

# Scotland's Commissioner for Children and Young People

## Annual report on the 2012/13 audit



Prepared for Scotland's Commissioner for Children and Young People, and the Auditor General for  
Scotland

October 2013

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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## Introduction

1. Scotland's Commissioner for Children and Young People (the Commissioner) was constituted under Section 1 of the Commissioner for Children and Young People (Scotland) Act 2003 which was passed by Parliament on 26 March 2003 and received Royal assent on 1 May 2003.
2. The Commissioner's general function is to promote and safeguard the rights of children and young people in Scotland, up to age 18, or up to 21 if they have ever been in care or looked after by a local authority. In particular, the Commissioner must:
  - promote awareness and understanding of the rights of children and young people;
  - review law, policy and practice to assess their adequacy and effectiveness as regards those rights;
  - promote best practice by service providers; and
  - promote, commission, undertake and publish relevant research.
3. The Commissioner is Tam Baillie. Tam was appointed as the Commissioner on 18 May 2009. Tam is based in Edinburgh and is supported by 15 staff.
4. This report is the summary of our findings arising from the 2012/13 audit of Scotland's Commissioner for Children and Young People (SCCYP). 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.
5. 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 SCCYP and no responsibility to any third party is accepted.
6. [Appendix A](#) 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 Commissioner understands the risks and has arrangements in place to manage these risks.
7. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Advisory Audit Board (AAB).

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## Financial statements

### Conduct and scope of the audit

8. 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 AAB on 11 September 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
9. 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

10. We have given an unqualified opinion that the financial statements of SCCYP for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 23 September 2013.
11. We received the unaudited financial statements on 1 July 2013 in accordance with the agreed timetable. The working papers were of a high standard and staff provided good support to the audit team enabling us to complete our on-site fieldwork on 16 August 2013.
12. SCCYP is required to follow the 2012/13 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

### Financial position

13. The main financial objective for SCCYP is to ensure that the cash drawn down for the year is within the budget allocated by the Scottish Parliamentary Corporate Body (SPCB). In 2012/13 the SCCYP recorded cash expenditure of £1,188,000. Cash drawn down from the SPCB totalled £1,184,000 which was £50,000 less than the original budget. The remaining costs of £4,000 for 2012/13 were funded from reserves brought forward. The original budget was reduced in year by £50,000 and consequently at 31 March 2013 the SCCYP cash drawdown was in line with the revised budget.
14. A net assets position of £1,000 was recorded in 2012/13 compared to £75,000 in 2011/12. The decrease has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the SPCB on a cash basis.

### Financial planning

15. The financial year 2012/13 was the second year of a 3 year plan which was established to reduce the budget of the SCCYP by 15% in real terms. The SCCYP is working to achieve this target.

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16. The savings to date have mainly resulted from reducing staff numbers and costs. In a period of reducing resources across the public sector it will be a challenge to balance expenditure and staffing levels against a reduced budget.

**Refer action point no 1**

## **Corporate governance and systems of internal control**

### **Overall governance arrangements**

17. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Commissioner had satisfactory governance arrangements in place and is supported by an AAB.
18. The Commissioner's governance arrangements are detailed in the governance statement included in the annual accounts. There is no set format of the governance statement but guidance has been published highlighting essential features which should be included.
19. The Commissioner's governance statement has been assessed as complying with good practice. The governance statement includes
- details of the governance framework of the organisation
  - an assessment of corporate governance with reference to compliance with generally accepted best practice principles and relevant guidance,
  - an assessment of the organisation's risk management arrangements and risk profile, including, details of significant risk-related matters arising during the period
  - a statement to confirm there were no significant lapses of data security during the year.

### **Accounting and internal control systems**

20. 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.
21. For 2012/13 the Commissioner informed his assessment of the effectiveness of SCCYP's scheme of control by:
- the work of the AAB in its consideration of risk and internal control measures
  - reports and comments made by the external auditors
  - the work of the Senior Management Team
  - the strategic direction of the organisation
  - reports from external audits and reviews on the adequacy and effectiveness of the scheme of internal control
  - ensuring that SCCYP considers "best value" when contracting for supplies/services.

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22. Based on an assessment of risk by SCCYP, it was not considered necessary to employ any internal audit service during the year. SCCYP will consider whether employing an internal audit service will provide value for money during 2013/14.
  23. 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.

## **Risk Management**

24. During 2012/13 a risk register was established, which is central to the risk management framework of the organisation. Following a request by the Commissioner, we performed a review of the risk register to identify any areas of improvement to facilitate the ways risks are captured, managed and reported.
25. Our findings are included in our report 'Report On The Review Of The Risk Register And Risk Management Arrangements' which was published in March 2013. The report details aspects of good practice which was identified in addition to proposals to improve the risk register.
26. We worked closely with SCCY to ensure the risk register complies with best practice and is effective in ensuring that organisational risks and audit issues are identified, regularly reviewed and managed in order to help achieve business plan objectives.
27. During 2013/14 SCCYP will continue to refine the risk register, develop its risk management policy, and work to fully embed risk management across the organisation.

## **Prevention and detection of fraud, irregularity, and corruption**

28. 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.
29. In our Annual Audit Plan we also highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the SCCYP's overall arrangements for the prevention of fraud, irregularity and corruption are satisfactory, although it should be noted that no system can eliminate the risk of fraud, irregularity or corruption entirely.

## **Best Value**

### **Best value**

30. 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

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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 SCCYP agree to undertake local work in this area.

31. From our audits of numerous Commissioner and Commission bodies we note the considerable time investment made to ensure effective risk management and governance arrangements, and also for the preparation of financial accounts. At a time of reducing budgets we would encourage public bodies of a similar nature and size to work supportively with each other, sharing skills and strengths and internal developments which demonstrate best practice in these areas, in the pursuit of best value.

## Outlook

32. We confirm the financial sustainability of the SCCYP on the basis of its financial position and projected financial summary for 2013/14. 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 SCCYP and expenditure during the year will require to be closely monitored to identify and add any emerging budget pressures or projected overspends at an early stage.
33. The lease for current office accommodation is due to expire on 17 November 2014. Work is ongoing to secure alternative accommodation, but there is a risk that alternative accommodation may not be available on 18 November 2014 and that there may be disruption to the business of the office.

**Refer action plan no 2**

## Acknowledgements

34. We would like to express our thanks to the staff of the SCCYP 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 A: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	16	<p><b>Long term funding reductions</b></p> <p>In a period of reducing resources across the public sector, it will be a challenge to balance expenditure and staffing levels against a reduced budget, especially when there is potential for increasing workload.</p> <p><i>Risk - there is a risk that the SCCYP cannot meet its statutory obligations within available funding.</i></p> <p><b>Medium risk</b></p>	<p>This office submits an annual zero based budget and the Commissioner may be invited to provide evidence in support of the bid. The SPCB would be made aware of the impact that any significant reduction in funding would have on SCCYP's statutory obligations. However, the amount of funding available is ultimately the decision of the Scottish Parliament Corporate Body (SPCB) and so is outwith the control of the Commissioner.</p>	Commissioner/ Head of Corporate Services	Date for budget submission is set by the Scottish Parliament Corporate Body
2	33	<p><b>Office accommodation</b></p> <p>The lease for current office accommodation is due to expire on 17 November 2014.</p> <p><i>Risk: There is a risk that alternative accommodation may not be available on 18 November 2014 and that there may be disruption to the business of the office.</i></p>	<p>The actual lease is due to expire in November 2019. November 2014 is the only opportunity to exercise our option to terminate the lease subject to 6 month's notice. The Commissioner is therefore conscious of the requirement to identify new premises by May 2014. A preferred location has</p>	Commissioner/ Head of Corporate Services	Before 18 May 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<b>Medium risk</b>	already been identified and discussions are ongoing with the letting agents re potential costs. This will then form the basis of a separate submission to the Scottish Parliament Corporate Body, who have already been made aware of our wish to relocate.		