



Scottish Social Services Council (SSSC)

**External Audit Annual Report to the Council and the Auditor General for
Scotland for the financial year ended 31 March 2019**

Final Report 8 November 2019

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Our audit at a glance



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



Materiality has been updated based on the unaudited 2018/19 financial statements to £480,000 (2% of gross 2018/19 expenditure). Performance materiality is £360,000 and we have reported to management any audit adjustments identified over £24,000 (5% of materiality).



Significant audit risks were: management override of controls and the risk of fraud in revenue, as required under ISA's. In addition we included a significant risk of fraud in expenditure, as set out in Financial Reporting Council Practice Note 10. Our risk assessment remained unchanged and we did not identify any audit adjustments related to our significant audit risks.

An audit underpinned by quality



We have built on our relationship with SSSC management during the year and we thank management for their support and assistance during the audit process.

We have issued an unmodified audit opinion for the financial year 2018/19.



There were delays in the audit process, compared with the timetable agreed, due to unplanned staff absences and annual leave. We will review the audit timeline with management to re-look at the best timing for 2019/20.



The draft financial statements produced by management were complete (with the exception of the remuneration report) and supported by working papers.

A wider scope audit for SSSC, as set out in our plan, was considered not appropriate. However, we do conclude on financial sustainability and the governance statement disclosures, as required by the Code.

Following the Section 22 report in December 2018 Management have been reviewing the Council's arrangements in respect of governance alongside specifically the sharing of services with the Care Inspectorate. Our report reflects a status update against the agreed actions.

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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 on Auditing (ISAs) UK and the Audit Scotland Code of Practice (2016).

Through this Annual Report we seek to provide insight and commentary over certain aspects of SSSC'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 SSSC as an organisation, including a meeting with the Chief Executive, where we discussed the development and progress against the Section 22 recommendations alongside wider sharing of services.

Introduction

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2019.

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

Our report is addressed to the Council of SSSC (as those charged with governance). 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 SSSC Audit Committee on 25 September 2019.

SSSC took this report alongside the final 2018/19 financial statements to the Council meeting on 29 October 2019. The 2018/19 financial statements were then signed by SSSC's interim Accountable Officer at the Council meeting. Given some errors in the initial versions signed, the statements were updated and re-signed on the 7th of November 2019.

We would like to thank SSSC management and the finance team for all the help throughout the year to support the audit process

Structure of this report

As set out in our Audit Plan (February 2019) we consider in accordance with the Audit Scotland Code of Practice that SSSC is a smaller body. Therefore full wider scope is not appropriate.

Our report concludes on our financial statements audit and certain aspects of SSSC's arrangements as follows:

The Financial Statements Audit – Pages 5 to 8

Financial sustainability and governance statement commentary – Pages 9 to 12

Section 22 report status update – within Appendices



Our Opinion

For the financial year ended 31 March 2019 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 SSSC
- Other prescribed matters (which include the audited information in the remuneration report)



The audit process

We received a set of financial statements in accordance with the agreed timetable on 24 June 2019. These included the Performance and Strategic report as well as the Governance Statement, however the remuneration report was not included. This was due to a delay in the provision of CETV figures. The full remuneration report was received on 5 August 2019.

We identified no unadjusted differences to report to the Audit Committee. However, during the course of the audit it was noted that, due to McCloud/Sargeant judgement with respect to pension age discrimination, the IAS 19 pension disclosures were understated. Management obtained a revised actuarial valuation and adjusted the IAS 19 pension amounts.

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 on 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 annual accounts, e.g. Performance Analysis and Governance Statement, are consistent with the financial statements
- 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 February 2019. Our materiality calculations, set out in our plan, were based on the 2018/19 budget, this has been updated to reflect the unaudited 2018/19 financial statements. Overall materiality has been set at £480,000 (2% of gross expenditure) and performance materiality is set at £360,000. (75% of materiality). We report to management any audit difference identified over £24,500 (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 8.

Internal control environment

During the year we sought to understand SSSC'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, informed by the work of Audit Scotland in their role of Scottish Government external auditors (key financial controls May 2019) as an auditor expert.
- Performed walkthrough procedures on key financial controls; 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 SSSC's internal audit provider. We have reviewed the internal audit plan and individual reports issued to date, to consider if any impact on our audit approach. During the year, the internal auditors faced resourcing challenges and this meant the plan was completed late in the year. This has been discussed with the Audit Committee and a better phasing of the plan agreed for 2019/20.

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

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) and have no matters we wish to bring to your attention.



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.

SSSC's **accounting policies** are consistent with the FReM. The 2018/19 financial statements reflect the adoption of two new International Financial Reporting Standards (IFRS): IFRS 9 and IFRS 15. Management's assessment of these standards was that they did not have a material impact on the financial statements as follows;

For **IFRS 15**, SSSC income comes from a mixture of Scottish Government grants and fees from providers/registrants.

For **IFRS 9**, the financial instruments held by the SSSC are cash, trade receivables and trade payables. Trade receivables and payables are accounted for at fair value through the Statement of Comprehensive Net Expenditure, therefore, there is no impact on the financial statements. We agree with Management's conclusion.

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

SSSC are an admitted body to Tayside Superannuation Fund. Due to the nature of Local Government Pension Schemes, these figures can vary materially from year to year. However, these amounts are calculated by an independent actuary (Barnett Waddingham) and tested as part of the audit.

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

During the course of the audit it was noted that due to McCloud/Sargeant judgement with respect to pension age discrimination, the **IAS 19 pension disclosures** were materially understated. Management obtained a revised actuarial valuation and adjusted the IAS 19 pension amounts. As a result of the McCloud /Sargeant judgement, additional audit testing was carried out which resulted in the audit team having to consult with our internal actuaries to gain assurance that Barnett Waddingham had correctly assessed the impact of the judgement.

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

They have an agreed budget with the Scottish Government for 2019/20 and have considered indicative 2020/21 and 2021/22 Budgets, only a one year budget settlement is received.

The SSSC's role is set out in Scottish legislation and we have no reason to believe this legislation will change. On this basis we agree with management's assertion they meet the going concern criteria.

In terms of **uncertainties**, SSSC had no material uncertainties in the accounts.

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	<p>As set out in ISA 240, there is a presumed risk that revenue may be 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. The SSSC charges fees to individual social care service workers applying to join the Register. Once registered an annual continuation of registration fee is charged and following a set number of years a renewal of registration fee is charged. We consider the risk to be prevalent around the year end and therefore focus our audit work on transactions around the year end.</p>	<p>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.</p>	<p>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.</p> <p>Management override of controls is present in all entities.</p>
Our planned response	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Walkthrough of the key expenditure controls in place. Agree expenditure in year to supporting receipts/invoices. Perform cut off at year end on pre and post year end transactions and recording. Regularity – Expenditure incurred in accordance with the type/nature of SSSC as an organisation. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 SSSC as an organisation and in accordance with relevant laws and regulations. 	<p>Given the nature of SSSC's activities, the key accounting estimate is the contingent liabilities. 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. SSSC 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.</p>

Financial sustainability and governance statement commentary

Financial Position 2018/19

In 2018/19, SSSC received income directly of £4.716 million, alongside Grant-in-aid and specific grant income from Scottish Government of £17.562 million (£22.278 million total income). This income was used to cover expenditure of £22.847 million in year, resulting in an in-year deficit of £0.569 million, which was £0.196 million less than the forecasted financial deficit for the year.



The deficit was funded using reserve built up in previous years intentionally by SSSC with the agreement of their Sponsor. The closing reserves balance of £0.922 million is 4% of gross expenditure which is in excess of the SSSC reserves policy is 2% (£0.444 million) to 2.5% (£0.555 million) of expenditure.

The Statement of Financial Position shows a net liability position of £6.942 million which has increased from £4.090 million in 2017/18, with the majority of which attributable to the increase in the pensions liability. 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. 50% of SSSC expenditure in 2018/19 relates to staff costs (£12.261 million).

Financial Position 2019/20

The draft 2019/20 budget set out in a report to the Council on 26 March 2019, indicated that grant-in-aid will increase fractionally by £0.087 million to £15.500 million in 2019/20.

It is assumed fee and other income will increase further to £5.314 million in 2019/20, an increase of £0.849 million. This forecasted increase is driven by the impact of the remaining new registrations expected from the opening of the register to Housing Support and Care at Home Workers. Additionally, there is a further increase expected in relation to Practitioners in Day Care of Children as a result of the Government initiative to double provision for day care of children by 2020. This provides total funding of £21.065 million.

The initial draft budget shows expenditure of £21.296 million, resulting in a budget shortfall of £0.231 million. This shortfall relates to a specific request from the Sponsor Department to deliver a national social service workforce marketing and recruitment campaign, which will be funded using reserves carried forward from 2018/19, resulting in a breakeven position.

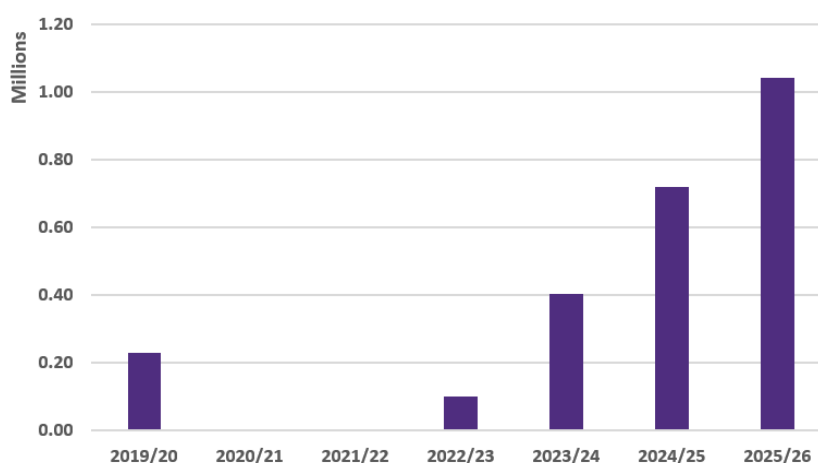


Financial Sustainability

The SSSC has a Draft Financial Strategy 2019-20 to 2025-26 which was considered by the Resources Committee at its meeting on 5 June 2019.

As set out in the SSSC Financial Strategy, the main financial objectives of SSSC are to achieve long term corporate sustainability, invest appropriately in our key resources and capabilities over the medium to long term, plan and control the financing of developments and integrate and harmonise financial and other strategies.

The strategy includes assumptions covering pay, pensions, running costs, digital developments and funding and are well articulated. A breakeven position is forecasted for the next three financial years with the exception of 2019/20 that is forecasting a deficit of £0.231 million as discussed at *Financial Position 2019/20*. However, from 2022/23, year on year the forecast shows the SSSC net expenditure increasing which without action would result in a potential deficit of £1.043 million by 2025/26;



The strategy document considers difference scenarios and the related impact on future trends in expenditure and income. For example, if the grant-in-aid assumptions were to reduce by 3%, the potential deficit would rise to £3.607 million by 2025/26. The strategy demonstrates the action the SSSC needs to take if it wants to be financially sustainable in the future. We will continue to monitor the progress made by this Management in reducing forecasted deficits.

EU Withdrawal

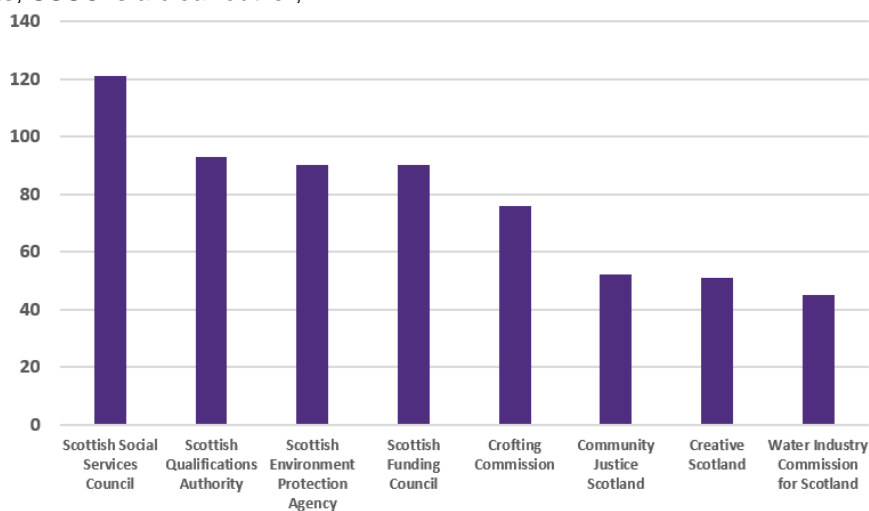
It is recognised that the potential impact on the SSSC as a result of the UK potentially leaving the EU at the end of October is minimal taking into account the nature of the organisation and the organisation's staffing profile. Taking this into account we would conclude, based on the degree of risk, the SSSC is 'partly prepared'. We note it has been considered as a risk, that management are continuing monitor as the position develops but as of yet, given nature of SSSC, it is not captured as a strategic risk on the risk register. Should the position change, or additional guidance be received from Scottish Government this will be reviewed.



Annual reporting process and front end of accounts

We note that the Annual Report and Accounts are presented at an accounts workshop in advance of the Audit Committee and Council meetings. This allows the Council members to develop a better understanding of the annual report and accounts as well as additional time for review of the financial statements.

It was noted from review of the Annual Report and Accounts, that the front end of the financial statements, the wider annual report commentary, is lengthy and contains information which is already publicly available on the SSSC website and might not necessarily enhance the user of the accounts understanding of the work of the SSSC or the service outcomes. The Annual Report and Accounts for 2018/19 were 121 pages, when compared to other executive non-departmental public bodies accounts, SSSC is a clear outlier;



Management should review the Annual Report and Accounts and look to remove duplicate information and information available on the SSSC website, thus increasing the readability and reducing the length of the document. **Action Plan 1.**

Fraud and Irregularity

SSSC has arrangements in place to help prevent, detect and mitigate the risk of fraud or irregularity, including anti-bribery and whistleblowing policies. While we consider these to be reasonable, no arrangements can fully prevent against the risk of fraud, theft or irregularity. We are not aware of any material frauds at SSSC during the course of the year and have confirmed this with management.

The SSSC participates in the National Fraud Initiative (NFI), a counter fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and the National Audit Office to identify fraud and error. From a total of nine matches, all of which have been processed, one error was found to the value of £637.64. The monies owing to the SSSC have been recovered.

We found SSSC's arrangements for participation in the NFI exercise during 2018/19 to be satisfactory. The SSSC has effective arrangements in place for the submission of data and investigation of potential matches.



Shared services with Care Inspectorate – ICT

The SSSC work in partnership with the Care Inspectorate through the sharing of certain support services. During 2018/19 the two organisations continued to share Finance and Human Resources services, alongside certain reduced IT support services. Under the service level agreement in place, the Care Inspectorate Corporate Services Director spends a certain amount of time dedicated to supporting SSSC.

Following the Section 22 Report on SSSC's arrangements in respect of IT both organisations committed to re-looking at the sharing of services and how this could continue with improved governance, alongside greater clarity over the joint vision for the sharing of services. Both organisations recognise that over time, as each organisation has developed, the service level agreement (last rewritten in April 2015) may no longer support both organisations now alongside the opportunity to re-look at governance and reporting lines.

As a short term measure both organisations agreed to re-establish the shared services group, led by the Director of Corporate Services and agreed an approach to reviewing and monitoring the current service level agreement which remains in place. The service level agreement was refreshed slightly, to reflect the ICT developments, and is in place now to ensure continuation of services whilst the forward looking arrangements are developed.

A piece of work has been commissioned from CIPFA to support both organisations in redefining the vision for shared services. Once this has been defined, the governance arrangements and then operational delivery will be re-reviewed to ensure alignment to the vision. This is a positive development and will ensure that the future shared services agreement will be built on solid foundations and a joint understanding, which both organisations will agree to via the respective Board and Council arrangements. It is anticipated that by January 2020 both organisations will have agreed the vision.



Appendices

Audit adjustments

Action plan for 2018/19 recommendations

Follow up on 2017/18 audit action plan

Independence, fees and fraud responsibilities

Communication of audit matters with the Council

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 Staff costs	298		<i>Adjustment to recognise defined benefit pension scheme net liability actuarial estimation difference as a result of McCloud/Sargeant judgement.</i>
Defined benefit pension liability		(298)	<i>Note there is corresponded movement through reserves to take the charge through the pension reserve.</i>

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 2018/19 recommendations

Finding and recommendation

Agreed management response

Action Plan 1 - Annual report

Management should review the Annual Report and Accounts, which for 2018/19 were 121 pages long, and look to remove duplicated information and information available on the SSSC website, thus increasing the readability and reducing the length of the document.

Management comment: Action agreed

Action owner: Chief Executive

Timescale for implementation: 2019/20 Annual Report and Accounts

Follow up on 2017/18 audit action plan (including S22 Actions)

Finding and recommendation

PY Action Point 1: Policy Forum

We recommend the purpose of the policy forum should be reviewed in light of continuing to ensure SSSC governance arrangements are as open and transparent as possible and given all Council members attend the scope of the Forum does not grow from the intention in the scheme of delegation.

Agreed management response

Management comment: We will review the Policy Forum terms of reference and reporting line during 2018/19 to ensure that the arrangement is still appropriate and aligned with ensuring our arrangements are open and transparent.

Action owner: Chief Executive

Timescale for implementation: Reviewed by end of March 2019

Follow up: Complete. In February 2019, SSSC commissioned CIPFA to undertake an independent governance review of the role of the Policy Forum. SSSC demonstrated an appetite to strengthen their governance function and an openness to consider the merits of alternative arrangements in keeping with the principles of good governance. The review concluded that the Policy Forum, as currently operating, is a valuable contribution to useful debate and should therefore continue.

PY Action point 2: Undertaking a formal independent review of the shared services agreement

SSSC should seek to have an independent review of the overall governance of the shared services arrangements. In particular looking to consider the use of service level agreements and introducing more formal performance monitoring and governance to ensure the arrangements deliver what is expected and continue to align to the strategic direction of SSSC and demonstrate value for money.

Management comment: We have started to consider this following on from an initial independent consultancy review in respect of the ICT shared service and lessons learned. With the Care Inspectorate we will agree an independent review of the wider shared services arrangements reflecting the comments noted by external audit. We will look to strengthen the clarity and decision making in respect of shared services and ongoing service monitoring.

Action owner: Chief Executive

Timescale for implementation: Revised to 31 March 2020 (initially 31 March 2019)

Follow up: In progress. A piece of work has been commissioned from CIPFA to support both organisations in redefining the vision for shared services. Once this has been defined, the governance arrangements and then operational delivery will be re-reviewed to ensure alignment to the vision. A full paper is anticipated to go to the October 2019 Council meeting and is being prepared by the Head of Shared Service.

PY Action point 3: Payment to Care Inspectorate

SSSC should work with Care Inspectorate to agree if a final payment is appropriate and required, and the budget implications for SSSC, taking into account value for money and need for a resolution which reflects SSSC requirements.

Management comment: This matter will be discussed and determined by the Resources Committee in December 2018

Action owner: Chief Executive/Resources Committee

Timescale for implementation: 31 January 2019

Follow up: Complete. Discussions have taken place with the SSSC Sponsor, alongside Care Inspectorate and the financial implications agreed and reflected in the necessary budgets of the respective organisations.

Finding and recommendation

PY Action point 4: ICT contact monitoring

Following the ending of the shared service with Care Inspectorate management should take the opportunity to re-look at the budget for the ICT project and the phasing of the project. This should reflect all known costs including one off costs. This should then be reviewed in respect of changing ICT needs and overall project benefits anticipated to ensure decisions continue to represent value for money and are procured in the best manner.

PY Action point 5: Benefits Realisation

The paper to October Council 2018 started to articulate the benefits to SSSC of the ICT project. These should be compared to the cost of the project, alongside costed efficiencies to demonstrate good use of public money/value for money.

PY Action point 6: ICT Support

SSSC should review their ICT support to oversee the delivery of the project and ensure that there is continuity to oversee and manage the risks as they arise, recognising the reliance on ICT contract staff, alongside the cost of using contractors.

Agreed management response

Management comment: This work is ongoing. Budgets are being reviewed and costs reported on a recurring/non-recurring basis, alongside the phasing of costs. The overall ICT budget and variances will continue to be reported in the budget updates to Resources Committee

Action owner: Chief Executive / Director of Corporate Services

Timescale for implementation: 31 March 2019

Follow up: Complete.

Management comment: This is planned as part of the benefits realisation project that is ongoing. An initial paper was taken to the Council in October and we will build on the detail in that, reporting back to full Council.

Action owner: Chief Executive

Timescale for implementation: 31 March 2019

Follow up: In progress. A benefits realisation paper is being prepared, taking into account the ICT costs and intended benefits. This paper will capture the quantifiable and qualitative aspects of the ICT programme. A full paper is anticipated to go to the October 2019 Council meeting.

Management comment: The Council approved the permanent appointment, at a senior level, to oversee the delivery of the digital project. This recruitment exercise will commence in due course, seeking to fill the permanent post.

Action owner: Chief Executive

Timescale for implementation: Revised to November 2019 (initially 31 March 2019)

Follow up: In progress. The contractor is still in place at the moment, however the permanent post is being advertised.

Fees, independence, fraud arrangements

External Audit Fee

Service	Fees £
External Auditor Remuneration	15,040
Pooled Costs	3,620
Contribution to Audit Scotland costs	900
Contribution to Performance Audit and Best Value	0
2018-19 Fee	19,560

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 £19,560

Fees for other services

Service	Fees £
We can confirm there are no non-audit fees for the 2018/19 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.

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Fraud arrangements

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

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 SSSC 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 2019.
- 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 **SSSC'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 SSSC 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.

Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at the SSSC we will report to the Auditor General as required by Audit Scotland.

Communication of audit matters with the Council in their role as 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 SSSC 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 SSSC 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.		•
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 quarterly 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 unmodified 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 SSSC Management and the Audit Committee.



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