from our audit of the financial statements. There were no significant issues that needed to be brought to the attention of the Audit Committee.

## Regularity

13. 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.

## International financial reporting standards (IFRS)

14. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.
15. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
  - **28 November 2008** – opening 2008 IFRS-based balance sheets were to be presented to auditors for dry-run audit
  - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
16. The restated opening balance sheet and supporting documentation were submitted by the SSSC for audit review by the deadline date of 28 November 2008. The supporting working papers were comprehensive and of good quality.



17. We made some recommendations for the delivery of the next stage of IFRS reporting –the production of the shadow accounts for 2008/09, and will consider progress on these when we review the shadow accounts later in 2009. These included:

- **Intangible assets**– in accordance with current guidance the SSSC have written off all intangible assets, however recent developments indicate that de-recognition of intangible assets is likely to be reversed for the shadow accounts. The SSSC have agreed to review all de-recognised intangible assets in line with the new guidance to establish those that require reversal for the shadow accounts.
- **Intangible assets** - the OSCAR registration system has been developed on a four country basis. Accounting for this under IFRS has yet to be agreed for consistency across all four countries.
- **Operating leases** – during the course of our review of leases we identified that there was a Service Level Agreement in place between the SSSC and the Scottish Commission for the Regulation of Care for shared use of premises, equipment and staff. This was not disclosed in the financial statements for 2007/08. The SSSC should review the agreement for appropriate treatment.



# Use of Resources

18. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of the SSSC's
- financial position
  - financial management.

## Financial Position

### Outturn 2008/09

19. In 2008/09 the SSSC's net operating costs were £9.6 million against funding from the Scottish Government of £9.3 million (£9.0 million grant in aid and £0.3 million other Government grants), resulting in a budgeted overspend of £0.3 million. This budgeted overspend was financed by transfers from specific reserves of £0.3 million to cover expenditure relating to the system for the On-line Social Care Register and the Mental Health Officer Awards.
20. The SSSC is required to work within the resource budget set by the Scottish Government. For 2008/09 the budget allocated to the SSSC from the Scottish Government was £13.1 million, comprising £9.5 million from grant in aid and £3.6 million from other income and Government grants, including Practice Learning Fees. The SSSC's expenditure for the year totalled £12.8 million which comprised staff costs of £4.4 million, operating expenditure of £2.8 million and payments of grants, awards and bursaries of £5.6 million.
21. During 2008/09 the SSSC received grant in aid of £9 million and other income and Government grants, including Practice Learning Fees, of £3.5 million which together with the approved transfer from reserves of £0.3 million enabled the SSSC to operate within the budget limits set for expenditure by the Scottish Government– see exhibit 2 below.

**Exhibit 2 – Performance against resource budget 2008/09 (£ million)**

Limits	Budget	Actual Outturn	Difference
Operating expenditure	13.1	12.8	(0.3)
Capital expenditure	nil	nil	nil
<b>Total</b>	<b>13.1</b>	<b>12.8</b>	<b>(0.3)</b>



## Financial sustainability and the 2009/10 budget

22. Scottish Ministers have agreed a budget for the SSSC of £12 million for 2009/10. This is to be funded as follows:

**Exhibit 3 – 2009/10 Plan (£ million)**

Limits	Budget
Grant in Aid	8.8
Other Income (including Practice Learning Fees)	3.2
<b>Total</b>	<b>12.0</b>

23. Current projections forecast expenditure to be within budget in 2009/10. However, under the current tighter funding regime the SSSC will also be expected to achieve 2% year on year efficiency savings. Delivering efficiencies, while absorbing cost pressures associated with the increasing number of new registrations, represents a significant challenge for the organisation. Effective budget monitoring arrangements remain crucial to the SSSC achieving its financial targets and delivering its objectives within tighter financial settlements.

## National Studies

24. Audit Scotland published two national studies relevant to the SSSC's use of resources. These were use of consultancy services and improving energy efficiency. A summary of the reports is provided below. Copies of the full reports can be downloaded from our web site at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Use of consultancy services

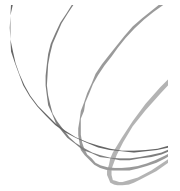
25. The overall aim of the study was to review central government's use of consultancy services and to make recommendations to improve the public sector's use of consultants' knowledge, skills and resources to help deliver new services and initiatives quickly and expertly. The key findings were:
- the public sector is strengthening the way it buys goods and services
  - central government does not have a clear strategy for its use of consultants or for linking use to its priorities or financial and workforce plans
  - in most cases, central government buys consultancy services well but some improvements can be made
  - central government could improve how it manages consultancy projects through more consistent and formal evaluation of consultants' work and learning more from them
  - central government could make savings of up to £13 million a year through better planning and buying of consultancy services.



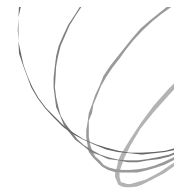
26. The report made specific recommendations for public bodies to:
- confirm they have clear processes for approving and recording the use of consultants and monitoring progress, and reinforce these as required
  - plan their use of consultancy services when developing their forward work programme to ensure that consultants are used where their knowledge and skills bring greatest value for money
  - always evaluate the option to use consultants against the option to use their own staff
  - gather and share consistent information on the consultancy skills bought and why consultants are used
  - improve the quality of their invitations to tender through better and earlier discussion with consultants about their consultancy needs
  - increase the use of framework agreements where possible by ensuring that existing agreements are used and new ones developed as appropriate
  - select and use the most economical competition routes by using framework agreements, restricted competitions and closed tendering approaches when appropriate
  - evaluate the work of consultants more systematically and share findings from these reviews
  - work closely with consultants to increase assurance on quality and make use of opportunities to learn from consultants and ensure knowledge transfer, where appropriate.
27. The SSSC currently has limited need for consultants, but where it does engage consultants, it uses the procurement procedures operated by the Scottish Government.

## **Improving energy efficiency**

28. Audit Scotland assessed how councils, NHS bodies and central government bodies were improving energy efficiency in relation to buildings and transport use. This included examination of a range of issues including whether public bodies demonstrate commitment to improving energy efficiency; how public bodies are performing against their objectives and targets for improving energy efficiency; and if public bodies are delivering continuous improvement in this area. Key findings included:
- funding has been made available by the Scottish Government and public bodies to improve energy efficiency
  - while energy consumption in buildings has fallen, spending on energy increased in the three years to 2006/07



- there is a need for stronger leadership by the Scottish Government and within public bodies to improve energy efficiency and ensure that the necessary cultural and behavioural changes are made
  - a robust strategy is central to the coordination of activities to improve energy efficiency, however, there are inconsistencies in the quality of strategies being implemented
  - there is a lack of formal monitoring and reporting of progress in improving energy efficiency by public bodies and the Scottish Government.
29. The SSSC follows guidance from the Scottish Government on improving energy efficiency, however, as it does not have direct control of the facilities budget of its premises there is limited potential for any major savings.



# Governance and Accountability

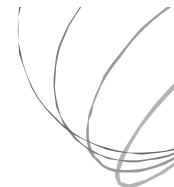
30. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of the SSSC's arrangements.
31. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

## Overview of arrangements

32. This year we reviewed:
  - key systems of internal control
  - internal audit
  - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
33. Our overall conclusion is that arrangements within the SSSC are sound and have operated throughout 2008/09.

## Systems of internal control

34. 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 2008/09 Scott-Moncrieff, the internal auditors, provided their opinion that based on the internal audit work undertaken during the year, the SSSC has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the SSSC's objectives and the management of key risks.
35. As part of our audit we reviewed and tested the high level controls in a number of the SSSC's systems that impact on the financial statements. This audit work covered a number of areas including staff costs (starters and leavers), non-payroll expenditure, income and cash and bank. Our overall conclusion was that key controls were operating effectively and that the SSSC has adequate systems of internal control in place.



36. We also rely on assurances received from the auditor of the Scottish Government on work performed on shared systems that operate at the SSSC, hosted by the Scottish Government. This approach ensures we are delivering an efficient co-ordinated audit that avoids unnecessary duplication and expense.
37. The shared systems assurance letter provided by the auditor of the Scottish Government concluded that there was adequate assurance for all systems relevant to the SSSC. Adequate assurance is where key controls and procedures are operating to enable reliance to be placed on the system.

### **Statement on Internal Control**

38. The Statement on Internal Control provided by the SSSC'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 and set out the SSSC's approach to this.

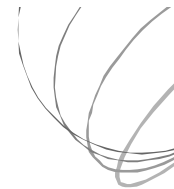
### **Internal Audit**

39. 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 2008/09 audit we assessed whether we could place reliance on the SSSC's internal audit function. We concluded that the Scott-Moncrieff operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2008/09, as we anticipated in our annual audit plan. This included reliance on aspects of internal audit's systems work to avoid duplication of effort.

### **Prevention and detection of fraud and irregularities**

40. The SSSC has adopted the relevant procedures and guidance contained in the Scottish Public Finance Manual. It 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 covering gifts and hospitality.





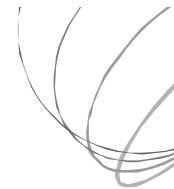
# Performance

41. 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. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery
  - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
42. In this section we comment on:
- the SSSC's vision and strategic direction
  - performance against targets
  - performance management arrangements
  - the SSSC's efficiency programme.

## Vision and strategic direction

### Corporate Plan

43. The SSSC's primary responsibility is to register people who work in social services and regulate their education and training. The SSSC publish an annual Corporate Plan which covers the objectives for the following three years. The Corporate Plan is approved by Scottish Ministers and for 2008-11 focuses on two strategic objectives:
- to develop the capability and capacity of the social services workforce
  - to register and regulate social services workers.
44. Achieving these objectives means that people who use services can rely on a workforce that is properly trained, appropriately qualified and effectively regulated. By achieving these objectives, the SSSC also contributes to the Scottish Government's strategic objectives.
45. The social services workforce is continually growing and diversifying to meet the demand of providing high quality social services in the 21<sup>st</sup> century. As both the regulator and the body responsible for workforce development, the SSSC is in a position to both influence and participate in the development of strategic policy and legislative developments. The SSSC aims to provide workforce information to support workforce planning, put in place standards and develop the tools to assist organisations and the Scottish Government to respond effectively to future demand for social services.



## Performance overview

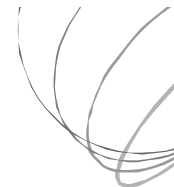
46. As part of the development of the Corporate Plan each year a set of Key Performance Indicators (KPIs) are approved by the SSSC for inclusion in the Plan. Thirteen KPIs were identified to measure the achievement of objectives in 2008/09, of these 11 were achieved in full, one was partially achieved and one, the implementation of the online registration facility was delayed after user feedback to make the system more user friendly.
47. As recorded in their annual report, the SSSC achieved a high degree of success in meeting corporate targets. The SSSC regularly reviews performance against the corporate plan through quarterly performance reports. The reports are discussed in SSSC meetings and action taken and reported to resolve any issues.

## Risk management

48. The Council is responsible for identifying, managing and reviewing corporate risks and the effectiveness of actions identified to control these risks. The Council has put in place robust systems for the identification and management of risk, identified risks are addressed in the preparation of the corporate plan which has been developed to show clear links between the risks identified on the risk register and the SSSC's corporate objectives.
49. The main risk affecting the SSSC is that the Four Country Registration System for registration and conduct does not deliver a system that is fit for purpose, impacting on service delivery. Although the SSSC has a number of measures in place to mitigate the risk it still considers the implementation stage as high risk in terms of service delivery. The level of risk is expected to be substantially reduced in 2009/10. We will continue to monitor developments in this area

## Efficiency

50. The SSSC is required to deliver a recurring 2% efficiency saving against its financial settlement within the Scottish Government's Young People and Social Care Directorate efficiency delivery plan. There are no other specific efficiency targets set for the SSSC.



# Looking Forward

51. The SSSC faces a number of challenges in 2009/10, which include:

- **Financial management and affordability** - The Scottish Parliament's Finance Committee recently published its report on the Scottish Government budget. The report noted that Scottish Government spending is set to decline in the next few years as UK public finances come under increasing pressure. Effective budget monitoring and reporting arrangements will be crucial to the SSSC achieving its financial targets within tighter funding settlements. We will consider the SSSC's financial management arrangements as part of our 2009/10 audit.
- **National Performance Framework** - The Scottish Government is continuing to develop its approach to performance management based on the National Performance Framework and local authority single outcome agreements. The National Performance Framework is an outcome-based approach that is publically reported on the Scottish Government's web site in the 'Virginia-style' model of performance measurement and reporting. 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 SSSC is addressing this developing area as part of the 2009/10 audit.
- **Efficiencies and future funding** - Budgets for 2009/10 and the immediate future will need to be managed within a tighter funding regime. This includes no scope for the application of end of year flexibility for the 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. The SSSC will come under increasing pressure to prioritise spending, identify efficiencies, deliver reforms arising from the Public Sector Reform Bill 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 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 improved security of sensitive information. We will monitor the SSSC's progress against recommendations due to be implemented during 2009/10.



- **IFRS-** The timetable for IFRS implementation requires that central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. As part of the timetable for the implementation for IFRS, shadow accounts will require to be produced for 2008/09 for audit review by November 2009. These processes will require significant resource to complete and it will be important that these issues are addressed early in 2009/10.
- **Registration** – In 2009, the Scottish Government announced final dates for social services to achieve registration. In the next 10 years a further 50,000 workers will be registered for the first time. Achieving this level of registration will present challenges to the SSSC in terms of workload, resources and projection of income generation.