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# Report to those charged with governance on the 2012/13 audit

<b>Audited Body:</b>	The Care Inspectorate
<b>Committee:</b>	Audit Committee
<b>Date:</b>	17 September 2013

## Background

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. This report sets out for the Care Inspectorate's consideration the matters arising from the audit of the financial statements for 2012/13 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. It should be noted that the audit opinion reflects recent discussions with management and is subject to satisfactory conclusion of any outstanding matters.
3. We also present for your consideration our annual report on the 2012/13 audit which identifies significant findings from the financial statements audit. This report is attached at [Appendix C](#).

## Status of the work

4. Our work on the financial statements is now substantially complete. The issues arising from the financial statements audit were included in a matters arising schedule issued to the Senior Accountant on 9 August 2013. The more significant issues arising were discussed with the Head of Finance and Corporate Governance and Senior Accountant at a meeting on 20 August 2013.

## Fraud

5. In presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances of fraud that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the letter of representation.

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## Audit opinion and representations

6. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 3 October 2013 (the proposed report is attached at [Appendix A](#)). There are no anticipated modifications to the audit report.
7. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £1,000.
8. A significant number of presentational and incomplete information adjustments were identified within the management commentary during the course of our audit. These were discussed with the Head of Finance and Corporate Governance who agreed to amend the unaudited financial statements.
9. We therefore have no unadjusted misstatements to bring to your attention.
10. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

## Significant findings

11. In our view, there are no issues which require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

## Outstanding matters

12. There are no outstanding matters.

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# Appendix A: Proposed Independent Auditor's Report

## **Independent Auditor's Report to the members of the Care Inspectorate, the Auditor General for Scotland and the Scottish Parliament**

I have audited the financial statements of the Care Inspectorate for the year ended 31 March 2013 under the Public Services Reform (Scotland) Act 2010. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

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## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements, irregularities or inconsistencies I consider the implications for my report.

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2013 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 FReM; and
- have been prepared in accordance with the requirements of the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

## **Opinion on regularity**

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

## **Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## **Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

David McConnell, MA, CPFA

Assistant Director of Audit

Audit Scotland

4th Floor, South Suite

The Athenaeum Building

8 Nelson Mandela Place

GLASGOW

G2 1BT

3 October 2013

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# Appendix B: ISA 580 - Letter of Representation

David McConnell

3 October 2013

Assistant Director

Audit Scotland

4th Floor, South Suite

The Athenaeum Building

8 Nelson Mandela Place

Glasgow

G2 1BT

Dear David

## **The Care Inspectorate**

### **Annual Accounts 2012/13**

13. This representation letter is provided in connection with your audit of the financial statements of the Care Inspectorate for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Care Inspectorate, as at 31 March 2013 and its Statement of Comprehensive Net Expenditure for the year then ended.

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Executive Management Team and the Board, the following representations given to you in connection with your audit of the Care Inspectorate for the year ended 31 March 2013.

### **General**

14. I acknowledge my responsibility and that of the Care Inspectorate for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the Care Inspectorate have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
15. The information given in the Annual Report to the financial statements, including the Remuneration Report, presents a balanced picture of the Care Inspectorate and is consistent with the financial statements.

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16. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

#### **Regularity of Financial Transactions**

17. The financial transactions of the Care Inspectorate are in accordance with the relevant legislation and regulations governing its activities and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

#### **Financial Reporting Framework**

18. The financial statements have been prepared in accordance with 2012/13 Government Financial Reporting Manual, and in accordance with the requirements of the Public Services Reform (Scotland) Act 2010, and the Public Finance and Accountability (Scotland) Act 2000 including all relevant presentation and disclosure requirements.
19. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of the Care Inspectorate for the year ended 31 March 2013.

#### **Accounting Policies & Estimates**

20. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the 2012/13 Government Financial Reporting Manual.
21. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

#### **Going Concern**

22. The Board has assessed the Care Inspectorate's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

#### **Related Party Transactions**

23. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the 2012/13 Government Financial Reporting Manual.

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### **Events Subsequent to the Date of the Statement of Financial Position**

24. There have been no material events since the date of the Statement of Financial Position which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
25. Since the date of the Statement of Financial Position no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

### **Corporate Governance**

26. I acknowledge as Accountable Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
27. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the 2012/13 Government Financial Reporting Manual. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2013, which require disclosure.

### **Fraud**

28. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

### **Assets**

29. The assets shown in the Statement of Financial Position at 31 March 2013 were owned by the Care Inspectorate, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### **Liabilities**

30. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2013.

### **Carrying Value of Assets and Liabilities**

31. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with 2012/13 Government Financial Reporting Manual. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.



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## **Provisions**

32. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2013 and of which the Care Inspectorate could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2013.

Yours sincerely

Accountable Officer

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# Appendix C

# The Care Inspectorate

# Annual report on the 2012/13 audit

Prepared for Members of the Care Inspectorate's Audit Committee and the Auditor General for  
Scotland

September 2013

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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

## 2012/13

The financial challenges facing the Scottish public sector are well documented, with public bodies facing deep and prolonged cuts in funding. However, the Care Inspectorate have a less constrained budgetary position than many other public bodies as the Scottish Government has agreed that their budget would be sustained to maintain and enhance the public assurance and protection service that they provide. This has resulted in modest increases in cash terms of 1.5% per annum up to 2014/15.

In 2012/13 we assessed the key strategic and financial risks being faced by the Care Inspectorate. We audited the financial statements which included an assessment of the key systems of internal control and consideration of how risks in these systems could impact on the financial statements. This report sets out our key findings.

We have given an unqualified opinion on the financial statements of the Care Inspectorate for 2012/13. We have also concluded that in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

The Care Inspectorate's 2012/13 operating budget was £34.661 million (£34.611 million resource expenditure and £0.050 million capital expenditure).

During 2012/13, the Care Inspectorate reported a surplus of £0.082 million with the total operating expenditure for the period of £34.988 million against the annual total funding of £35.070 million.

Overall, the Care Inspectorate's system of internal control and arrangements for the prevention and detection of fraud were satisfactory during 2012/13. From our review of the key controls within the main financial systems, we concluded that the Care Inspectorate's systems of internal control are operating effectively and therefore we are able to place reliance on them.

## Outlook

The financial sustainability of the Care Inspectorate appears stable on the basis of its financial position and projected three-year financial summary. The financial position going forward is however becoming even more challenging than previous years with limited increases in funding coupled with increasing cost pressures. This represents a challenge for the Care Inspectorate and expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage. The significant financial challenges will make maintaining or improving on the performance targets set by the Scottish Government even more demanding.

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# Introduction

33. This report is the summary of our findings arising from the 2012/13 audit of the Care Inspectorate. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
34. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management, however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the Care Inspectorate and no responsibility to any third party is accepted.
35. [Appendix D](#) is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Care Inspectorate understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
36. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Audit Committee.

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# Financial statements

## Conduct and scope of the audit

37. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Audit Committee on 19 March 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
38. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

## Audit opinion & accounting issues

39. The Care Inspectorate is required to follow the 2012/13 Financial Reporting Manual (FReM) and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements and the accounts direction from Scottish Ministers.
40. We received the unaudited financial statements on 28 June 2013 in accordance with the agreed timetable. However, the initial submission of the annual report and accounts were not fully complete until 2nd September 2013 as sections of the management commentary and appendices were not included in the original submission.

**Refer action plan No. 1**

41. The working papers were of a high standard and the staff provided good support to the audit team. We completed our fieldwork on 9 August 2013 and matters arising were discussed on a regular basis with the Care Inspectorate's Senior Accountant. A high number of changes were required to be made to the annual report and accounts as a result of our review and the audited financial statements have been adjusted to reflect this. In the main these changes related to the overall the presentation of the annual report. There are no unadjusted misstatements to report.

**Refer action plan No. 2**

42. The final clearance meeting was held on 20 August 2013 with our ISA 260 report being presented to the Audit Committee on 17 September 2013. We have given an unqualified opinion that the financial statements of the Care Inspectorate for 2012/13 give a true and fair view of the state of the body's affairs and of its net operating costs for the year. The financial statements were signed by the Chief Executive, as accountable officer, on 3 October 2013. The audit opinion was formally issued and signed on 3 October 2013.
43. We also reviewed the Governance Statement and concluded that it complied with Scottish Government guidance.

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## Whole of Government Accounts

44. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The Care Inspectorate submitted the consolidated pack to support its 2012/13 WGA return to the Scottish Government prior to the deadline of 31 July 2013. The Care Inspectorate is below the auditor certification threshold of £300 million (2012/13) and no audit certification for the WGA return was required.

## Financial position

### 2012/13 Outturn

45. The main financial objective for the Care Inspectorate is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers.
46. The Care Inspectorate's 2012/13 operating budget was £34.661 million (£34.611 million resource expenditure and £0.050 million capital expenditure). During 2012/13, the Care Inspectorate reported a surplus of £0.082 million with the total operating expenditure for the period of £34.983 million against the annual total funding of £35.070 million.
47. The sponsor department does not explicitly set out the delegated expenditure limit (DEL) split between capital and resource and cash/ non-cash, so the overall underspend of £0.082 million cannot be allocated to these elements.
48. The target level of efficiencies to be achieved by the Care Inspectorate in 2012/13 was approximately £0.9 million which was the notified budget reduction from Scottish Government. This was a challenging target when set against an existing background of extensive use of shared services and a high uptake of collaborative procurement opportunities over the years. For the period 2012/13, the Care Inspectorate has internally reported efficiency savings totalling £2.2 million (which includes the £0.9 million notified budget reduction) which can be regarded as a positive outcome for the year. Savings have mainly arisen from one-off staff savings, collaborative procurement, ICT and Estates efficiencies.

### Reconciliation of net expenditure in the accounts to DEL

49. The Annual Report and Accounts reconciles the deficit shown on the Statement of Comprehensive Net Expenditure to the surplus recognised for budgeting and funding purposes. A summary is shown below.



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**Table 1: Reconciliation of Net Expenditure to Outturn 2012/13**

	£m
Total Comprehensive Net expenditure	18.502
Reversal of IAS19 Pension accounting adjustments	3.297
Funding from grants and grant in aid	(21.680)
Funding from grants and grant in aid to fund depreciation	(0.201)
<b>(Surplus) on funding and budgeting basis</b>	<b>(0.082)</b>

Source: Care Inspectorate Annual Report and Accounts 2012/13

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## 2012/13 financial position

50. The Statement of Financial Position as at 31 March 2013 shows the Care Inspectorate has total assets of £5.153 million (2011/12: £4.457 million) and a net liability position of £33.284 million (2011/12: £36.512 million). The majority of this is represented by the change in the pension liability.
51. *Scotland's public finances: Addressing the challenges* was published by the Auditor General and the Accounts Commission in August 2011. The report provided an overview of the scale of budget cuts expected to be faced by the Scottish public sector in the period 2010/11 to 2014/15, and how public bodies were beginning to respond to the challenges of reducing expenditure. During 2012/13 we followed-up this report within the Care Inspectorate focusing on whether:
- there are sustainable financial plans which reflect a strategic approach to cost reduction; and
  - senior officials and non-executive directors demonstrate ownership of financial plans and the level of scrutiny applied.
52. The Care Inspectorate's business plan provides financial information for the current financial year based on relatively stable grant-in-aid provision and fee income.
53. As the Care Inspectorate is a service organisation, a high proportion of expenditure relates to staff costs. The Care Inspectorate developed a number of resource models during 2012/13 to help identify and demonstrate a clearer understanding of their costs per activity in future years.
54. The budget setting process involves significant input from senior officials and Board members. Financial and performance monitoring reports are subject to scrutiny at each Board meeting. Spending on operating costs was within the final budget set, mainly as a result of in-year expenditure monitoring where budget adjustments, slippages and efficiencies have been used to balance against the overall allocation. This ensures that resources are appropriately targeted to provide benefit to people who use care services and their carers.

55. The Care Inspectorate has not formally developed a medium to long-term financial strategy that takes account of planned changes, setting out how financial resources will be matched to strategic goals and provides assurance that the organisation will continue to be financially sustainable. The Care Inspectorate plan to have this in place by end of 2013/14.

**Refer action plan No. 3**

## Outlook

### 2013/14 budget

56. The 2013/14 revenue budget was approved by the Board in January 2013. The Scottish Government has confirmed the following financial planning assumptions up to 2014/15 which shows modest increases in cash terms of 1.5% per annum. In addition, the revenue budget also includes fee income.

**Table 2: Budgeted Grant in Aid 2012/13 to 2014/15**

	2012/13 £m	2013/14 £m	2014/15 £m
Grant in Aid funding	21.488	21.821	22.158
Fee Income	11.876	11.876	11.876
Gross Expenditure	33.364	33.697	34.034

57. The Care Inspectorate has a less constrained budgetary position than many other public bodies and is continually seeking to identify and implement efficiencies to help improve overall services to their stakeholders.
58. The financial sustainability of the Care Inspectorate appears stable on the basis of its financial position and projected three-year financial summary.

## Corporate governance and systems of internal control

### Overall governance arrangements

59. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Care Inspectorate had sound governance arrangements in place which included a number of standing committees overseeing key aspects of governance.
60. The Care Inspectorate is in the process of implementing a revised organisational structure. Management changes to third tier level have been agreed and implementation and appointment of senior managers is progressing. Proposed team structure changes below third tier management level will be submitted to the Resources Committee meeting on 17 September 2013. In addition, a review of Registration and Complaints and Legal is due to report by the end of October 2013. We will monitor progress during 2013/14.

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## Accounting and internal control systems

61. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
62. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
63. Internal audit is an important element of the Care Inspectorate's governance structure. Our review established that the work of internal audit is of a high quality allowing us to place reliance on a number of areas including income and debtors, procurement, treasury and cash management and governance controls. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.

## Non-Current Assets

64. On an annual basis, finance staff review all non-current assets in order to confirm that that the remaining estimated useful life of each asset continues to be appropriate. Whilst we acknowledge that this review is documented outwith the fixed asset register, the link between this review and the information disclosed in the fixed asset register could be improved. We will monitor progress during 2013/14.

## Prevention and detection of fraud and irregularity

65. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the Care Inspectorate's overall arrangements for the prevention of fraud are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

## NFI in Scotland

66. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started during 2012 but is not due to report until May 2014.
67. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. The Scottish Government are progressing these matches on behalf of the Care Inspectorate. We will monitor progress in this area during 2013/14.

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## Standards of conduct and arrangements for the prevention and detection of corruption

68. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

## Best value

### Best value

69. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where such requirements are not specified we may, in conjunction with the Care Inspectorate agree to undertake local work in this area.
70. Scott-Moncrieff (Internal Auditor) carried out a review of the Care Inspectorate's Best Value arrangements during 2012/13 and concluded that the Care Inspectorate was delivering against each of the Scottish Government's seven themes of Best Value.

## Acknowledgements

71. We would like to express our thanks to the staff of the Care Inspectorate for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# Appendix D: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	40	<p>The initial submission of the unaudited Annual Report and Accounts did not include all sections of the management commentary and appendices.</p> <p><b>Risk - a phased submission of all elements of the annual report and accounts for audit could delay the audit process.</b></p>	<p>A process review meeting will be arranged between the three main contributors to the management commentary and appendices to discuss the reasons for some information not being available by the draft Annual Report and Accounts submission to audit deadline. The outcome of this review will be built into the planning process for 2013/14 Annual Report and Accounts preparation.</p>	Head of Finance & Corporate Governance	30/11/13
2	41	<p>We identified a significant number of formatting and consistency issues during our review of the management commentary section of the annual report and accounts.</p> <p><b>Risk - this resulted in additional resource and effort from both the Audit Scotland and the Care Inspectorate finance staff which could delay the audit process.</b></p>	<p>This point is noted and will be considered as part of the process review meeting detailed above.</p> <p>Overall responsibility for the presentation of the management commentary will rest with the Policy and Communications Manager.</p> <p>Responsibility for the</p>	Policy & Communications Manager	Mid June 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			presentation for the financial statements will remain with the Head of Finance & Corporate Governance.		
3	55	<p>No medium to long-term financial strategy has been formally developed.</p> <p><b>Risk - the Care Inspectorate may not be able to fully demonstrate planned changes, how financial resources will be matched to strategic goals and provide assurance that they will continue to be financially sustainable.</b></p>	This work will be progressed along with the development of the revised corporate plan, operational improvement plan, inspection plan and Spending Review.	Head of Finance & Corporate Governance	31/03/14