



# Social Work Inspection Agency Report on the 2010/11 Audit



Prepared for the Social Work Inspection Agency and the Auditor General for Scotland  
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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds

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# Key messages

In 2010/11 we looked at the key strategic and financial risks being faced by the Social Work Inspection Agency (SWIA). 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 SWIA for 2010/11. 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

In 2010/11 SWIA achieved a net under spend of £0.403 million. This is the difference between the net operating costs for the year of £3.797 million and the funding received from the Scottish Government of £4.200 million. SWIA operated within the budget limits set by the Scottish Government for capital expenditure and operating expenditure, and met its efficiency saving targets, mainly as a result of staff cost savings arising from difficulties in recruiting staff.

SWIA was dissolved on the 31 March 2011 under the terms of the Public Services Reform (Scotland) Act 2010. The dissolution of SWIA and the transfer of its functions, assets and liabilities to the new Non Departmental Public Body, Social Care and Social Work Improvement Scotland (SCSWIS)) with effect from 1 April 2011, mean that SCWIS will be responsible for maintaining control over the resources applied to functions previously carried out by SWIA and for reviewing future spending plans to ensure the best possible budget setting arrangements.

Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight. The Scottish budget will reduce in real terms but the full extent of this is not yet known. Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available. In the current economic climate difficult decisions will have to be made across the public sector about priority spending programmes.

## 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 SWIA 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

SWIA completed a review of the first phase of its more proportionate approach to inspecting local authority social work services and implemented improvements in its inspections' methodology. It continued to work on thematic inspections, and participated in work with other scrutiny bodies to better co-ordinate and streamline scrutiny activity and achieve greater effectiveness.

This period of significant change for SWIA presented risks to staff morale and retention, which were managed to ensure business continuity. SWIA had robust systems for the identification and management of risks in place and it was able to deliver its planned inspections.

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

# Introduction

1. This report summarises the findings from our 2010/11 audit of SWIA. The purpose of the report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. This report is addressed to the Social Work Inspection agency and the Auditor general and should form a key part of discussions with Audit Committees, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
3. This report will be published on our website after consideration by relevant staff in the Scottish Government.
4. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and staff of SWIA during the course of our audit.

# Financial Statements

5. In this section we summarise key outcomes from our audit of SWIA financial statements for 2010/11 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

6. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view of the financial position of SWIA 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 Introduction by the Accountable Officer, the Directors' Report, the Management Commentary, the Statement on Internal Control and the unaudited part of the Remuneration Report, with the financial statements
  - the regularity of the expenditure and receipts.
7. We also review the statement on internal control by:
  - considering the adequacy of the process put in place by the Accountable Officer to obtain assurances on systems of internal control
  - assessing whether disclosures in the statement are consistent with our knowledge of SWIA.

## Overall conclusion

8. We have given an unqualified opinion on the financial statements of SWIA for 2010/11.
9. As agreed the unaudited accounts were provided to us on 29 April 2011, supported by a comprehensive working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 7 June 2011 as timetabled.

## Issues arising from the audit

10. As required by auditing standards we provided a report to the Audit Committee at its meeting on 7 June 2011 which summarised the main issues arising from our audit of the financial statements. There were no significant issues that needed to be highlighted, and the Audit Committee recommended the accounts for approval.

## Regularity

11. 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.



# Use of Resources

12. 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 SWIA:
- financial position
  - financial management.

## Financial Position

### Outturn 2010/11

13. SWIA is required to work within its resource budget set by the Scottish Government. In 2010/11 SWIA's net operating costs were £3.797million against a reduced final budget from the Scottish Government of £4.2 million, resulting in an under spend against budget of £403,000. This under spend arose from reduced employment costs due to difficulties in recruiting and retaining staff during the year. Overall, SWIA operated within the resource budget limits set by the Scottish Government for cash expenditure and non cash costs – see Exhibit 1 below:

**Exhibit 1: Performance against resource budget 2010/11 (£ million)**

Limits	Reduced Budget	Actual Outturn	Difference
Operating	£4.200m	£3.797	£0.403
Capital	nil	nil	nil
<b>Total</b>	<b>£4.200m</b>	<b>£3,797</b>	<b>£0.403</b>

14. SWIA's balance sheet at 31 March 2011 records a net liability position of £371,000 due mainly to provisions for early departure costs and outstanding creditor balances at year end. The going concern basis of the accounts is not affected by this situation due to continued funding from the Scottish Government to SCWIS for the functions and liabilities it inherited from SWIA. Appropriate disclosure to that effect is made in the accounts.

# Governance and Accountability

15. 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 SWIA arrangements.
16. 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

17. This year we reviewed:
  - key systems of internal control
  - internal audit.
18. Our overall conclusion is that arrangements within SWIA were sound and have operated through 2010/11.

## Systems of internal control

19. 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 2010/11 Scottish Government Internal Audit Division, the internal auditors, provided their opinion that based on the internal audit work undertaken during the year, there was substantial assurance on the adequacy and effectiveness of the systems of internal controls.
20. As part of our audit we reviewed the high level controls in a number of SWIA systems that impact on the financial statements. This audit work covered a number of areas including budgetary control, staff costs (starters and leavers) and purchases. Our overall conclusion was that key controls were operating effectively and that SWIA has adequate systems of internal control in place.
21. We also rely on assurances received from the auditor of the Scottish Government on work performed on shared systems that operate at SWIA, hosted by the Scottish Government. This approach ensures we are delivering an efficient, co-ordinated audit that avoids unnecessary duplication and expense.
22. The shared systems assurance letter provided by the auditor of the Scottish Government concluded that there was adequate assurance for all systems except travel and subsistence

payments. Adequate assurance is where key controls and procedures are operating to enable reliance to be placed on the system. Limited assurance was provided for the travel and subsistence payments system due to control concerns. However, SWIA introduced additional controls locally whereby all claims were checked by Finance staff, which we reviewed and found to be operating satisfactorily.

### **Statement on Internal Control**

23. The Statement on Internal Control provided by SWIA'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 SWIA approach to this.

### **Internal Audit**

24. 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 2010/11 audit we assessed whether we could place reliance on SWIA's internal audit function. We concluded that the Scottish Government Internal Audit Division operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2010/11, 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**

25. SWIA adopted the relevant procedures and guidance contained in the Scottish Public Finance Manual. It had appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members covering gifts and hospitality.

# Performance

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. 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.
27. In this section we comment on:
- SWIA's corporate plan
  - performance against targets
  - performance management arrangements.

## Vision and strategic direction

28. SWIA's principal activity was to carry out independent inspections and reviews of social work services across the Scottish public sector with the objective of improving the quality of services provided. It also provided advice to Scottish Ministers on social work issues. From 1 April 2011 SWIA was dissolved and its functions transferred to a new scrutiny body SCSWIS. The new body took over the functions of SWIA, the Care Commission and certain child protection services of HMIE, and was established as a Non Departmental Public Body. Given these circumstances, SWIA did not update its corporate plan for the period up to 2011, although a revised business plan setting out its work programme during 2010/11 and the transition to SCSWIS was developed.

## Performance overview

29. SWIA's key performance targets were set out in Annex B of its Framework Document and related mainly to qualitative aspects of its inspection and advisory functions. There no specific financial targets. However, SWIA established a number of internal targets under five strategic priorities which fed into achievement of the qualitative targets set by the Scottish Government. Performance against internal targets are analysed in the Annual Report accompanying its accounts.
30. During the year SWIA reported a high degree of success in meeting corporate targets, albeit some were necessarily changed, deferred or cancelled as result of the impending transfer of SWIA functions to SCSWIS.

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## Performance management

31. The SWIA Board regularly reviewed performance against the corporate plan through quarterly performance reports. The reports were discussed in Board meetings and action taken and reported to resolve any issues.

## Risk management

32. The Board was responsible for identifying, managing and reviewing corporate risks and the effectiveness of actions identified to control these risks. The Board had put in place robust systems for the identification and management of risk, which included the establishment of a Risk Management Group with responsibility for overseeing risk management processes across SWIA. The Audit Committee also reviewed the risk register at each of its meetings as a standing agenda item.
33. The main risk affecting SWIA in 2010-11 related to change management issues arising from the transfer of SWIA functions to SCSWIS. SWIA was involved in discussions and working groups with the Scottish Government and other bodies affected on how to take forward these changes.
34. A further risk affecting SWIA operations concerned difficulties in recruiting, and retaining, sufficient inspectors of appropriate quality to meet operational requirements, which is a reflection of underlying staffing shortages in this field across the UK. This problem was exacerbated by uncertainty over the functions of SWIA as a result of the transition to SCSWIS.
35. SWIA managed these risks working with the Scottish Government and other relevant bodies to minimise any impact on performance delivery. SWIA was able to deliver its scheduled inspections as set out in the Management Commentary.