Care Inspectorate

External Audit Annual Report to Those Charged with Governance and the Auditor General for Scotland for the financial year ended 31 March 2018

Care Inspectorate Board

27 September 2018

Joanne Brown
Engagement Leader

Angelo Gustinelli
External Audit Manager

Our audit at a glance

We have fulfilled our responsibilities per International Standards of Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice throughout our work and this final report to the Interim Accountable Officer and the Auditor General for Scotland concludes our work.

Materiality has been updated based on the unaudited 2017/18 financial statements to £786,000 (2% of gross 2017/18 expenditure).

Performance materiality is £589,000 and we have reported to management everything identified over £39,300 (5% of materiality).

Significant audit risks are: management override of controls; and the risk of fraud in revenue and expenditure as set out in International Auditing Standards (ISAs UK) and Practice Note 10.

Our risk assessment remained unchanged and we did not identify any adjustments in these three areas in our work.

An audit underpinned by quality

We have built on our relationship with Care Inspectorate management during the year and this has ensured an efficient audit process to allow for the audit to be concluded on a timely basis.

Our audit opinion for the financial year 2017/18 is unqualified.

Our work was undertaken in accordance with our agreed timetable. The draft financial statements produced by management were complete and supported by good working papers. We thank management for their support and assistance during our work

A wider scope audit for Care Inspectorate, as set out in our plan, was considered not appropriate. However we have considered your financial arrangements and future direction. You have a medium term financial strategy covering 2018/19 to 2024/25 which is clear in the scenarios it considers and future financial forecasts. The Care Inspectorate continues to explore collaborative working, including with NHS Education Scotland around digital innovation.

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Adding value through our external audit work

First and foremost our objective is to ensure we deliver a quality external audit which fully complies with International Standards of Auditing (ISAs) UK and the Audit Scotland Code of Practice (2016). By ensuring our audit is efficient and effective, gives you assurance over our opinion.

Through this Annual Report we seek to provide insight and commentary over certain aspects of Care Inspectorate's arrangements, sharing relevant practices with the Audit Committee and Management.

We have continued to build on our working relationship with management and our understanding of Care Inspectorate as an organisation. During the year we have shared relevant publications with management, in particular from Audit Scotland, and also supported with any technical queries.

Lastly we are committed to audit quality. We shared the Audit Scotland Quality Annual Report at the September Audit Committee and in addition to the financial statements audit we shared good practice on the front end of the Care Inspectorate accounts.

Introduction

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2018.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016.

Our report is addressed to Gordon Weir as Interim Care Inspectorate Accountable Officer, in respect of his role as set out and agreed with Scottish Ministers. In addition, in accordance with our reporting responsibilities the report is jointly addressed to the Auditor General for Scotland.

Once finalised this report will be made publically available on the Audit Scotland website (www.audit-scotland.gov.uk)

Our report was presented as a draft to the Care Inspectorate Audit Committee on 13 September 2018.

Care Inspectorate intend to take this report alongside the final 2017/18 financial statements to the Board meeting on 27 September 2018. The 2017/18 financial statements will then be signed by the Care Inspectorate's Interim Accountable Officer.

We would like to thank Care Inspectorate management and the finance team for an effective year-end audit process and all their support and assistance in the audit process.

Structure of this report

As set out in our Audit Plan (March 2018) we consider in accordance with the Audit Scotland Code of Practice that Care Inspectorate is a smaller body. Therefore full wider scope is not appropriate. Our report concludes on our financial statements audit and certain aspects of Care Inspectorate's arrangements as follows:

The Financial Statements Audit – Section 2

Financial arrangements and future direction – Section 3

Our Opinion

For the financial year ended 31 March 2018 we have issued an **unmodified audit opinion**

- True and fair view of the financial statements
- Regularity – expenditure has been incurred in accordance with the purpose of Care Inspectorate
- Other prescribed matters (which include the audited information in the remuneration report)

The audit process

We received a complete set of financial statements on 2 July 2018 including the performance report, strategic report and governance statement. We received the annual accounts (numbers) at the end of June in accordance with our timetable and our year end audit fieldwork took place in July 2018.

The draft financial statements were supported by good working papers and the audit was efficient.

We identified no unadjusted differences to report to the Audit Committee and the Interim Accountable Officer.

During the course of the audit it was noted that, due to the actual asset returns not meeting the actuaries estimation, the defined benefit net pension liability were materially understated. Management obtained a revised actuarial valuation and adjusted the net defined pension scheme liability.

We identified minor disclosure amendments and these have been reflected in the financial statements.

The financial statements audit

Our audit work was completed in accordance with International Standards in Auditing (UK) (ISAs) and the Audit Scotland Code of Audit Practice (May 2016). Based on our audit procedures performed we have issued an unmodified audit opinion on the financial statements including:

- they give a true and fair view
- have been properly prepared in accordance with relevant legislation and standards
- the wider information contained in the financial statements e.g. Performance and Strategic report
- regularity of expenditure
- audited parts of the remuneration and staff report have been prepared in accordance with the guidance

Audit approach and materiality

Our audit approach was set out in our annual audit plan presented to the Audit Committee in March 2018. Our materiality calculations, set out in our plan, were based on the audited 2016/17 financial statements, this has been updated to reflect the unaudited 2017/18 financial statements. Overall materiality has been set at £786,000 (2% of gross expenditure) and performance materiality is set at £589,000. (75% of materiality). We report to management any audit difference identified over £39,300 (Trivial as 5% of materiality).

We did not identify any additional significant audit risks from those identified in our audit plan. Our work completed in relation to the audit risks identified (management override of controls and risk of fraud in income and expenditure) is set out on page 7.

Internal control environment

During the year we sought to understand Care Inspectorate's overall control environment (design) as related to the financial statements. In particular we have:

- Considered procedures and controls around related parties, journal entries and other key entity level controls. In particular placing reliance on the work of Audit Scotland in their role of Scottish Government external auditors (key financial controls May 2018)
- Performed walkthrough procedures on key financial controls in particular journals, payroll and ledger controls

Our work over controls is limited to our ISA requirements in understanding an entities control environment. Our audit is not controls based and we do not seek reliance over controls. Our audit is fully substantive based in nature.

We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach, set out in our plan.

Internal Audit

As set out in our external audit plan we have not placed formal reliance on the work of Scott-Moncrieff, the Care Inspectorate's internal audit provider. We reviewed the internal audit plan and individual reports issued to date, to consider if any impact on our audit approach, with none being noted and all reports receiving substantive assurance.

The opinion of internal audit for the year was reasonable assurance, which is consistent with prior year.

The findings of internal audit do not disagree with our knowledge and understanding of Care Inspectorate as an organisation.

Narrative elements of your annual accounts

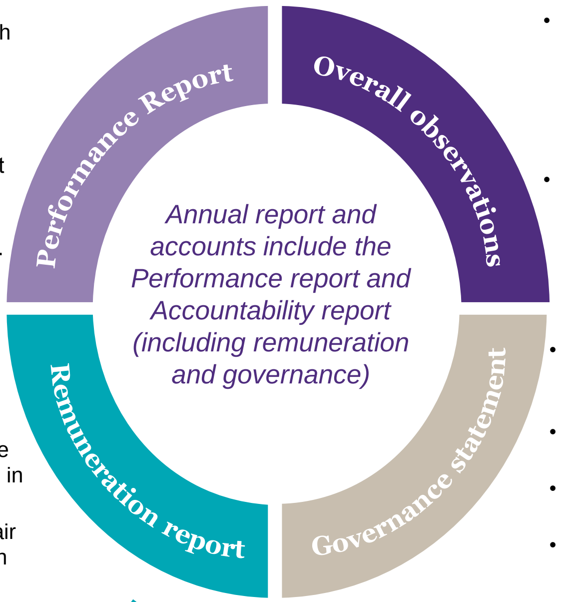
In accordance with our responsibilities we have reviewed your narrative aspects of the Annual Accounts and Report. We have considered the consistency of this narrative with our understanding and the financial statements and have set out our observations below. We have also audited the required information in the remuneration report (marked audited). We noted that the Chair of the Board was overpaid in 2017/18 – see Page 10.

Performance Report

- The performance report is in line with our understanding of Care Inspectorate and in particular the vision and strategic themes of Care Inspectorate.
- The Accountable Officer's statement is detailed and easy to read.
- Risks are aligned to Care Inspectorate's internal risk reporting.

Remuneration Report

- Has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions thereunder.
- The senior managers reflected in the report have been correctly identified in accordance with FReM.
- The remuneration for the Board Chair is in accordance with payroll but is in excess of the contract (see page 10 for commentary)



Overall observations

- Care Inspectorate should continue to look at how the "front end" of the Annual Report and how the Accounts tells the story of Care Inspectorate as an organisation including strategic priorities, risks and challenges and opportunities.
- There is further opportunities to continue to focus on the outcomes of Care Inspectorate as an organisation and continue to make use of graphics as appropriate.

Governance Statement

- As required by the FReM the Governance statement is included in the Accountability report
- No material issues of governance in year that are required to be reported
- The governance statement is in accordance with the FReM
- The statement is supported by individual assurances to the Accountable Officer over internal controls

Key aspects of your financial statements

As set out in our audit plan we consider particular aspects of your financial statements in relation to management judgements including estimates and where management may have particular options or choices in what accounting standards or disclosure requirements to apply. We have summarised where these apply, and our conclusions below.

Care Inspectorate's **accounting policies** are consistent with the FReM and are unchanged from prior year.

Overall the Care Inspectorate accounts are considered simple accounts with few areas of **estimate or judgement**.

In terms of **uncertainties** Care Inspectorate had no material uncertainties in the accounts.

In relation to the audit risk of fraud in respect of expenditure and income, we tested Care Inspectorate's cut off arrangements in particular (**timing of transaction**) and identified no issues in accruals or prepayments which would indicate potential fraud.

There are **no post balance sheet** events or legal uncertainties at year-end.

Finally, Care Inspectorate, as set out in the performance and accountability reports, consider themselves a **going concern**.

They have an agreed budget with the Scottish Government for 2018/19 and have considered Indicative 2019-21 Budgets, although only receive a one year budget settlement.

Given Care Inspectorate's role as the regulator for a range of care services, carrying out strategic inspections of Local Authorities social work departments and also Care Inspectorate responsibility for the scrutiny of children's services, their role is set out in Scottish legislation and we have no reason to believe this legislation will change.

On this basis we agree with managements assertion they meet the going concern criteria.

Identified audit risks and our conclusions

Within our annual external audit plan we identified **significant audit risks** and our planned approach. We have set out below a summary of the work undertaken over these risks and our audit conclusions

Overview of our audit risks identified at planning and our proposed approach

	Risk of fraud in revenue	Risk of fraud in expenditure	Management override of controls
The Risk	As set out in ISA 240, there is a presumed risk that revenue may by misstated due to improper recognition of revenue. Grant Funding from the Scottish Government is well forecast and agreed directly to funding award letters and is therefore inherently lower risk of fraud. Our presumed risk focuses on fees and charges We consider the risk to be prevalent around the year end and therefore focus our audit work on transactions around the year end.	Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). As set out in Practice note 10 (revised) which applies to public sector entities.	As set out in ISA 240, across all entities there is a presumed risk of fraud being perpetrated by management through its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Override of controls risk is present in all entities.
Our planned response	• Walkthroughs of the controls and procedures around material income streams and validation of key controls where appropriate • Agree income in year to supporting receipts/invoices/cash • Consider income cut off procedures and substantive testing over pre and post year end balances • A focus on recoverability of balances at the year end	• Perform cut off at year end on pre and post year end transactions and recording • Walkthrough of the key expenditure controls in place • Regularity – Expenditure incurred in accordance with the type/nature of Care Inspectorate as an organisation	• A focus on understanding how/where management override of controls may occur • Review of the controls over journal entries • Understanding key areas of judgement and estimation within the financial statements and the basis for these judgements and the application of accounting policies • Reviewing unusual and/or significant transactions
Our Conclusions	• Our walkthroughs did not identify any significant control deficiencies within the revenue processes. • Our testing did not identify any issues over the completeness and accuracy of income. • Our testing of cut-off confirmed income transactions were treated in the correct period. • Our testing of grant income and expenditure confirmed that spending is in line with the conditions of the grant as set out in the award letters.	• We did not identify any incorrect recording or classification of operating expenditure in the annual accounts based on our substantive audit testing. • Our testing of cut-off identified transactions sampled were treated in the correct period. • Our testing confirmed expenditure recorded in the annual accounts was incurred in accordance with the purpose and nature of Care Inspectorate as an organisation and in accordance with relevant laws and regulations.	We made inquiries of those members of staff who can post and authorise journals related to inappropriate or unusual activity with no concerns noted. We confirmed completeness of journals during the year, and targeted large and/or unusual journals. We noted no issues from our testing. Care Inspectorate use the Scottish Government accounting system (SEAS). We have obtained assurance over these arrangements through the report provided by Audit Scotland over the SEAS system, in their role as external auditor for the Scottish Government. Through our substantive audit testing, we did not identify any significant or unusual transactions that are out with the normal course of business.

As part of our audit there were **other key areas of focus** during the course of our audit. Whilst not considered a significant risk, these are areas of increased risk due to their complexity or magnitude.

Overview of other areas of audit focus identified at planning and our proposed approach

Pension scheme liabilities

The Risk

Care Inspectorate participate in the Tayside Superannuation Fund defined benefit pension scheme. Care Inspectorate recognises its share of the defined benefit pension scheme assets and liabilities. These are valued through an actuarial valuation. As at 31 March 2017 Care Inspectorate recognised a net pension liability of £48.509 million. While we have no underlying concerns around the historic accounting treatment, given the scale of the liability recognised and level of judgement in the assumptions used in the actuarial valuation the pension scheme liability is an area of increased inherent risk. Management obtain an independent actuarial valuation to support the year end balance and we have no underlying concerns around the basis of the approach adopted in previous years.

Our response

- Review of accounting treatment adopted by Care Inspectorate for post employment benefits and confirm that it complies with the FReM and IAS 19: *Employee benefits*.
- Confirming that the valuation is consistent with the actuaries' valuation and that the actuarial assumptions underpinning the valuation are reasonable and reflective of Care Inspectorate's circumstances.

Our conclusion

- We have confirmed that the accounting treatment adopted by Care Inspectorate is in line with the FReM and appropriate.
- We have confirmed the numbers and disclosures are in line with the updated actuarial assumptions, however the numbers were subject to a late adjustment.
- The Care inspectorate share of defined benefit pension scheme assets and liabilities is estimated through an annual actuarial valuation. The actuarial valuation provides an estimate of the Care inspectorate future net pension obligations as at the balance sheet date. The scheme assets are estimated by the actuary based on market valuations as at 28 February 2018 with forecast position based on expected return on investments to 31 March 2018. Due to actual asset returns not achieving the actuaries estimation, within the draft accounts, the Care inspectorate share of the total Tayside Pension Fund assets were overstated by £1.917 million, resulting in understatement of the net pension liability.
- Management obtained a revised actuarial valuation to reflect actual asset values held at 31 March 2018 and the financial statements adjusted accordingly (see Audit Adjustments, page 12).

Finance and governance commentary

Key observations		
Care Inspectorate financial position	The main financial objectives of Care Inspectorate are to continue to meet its operational requirements, and minimise the risk of Care Inspectorate being unable to meet its strategic objectives as a result of insufficient resourcing. Care Inspectorate's budget is funded mainly by a mixture of grant in aid, specific grants from the Scottish Government and fees paid by service providers. In 2017/18, Care Inspectorate had total net expenditure before grant funding of £20.484 million and total grant funding of £21.856 million. Care Inspectorate had further expenditure of £1.153 million on transitional expenditure, CAPA programme spend and Business & Digital Transformation, leaving a surplus of 0.219 million. The Statement of Financial Position shows a net liability position of £10.872 million which has reduced from £45.717 million in 2016/17, with the majority of which attributable to the significant decrease in the pensions liability. 80% of Care Inspectorate's expenditure in 2017/18 relates to staff costs (£31.432 million), similar to other public sector entities, the pension liability is a material figure. However, it is not expected that the Scottish Government will withdraw support for the pension liability.	Care Inspectorate's actual results are in-line with forecasts during the year. Staff continues to be a significant fixed costs although the Care Inspectorate continue to focus on identifying and delivering savings including new ways of working.
Finances 2018/19	The 2018/19 budget includes a planned deficit of £1.454 million. In 2017/18 an underspend was achieved which has created funding to support the Care Inspectorate's digital transformation programme. This programme is being funded through savings generated by the Care Inspectorate to date and additional Scottish Government funding of £1.02 million (£0.300 million in 2017/18). The additional funding from the Scottish Government is required to be repaid in later years from the savings and efficiencies the programme will create. Core grant-in-aid funding for 2018/19 is £21.389 million and this is consistent with that of 2017/18 (however in 2017/18 the CI were anticipating 21.6 million). Specific initiatives are taking place to look at discretionary spend and targeted staff reductions.	The approved budget for 2018/19 reflects future initiatives alongside the need to balance costs to income and the challenges where staffing is a significant cost, and therefore relatively fixed in nature.
Finances – The future	The Care Inspectorate has a medium to longer term financial strategy which was refreshed in May 2018 and covers the period 2018/19 to 2024/25. This strategy has 4 objectives: achieve long term financial security, to invest in key resources and capabilities, to plan and control the financing of developments and to integrate and harmonise financial and other strategies. The strategy includes sensible assumptions and these are clearly articulated. Year on year the forecast shows the Care Inspectorate net expenditure increasing which without action would result in a potential deficit of £5.439 million. Any changes in the grant-in-aid assumptions result in large movements in the forecasted deficit.	The strategy document is useful in setting out future trends in expenditure and income based on certain scenarios. The strategy demonstrates the action the Care Inspectorate needs to take if it wants to be financially sustainable in the future.

Key observations

Board Chair Remuneration	The Board Chair has reciprocal roles at Healthcare Improvement Scotland and the Scottish Social Services Council which he fulfils and is paid for by Care Inspectorate as built into his agreement with Scottish Government, in effect his contract. The contract sets out that the Board Chair is anticipated to work 12 days a month, up to a maximum of 174 days per annum and this equates to an annual salary of circa £41,000. Per paragraph 72 of the contract if additional hours are worked these are unpaid unless approval granted by Scottish Government. On a monthly basis the finance team monitor Paul's payroll costs and days spent on Care Inspectorate activities. In March 2018 Paul undertook work for the Care Inspectorate in Japan which meant that his total days for 2017/18 were over the limit set in the Scottish Government contract. This was identified by Finance in August 2018 and we understand retrospective approval is being sought from the Scottish Government for the additional days. If this is not granted, then the number of days claimed in 2018/19 will be adjusted to re-claim the potential overpayment.	This was an oversight in 2017/18 and will be closely monitored in future, particularly where certain Care Inspectorate activities expected of the Board Chair fall close to the end of the financial year. We will consider in 2018/19 if approval was granted and impact on payments during the year.
Shared services with SSSC – ICT	The Care Inspectorate has a number of partnerships/shared services in place with SSSC. This is in line with the Scottish Government strategy on collaboration and sharing services, and recognises the synergy between the two organisations and the building space they share. During 2017/18 the SSSC took the decision to pursue their own ICT digital transformation strategy and as a result, end the ICT shared services arrangements. From the Care Inspectorate side this has resulted in a period of uncertainty and concern around their ICT resource recognising the shared nature of some of these posts and that certain aspects of the ICT service were set up the way they were, to provide the shared services. Assurances were sought and provided by the SSSC that there would be no financial determinant to the Care Inspectorate as a result of the SSSC decision. Further conversations have taken place, and the financial "gap" will be met by the respective sponsor departments via an adjustment in Grant-in-aid. Care Inspectorate initially identified a financial impact on the Care Inspectorate of £0.206 million due to the decision to end the agreement. A number of discussions have taken place between both parties and an internal and then an external review commissioned to understand the respective governance and decision making, focused on lessons to be learned. This decision only related to ICT and we note that the Care Inspectorate and SSSC have shared service arrangements for finance, procurement, estates management, health and safety, HR and reception services and approach to partnership working which we would hope will continue without a detrimental impact, as this is in line with, as we understand it, future Scottish Government collaboration and closer working aims and objectives particularly across Central Government.	The lessons learned report produced independently of both organisations will support the Care Inspectorate and SSSC in working closely together in other shared services for example the finance function. The report highlights the importance of having the right systems and processes and governance in place, alongside the culture and behaviour of both organisations. We understand from discussions that any financial detriment on the Care Inspectorate will be met via the respective sponsor departments and grant-in-aid recognising the costs that the Care Inspectorate will still have although no longer providing the service.

Appendices

Audit adjustments

Uncorrected and corrected misstatements

We are pleased to report that there were no uncorrected misstatements to the financial statements arising during our audit.

The following adjustment was identified during the course of the audit and corrected in the financial statements.

Item		Dr (£'000)	(Cr) (£'000)	Description
1	Other operating income (Pension reserve)	1,917		*Adjustment to recognise defined benefit pension scheme net liability actuarial estimation difference.*
	Defined benefit pension liability		(1,917)	

Disclosure misstatements

In accordance with auditing standards we are required to highlight significant disclosure misstatements to allow Audit Committees to evaluate the impact of these matters on the financial statements.

There were no material/significant disclosure misstatements identified we wish to bring to your attention

Action plan for 2017/18

We have set out below, based on our audit work undertaken in 2017/18, those risks and recommendations we consider are of a higher risk to Care Inspectorate that Management may wish to consider in the future.

Recommendation from 2017/18 audit	Agreed management response
Shared services ICT arrangements Following on from the lessons learned in respect of the shared services ICT arrangements between the Care Inspectorate and SSSC, Management should agree an action plan which can then be monitored by the Audit Committee and the Board. Recognising the wider sharing of arrangements between Care Inspectorate, SSSC and then NES from 2018/19 it is key that the arrangements in place in respect of governance are strengthened to mitigate any future similar risks to the Care Inspectorate.	**Management response:** The Shared Service Strategy will be reviewed by both the Care Inspectorate and SSSC. This review will include the development of an action plan in accordance with this audit recommendation. **Action owner:** Interim Director of Corporate and Customer Services. **Timescale for implementation:** Strategy revised and action plan agreed by 31 March 2019.

Follow up of 2016/17 external audit recommendations

Recommendation from 2016/17 audit	Agreed management response
Year end accounts timetable As in previous years we undertook our external audit work over the first three weeks of July. The Accounts are not approved by the Board until October so there is either scope to move the audit process to later on, or for the Board to sign the accounts earlier. This would be a decision for Management and the Audit Committee to consider.	**Complete** Management and the Audit Committee considered the audit timetable, within the context of when the Board approve the accounts and agreed that the timetable should remain the same.
Annual report The front end of the financial statements, the wider annual report commentary, is very lengthy and contains information which is already publically available on the Care Inspectorate and might not necessarily enhance the user of the accounts understanding of the work of the Care Inspectorate or the service outcomes.	**Partially complete** Management still continue to look at the front end. Improvements have been made in 2017/18 and the accounts are more focused in commentary. There continues to be opportunity to look at how the Care Inspectorate demonstrates the achievement of outcomes and links to information already publically available. **Action owner**: Communications Lead. **Timescale for implementation:** 30 June 2019.

Fees, independence, fraud arrangements

External Audit Fee

Service	Fees £
External Auditor Remuneration	24,420
Pooled Costs	5,950
Contribution to Audit Scotland costs	1,490
Contribution to Performance Audit and Best Value	0
2017-18 Fee	**31,860**

The audit fee was calculated in accordance with guidance issued by Audit Scotland and agreed with Management.

The above fee has not changed and our final fee was £31,860

Fees for other services

Service	Fees £
We can confirm there are no non-audit fees for the 2017/18 financial year	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.

We can confirm no independence concerns have been identified.

Fraud arrangements

In assessing our audit risks, the audit team was alert to the possibility of fraud at Care Inspectorate.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relation to management override of controls.
- Leading a discussion with those charged of governance (for Care Inspectorate this is assumed to be the Audit Committee) on their view of fraud. We did this when presenting our audit plan and in the form of management and those charged with governance questionnaires which were received in July 2018.
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud.
- responding appropriately to any fraud or suspected fraud identified during the audit. – None were identified in-year.

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

It is **Care Inspectorate's** responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we worked with Care Inspectorate to review specific areas of fraud risk, including the operation of key financial controls.

We also examined certain policies in place, strategies, standing orders and financial instructions, as relevant to the fraud framework, to ensure that they provide a reasonable framework of internal control.

No suspected frauds or irregularities have been identified by Management and reported in-year.

Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity **We are independent of Care Inspectorate and have not identified any conflicts of interest**	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence **We have not incurred any non-audit fees during the year and no threats to independence identified**	•	•
Significant matters in relation to going concern **No significant going concern matters identified**	•	•
Views about the qualitative aspects of Care Inspectorate accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures **Set out in the Financial statements section of our report**		•
Significant findings from the audit **No significant findings from our audit**		•
Significant matters and issues arising during the audit and written representations that have been sought **Letter of representation will be shared and signed by the Accountable Officer when signing the financial statements. This is our standard, unmodified letter of representation.**		•
Significant difficulties encountered during the audit **No difficulties encountered**		•
Significant deficiencies in internal control identified during the audit **None identified**		•
Significant matters arising in connection with related parties **None identified**		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements **None identified. A nil fraud return was submitted to Audit Scotland in April 2018 in accordance with the planning guidance.**		•
Non-compliance with laws and regulations **None noted**		•
Unadjusted misstatements and material disclosure omissions **None noted. Minor disclosure amendments only and these were not material in nature**		•
Expected modifications to the auditor's report, or emphasis of matter **None, an unqualified opinion**		•

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table above.

We communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to Care Inspectorate Management and the Audit Committee.

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