



The Children and Young People's Commissioner Scotland

Report to the Commissioner and the Auditor General for Scotland, on the 2020/21
audit

Issued on 18 October for the meeting on 26 October 2021

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Children and Young People's Commissioner for Scotland ('the Commissioner') for the year ending 31 March 2021 audit. The scope of our audit was set out within our planning report issued to the Commissioner in February 2021.

This report summarises our findings and conclusions in relation to:

- The audit of the **annual report and accounts**; and
- Consideration of the wider scope requirements of public sector audit. As set out in our plan, in line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the "small body" clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. Our work in this area was restricted to concluding on:
 - The appropriateness of the disclosures in **the governance statement**; and
 - The **financial sustainability** of the Commissioner and the services that it delivers over the medium to longer term.

Introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

Following update made my management, the performance report and accountability report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of the Commissioner.

The auditable parts of the remuneration and staff report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 9. The Commissioner met its financial targets for 2020/21 and achieved an underspend of £221k.

One corrected misstatement in excess of our reporting threshold of £1,850 has been identified up to the date of this report, together with one corrected and one uncorrected disclosure misstatement in relation to the Remuneration Report. Please refer to pages 27 and 28.

Status of the Annual Report and Accounts audit

Our audit work is complete.

Conclusions on audit dimensions

Governance statement - The disclosures are appropriate and address the minimum requirements of the Scottish Public Finance Manual (SPFM).

Financial sustainability – the Commissioner is projecting to achieve short term balance in 2021/22 with COVID-19 considered within the budget for the coming year.

Our view is that although the Commissioner receives annual funding it is possible to prepare a Medium Term Financial Plan. This is based on the fact that many other public sector organisations prepare plans even though they have single year funding arrangements.

The Commissioner should develop a formalised Workforce Plan. Workforce planning should outline the current workforce, the future workforce and how the organisation can achieve its required future workforce.

Our detailed findings and conclusions are included on pages 17 to 21 of this report. The follow up of prior year recommendations has been discussed on pages 30 and 31.

Introduction (continued)

The key messages in this report (continued)

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. We have provided a summary of those most relevant to the Commissioner as an Appendix on page 25 of this report.

Next steps

An agreed Action Plan is included in the Appendix on pages 29 to 31 of this report, including a follow-up of progress against prior year actions. We will consider progress with the agreed actions as part of our 2021/22 audit.

Added value

Our aim is to add value to the Commissioner by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Commissioner promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition provided technical support on a number of areas throughout the year such advising on FRC narrative reporting themes and new remuneration report requirements brought in by the 2020/21 FReM.








Annual Report and Accounts audit



Quality indicators

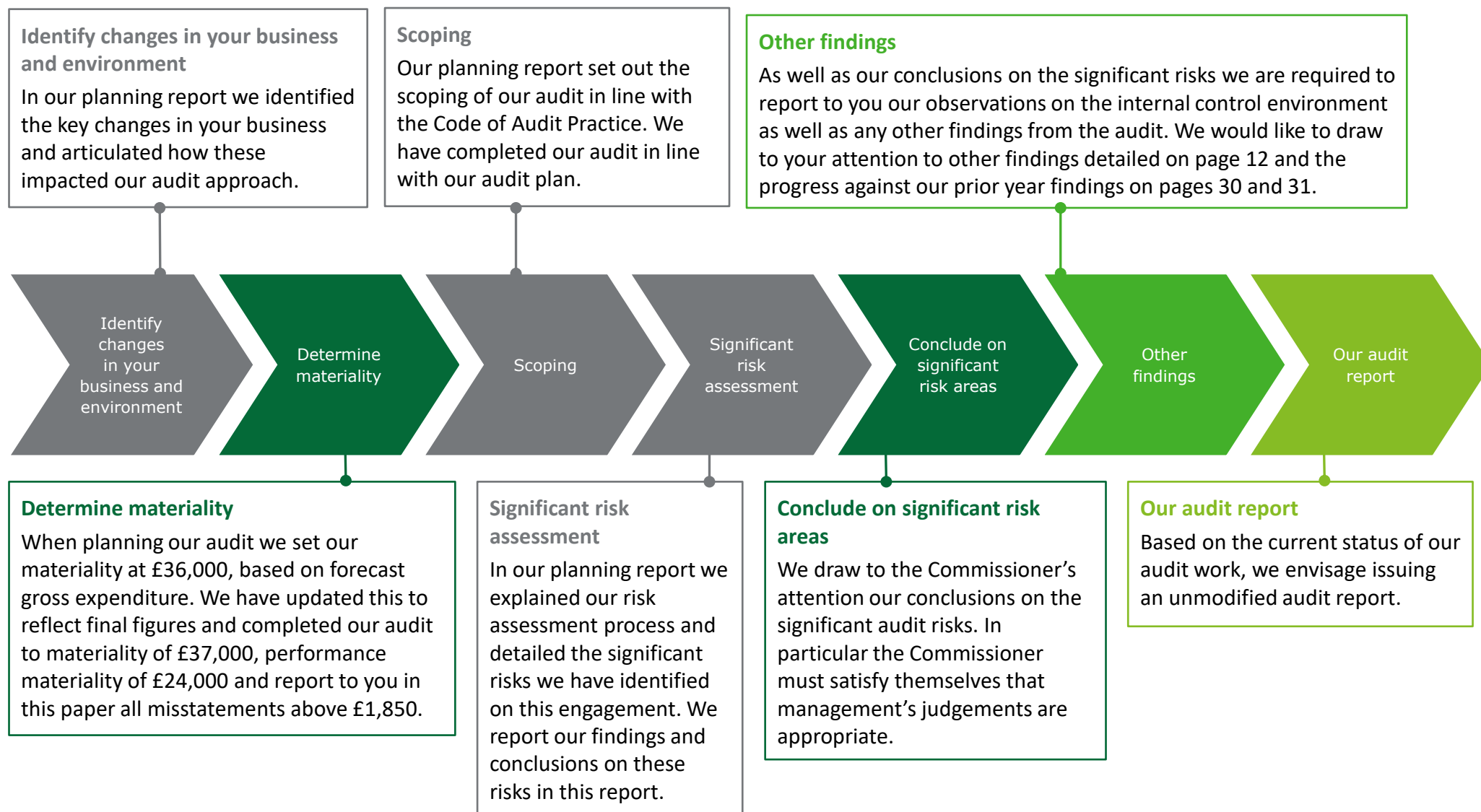
Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.



| Area | Grading | Reason |
|--|---|--|
| Timing of key accounting judgements |  | Documentation in relation to key areas of judgement in relation to property valuations and provisions was provided early in the audit process. |
| Adherence to deliverables timetable |  | The audit of the annual accounts progressed largely in line with the original timescale. The receipt of the draft Annual Report and Accounts and notes to the accounts were provided on 4 August 2021 in advance of the agreed deadline. On Deloitte Connect, 72% of audit requests were provided on time. We do, however, recognize that the delay was impacted by staff sickness. |
| Access to finance team and other key personnel |  | Deloitte and the Commissioner's staff have worked together to facilitate remote communication during the audit which has been successful. |
| Quality and accuracy of management accounting papers |  | On the whole documentation provided has been a good standard. However, we encountered some issues with the documentation and evidence provided for prepayments. The resubmission rate for requests on Deloitte Connect is 8% which indicates a generally high quality of working papers. |
| Quality of draft Annual Report and Accounts |  | A full draft of the annual report and accounts was received for audit on the 4 August 2021. Whilst generally compliant with the reporting requirements, a number of minor amendments were required, including the new disclosure requirements within the staff report, errors identified in the remuneration report and some inconsistencies between the accounts and the narrative. |
| Response to control deficiencies identified |  | No control deficiencies have been identified. |
| Volume and magnitude of identified errors |  | We have identified one financial adjustments to date which is discussed on page 27. We have identified a number of disclosure adjustments which could have been prevented by a more detailed management review. |

Our audit explained

We tailor our audit to your business and your strategy



Significant risks Dashboard

| Risk | Material | Fraud risk | Planned approach to controls testing | Controls testing conclusion | Consistency of judgements with Deloitte's expectations | Comments | Page no. |
|--|---|---|--------------------------------------|-----------------------------|---|--------------|----------|
| Operating within the expenditure resource limits |  |  | D+I | Satisfactory |  | Satisfactory | 10 |
| Management override of controls |  |  | D+I | Satisfactory |  | Satisfactory | 11 |

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Operating within the expenditure resource limits

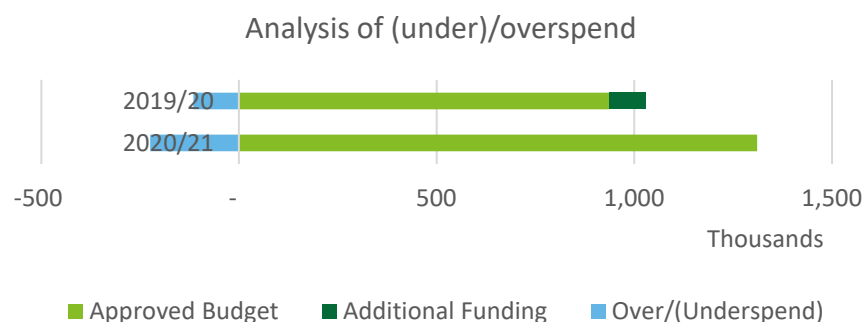


Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for Commissioner as there is little incentive to manipulate revenue recognition with the majority of revenue being from the SPCB which can be agreed to confirmations supplied.

We therefore considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the SPCB. There is a risk that the Commissioner could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the SPCB (which are illustrated in the graph below). Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Obtaining independent confirmation of the resource limits allocated to the Commissioner by the SPCB;
- Performing focused testing of accruals and prepayments made at the year end; and
- Performing focused cut-off testing of invoices received and paid around the year end.

Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing to date, we confirm that the Commissioner has performed within the limits set by SPCB and therefore is in compliance with the financial targets in the year.

We have noted one corrected misstatement, within accounts payable, which was immaterial to the Annual Report and Accounts.

Significant risks (continued)

Management override of controls



Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the annual report and accounts and accounting records.



Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the annual report and accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the annual report and accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the annual report and accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls and our testing in this area is satisfactory.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

Following updates made by management, the Commissioner's accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM).

Other matters relevant to financial reporting:

During the year there were capacity issues at the senior management level due to staff sickness.

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation.

We will obtain written representations from the Commissioner on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Report and Accounts

Our opinion on the Annual Report and Accounts is expected to be unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment that the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the Annual Report and Accounts that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Report and Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 14.

Your annual report

We are required to provide an opinion on the auditable parts of the remuneration and staff report, the annual governance statement and whether the management commentaries are consistent with the disclosures in the accounts.

| | Requirement | Deloitte response |
|---------------------------|--|---|
| The Performance Report | The report outlines the Commissioner's performance, both financial and non-financial. It also sets out the key risks and uncertainties for the organisation. | <p>We have assessed whether the performance report has been prepared in accordance with the accounts direction. No exceptions noted.</p> <p>We have also read the performance report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provide management with comments and suggested changes and have received an updated version reflecting these changes.</p> |
| The Accountability Report | Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report. | <p>We have assessed whether the information given in the governance statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions noted.</p> <p>We have also read the accountability report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We provide management with comments and suggested changes and have received an updated version reflecting these changes.</p> <p>We have also audited the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the accounts direction. One uncorrected misstatement has been identified as detailed on page 28.</p> |
| Going Concern | Management has made appropriate disclosure relating to Going Concern matters. | <p>The 2021/22 budget was approved by the SPCB with revenue resources totalling £1.37m. We have concluded that the plan is sufficiently robust to demonstrate that Commissioner will be a going concern for 12 months from signing the accounts.</p> <p>We have reviewed the disclosures made with regards to Going Concern and note that they are sufficient and appropriate in line with the FReM.</p> |

Audit dimensions



Audit dimensions

Overview

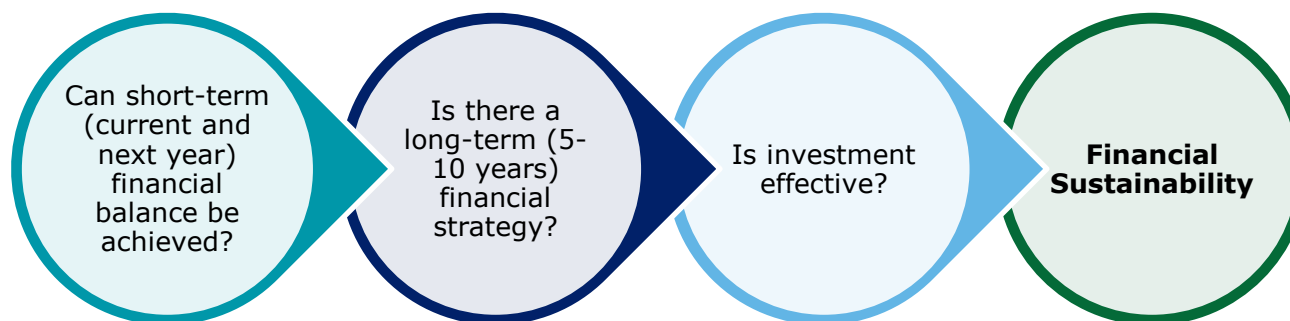
As set out in our Audit Plan, Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following areas. In line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. Our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the **governance statement** (which is discussed on page 14); and
- The **financial sustainability** of the Commissioner and the services that it delivers over the medium to longer term.

In addition to the above, we have reviewed the Commissioner’s arrangements for the **prevention and detection of fraud and irregularities**. Overall we found the Commissioner’s arrangements to be operating effectively.

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



Financial sustainability

Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified the following risk:

The financial impact of the pandemic includes unexpected IT expenditure to enable staff to work remotely. Additional work has been carried out in relation to the human rights impacts on children of the pandemic and government policy decisions. There is a risk that robust long-term planning arrangements are not in place to ensure that the body can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly.

Budget setting

2019/20 conclusion: The Commissioner performed within the limits set by the SPCB and therefore achieved short term financial balance in 2019/20. A balanced budget has been set for 2020/21 and robust financial reporting procedures are in place.

2020/21 update: The Commissioner submitted their draft budget for 2021/22 to the SPCB on 14 September 2020. The expenditure for the year has been forecast to be £1.37m, compared to a 2020/21 budget of £1.31m. This represents an increase of £63k or 5%.

The increase from the previous years budget has been primarily driven by the following:

- £18k increase in staff costs, reflecting 2% cost of living settlement in the coming year.
- £11k increase in IT costs. This has been driven by the large number of IT additions in the period, allowing people to work remotely as part of the new hybrid working model.
- £28k increase in strategy costs due to the additional work expected to be performed over the coming year around the promotion The United Nation's Convention on the Rights of the Child (UNCRC), as adopted in Scotland. The Commissioner also expects to provide significant response to COVID-19 pandemic to protect and promote children and young people's rights.
- £20k increase in advice and investigations expenses has been driven by the Commissioner restructuring their budget to reallocate resources towards legal work around the adoption of the UNCRC

We have assessed the assumptions used in the 2021/22 budget and on the whole consider them to be reasonable with the exception of staff costs forecasted. For example the budget assumes only a 2% increase in staff costs, which is different from the current Scottish Government guidance of 3%. This would result in an additional budget increase.

There are no efficiency targets built into the budget. Through the review of the 2020-24 strategic plan, cost and other efficiencies are loosely defined and not quantified. The Commissioner should consider incorporating discrete efficiency targets into their budgeting process.

Financial sustainability (continued)

Budget setting (continued)

2020/21 update (continued): The budget was agreed at the senior management team (SMT) meeting on 15 September 2020 and submitted to the SPCB. This meeting was attended by the Head of Advice & Investigations, Head of Strategy, Head of Corporate Services and Head of Communications. This is deemed an appropriate level of SMT involvement in the budgeting process.

Being unable to fulfil the objectives of their delivery plan, due to the COVID-19 pandemic, remains one of the Commissioner's highest business risks. The Commissioner should incorporate a change in demand for their services through a medium term financial plan (MTFP) (discussed further on page 19).

Through the review of the budget, Brexit has not been explicitly considered. Management should continue to monitor developments and attend briefing sessions and reflect any significant developments into their budgeting process.

The impact of COVID-19 has been incorporated within the budget through the increase in strategy costs as well as advice and investigation expenditure.

The Commissioner currently does not utilise Outcome Based Budgeting, despite this being an area of best practice in other Public Sector bodies.

2020/21 conclusion: As with previous years, the Commissioner is projecting to achieve short term balance in 2021/22.

The budget setting process has captured the key drivers of movement since 2020/21 although it could be expanded to incorporate efficiencies set out in the 2020-24 Strategic Plan.

The effects of COVID-19 on the requirements of the commissioner have been appropriately considered.

Outcome Based Budgeting has been identified as an area of best practice within other Public Sector bodies. We would recommend that the Commissioner consider this method of budgeting in the future.

Financial sustainability (continued)

Medium-to long-term financial planning

2019/20 conclusion: The Commissioner has a strategic plan in place which expected financial resources until 2024 however this does not include any assumptions made or sensitivity analysis. The Commissioner does not have any medium or long term financial planning in place which could include detailed assumptions, sensitivity analysis and scenario planning. This is as a result of not being able to obtain multi year funding we would highlight that this planning should be in place for all organisations.

2020/21 update: While there is some financial information in the in the 2020-24 strategic plan, there remains a risk that robust medium-to-long-term planning arrangements are not in place and that the Commissioner have not quantified any funding gaps which need to be addressed over the medium-term. This is especially important given the ongoing effects of the COVID-19 pandemic.

The risk of ineffective budget phasing has been identified as a moderate risk within the Commissioner's 2020/21 risk register.

2020/21 conclusion: There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the Commissioner can manage its finances sustainably and deliver services effectively, reducing the Commissioner's ability to identify issues early and respond to these promptly.

This is especially significant due to this being an outstanding recommendation since the 2019/20 audit, due to the ongoing COVID-19 pandemic and due to the operational risk of the Commissioner being impacted by the current crisis situation.

Our view is that although the Commissioner receives annual funding it is possible to prepare a MTFP. This has been seen at other public sector bodies.

Financial sustainability (continued)

Workforce Planning

2019/20 conclusion: Not specifically reported on within our 2019/20 report.

2020/21 update: The Commissioner should be commended for their transition to remote working during the COVID-19 pandemic. They have managed to transition to a work from home business model in a very short length of time as the pandemic forced people to stay at home.

Throughout this time, the Commissioner has continued to score highly on most staff survey metrics throughout the year. 82.6% of employees found their work meaningful with 80% of employees ranked support from the Senior Management Team as five out of five on a ratings scale. This is a notable achievement given the additional challenges associated with working from home, especially around keeping staff motivated and informed. The Commissioner have also conducted confidential staff surveys around their employees' physical and mental health.

| | 2020/21 | 2019/20 |
|--------------------------|-----------|------------|
| Staff Absence | 517 days | 606 days |
| Staff turnover | 14% | - |
| Staff absence per person | 9.05 days | 15.56 days |

In 2020/21 the average sickness absence per person was 9.05 days. This was a reduction from 15.56 days in 2019-20. There were three long- term absences which remains the same for 2019-20.

One member of the SMT was on long-term sick leave throughout the year which caused capacity issues within the SMT. In the prior year we recommended that the Commissioner should conduct a skills audit identifying the required skills, what skills the organisation has and which skills require development including cross-skilling. As disclosed in the Annual Report and Accounts, this was started prior to the pandemic, but was delayed due to COVID-19 and will now not recommence until the office opens.

It is encouraging that the Commissioner have supported employees while home working through training courses such as mental wellbeing and resilience in the workplace, Communications in COVID-19 pandemic and Online Time Management Training in the Workplace. They should continue to encourage effective work from home practices and further support their employee's mental health.

The Commissioner currently does not have a formalised workforce plan. Given that staff costs account for 71% it is critical that the Commissioner can plan for any changes in the staff mix, talent pool and perform succession planning (particularly at the SMT level). The Commissioner discusses HR matters within an un-minuted section of the monthly SMT meetings. We encourage the Commissioner to develop this data further into a Workforce Plan.

Financial sustainability (continued)

2020/21 conclusion: We are satisfied that the Commissioner has monitored and supported staff throughout the COVID-19 pandemic and has taken a proactive role in their wellbeing. They should continue to support their employees who work from home.

The Commissioner should develop a formalised Workforce Plan.

Workforce planning should outline the current workforce, the future workforce and how the organisation can achieve its required future workforce. It should also include workforce statistics covering not just the headcount but also the skills required. Audit Scotland has produced reports on workforce planning in the NHS in Scotland, identifying key areas which need to be considered for effective workforce planning. Although not directly applicable, the overarching principles here should be used to guide the Commissioner's workforce planning.

This is important given the capacity issues at the SMT level in the year, the high proportion of staff costs to total costs and the overall importance of staff in performing the duties of the body. The Workforce Plan should also contain succession planning.

Financial sustainability (continued)

Deloitte view – Financial sustainability

As with previous years, Commissioner are projecting to achieve short term balance in 2021/22. The budget setting process has captured the key drivers of movement since 2020/21 although it could be expanded to incorporate efficiencies set out in the 2020-24 Strategic Plan.

There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the Commissioner can manage its finances sustainably and deliver services effectively, reducing the Commissioner's ability to identify issues early and response to these promptly. Our view is that although the Commissioner receives annual funding it is possible to prepare a MTFP. This has been seen at other public sector bodies.

There were significant capacity issues at the SMT level in the year, due to staff sickness. The Commissioner should develop a formalised Workforce Plan and progress its staff-wide skills audit to ensure that the team are able to work as efficiently as possible and that gaps or improvements can be identified. Workforce planning should outline the current workforce, the future workforce and how the organisation can achieve its required future workforce. It should also include workforce statistics covering not just the headcount but also the skills required, especially around SMT succession planning.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Commissioner discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Commissioner, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

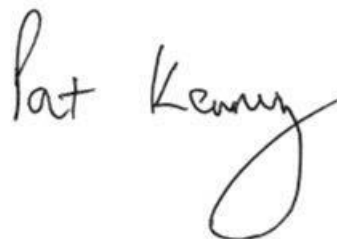
What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Commissioner.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny, CPFA
For and on behalf of Deloitte LLP
Glasgow | 18 October 2021

Sector developments



Scottish Futures Trust - New Frontiers for Smarter Working, Work and Workplace post COVID-19

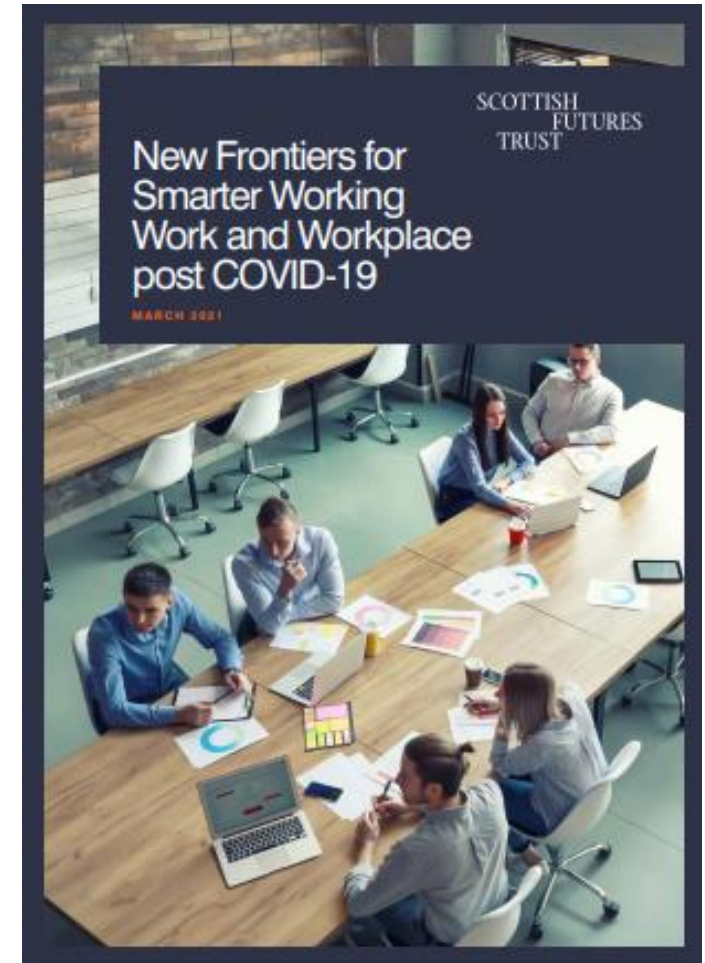
Background and overview

COVID-19 has fast-tracked a social revolution where a wider range of working choices could be on the horizon for hundreds of thousands of workers.

A new report by infrastructure experts, the Scottish Futures Trust (SFT) reveals that the workforce of the future - predominantly those who have been office based - will want to make informed choices of where and how to work most productively and more beneficially for their wellbeing.

Post the pandemic, organisations should consider the three 'Hs' of working - from Home, a nearby hub or local location, where employees can meet clients or have time to concentrate on projects, or the HQ and head office, where people can gather to socialise, brainstorm ideas or collaborate face-to-face.

The "New Frontiers for Smarter Working, Work and Workplace Report also finds that this new blended future will depend on how employers gauge the benefits from the improved working set up while ensuring the wellbeing of employees.



Next steps

The report reveals a new future for best work, productivity and wellbeing. The full report is available at [Scottish Futures Trust](https://www.scottishfuturestrust.com/).

Appendices



Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

| | | Debit/ (credit) Statement of Comprehensive Net Expenditure £ | Debit/ (credit) in net assets £ | Debit/ (credit) prior year Taxpayers equity £ | Debit/ (credit) Taxpayers equity £ | If applicable, control deficiency identified |
|---|-----|--|---------------------------------------|--|--|---|
| A supplier invoice, received post yearend, was not included in the 2020/21 accruals | [1] | 2,221 | (2,221) | - | - | N/A |

[1] From our testing, we identified an invoice for IT services, provided between October 2020 and March 2021, for £2,221. This invoice was not accrued for at the year-end.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

The following disclosure misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

| Disclosure | Summary of disclosure requirement | Quantitative or qualitative consideration |
|--|-----------------------------------|---|
| Remuneration and Staff Report – The draft Annual Report and Accounts did not fully incorporate the requirements in relation to disclosures of full year equivalent alongside actual remuneration or the new requirements to include employment issues including employee consultation and/or participation, health and safety at work and human capital management. | FReM 6.5.16 | Qualitatively material |

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

| Disclosure | Summary of disclosure requirement | Quantitative or qualitative consideration |
|---|-----------------------------------|---|
| Remuneration and Staff Report - The Annual Report and Accounts has only disclosed the full-year equivalent salary for Máire McCormack (Head of Strategy). The actual salary paid in the year has not been disclosed due to the information not being available to management as a result of a change in payroll providers. | FReM 6.5.16 | Qualitatively material |

Action plan

Recommendations for improvement

| No. | Area | Recommendation | Management Response | Responsible person | Target Date | Priority |
|-----|---------------------------|--|---|--------------------|-------------|----------|
| 1 | <i>Financial planning</i> | The Commissioner should develop a Medium Term Financial Plan, to ensure that the CYPCS can manage its resources sustainably and deliver services effectively | SMT will prioritise the development of this during this financial year. | SMT | March 2022 | High |
| 2 | <i>Workforce Planning</i> | The Commissioner should develop a formalised Workforce Plan. Workforce planning should outline the current workforce, the future workforce and how the organisation can achieve its required future workforce. | Prior to the pandemic, the office commenced a staff-wide skills audit to ensure that the small staff team are able to work as efficiently as possible and that any gaps or improvements can be identified and progressed. This work was delayed due to COVID-19 and will be recommenced when the office opens and when there is clarity on the United Nations Convention on the Rights of the Children (Incorporation) (Scotland) Bill. The Commissioner must deliver his statutory duties within the limitations set out by the SPCB in terms of staff numbers and budget and as such we are of the view that this is a medium priority piece of work. We also note the external dependencies influencing when this work can be undertaken as set out above. | SMT | 2022 | Medium |

Action plan (continued)

Follow-up 2019/20 action plan

We have followed up the recommendations made in our 2019/20 annual report and are pleased to note one recommendation has been fully implemented, two partially implemented and one not yet implemented due to delays as a result of COVID-19. We will continue to monitor these as part of our audit work.

| Area | Recommendation | Management Response | Responsible person | Target Date | Priority | 2020/21 Update |
|---|---|--|----------------------------|-------------|----------|---|
| <i>Internal Control: Management Review</i> | A detailed management review should be undertaken of the annual report and accounts including checking of compliance against the FReM, matching of the annual accounts to underlying accounting records as well as a proof read. All issues should be rectified prior to submission to audit. If not undertaken this decreases the efficiency of the audit and could lead to increased external audit fees. | The Senior Management Team will undertake training ahead of the next audit to improve reporting compliance against the FReM and develop enhanced internal review processes. Additional SMT time will be allocated to the audit process. | SMT | Aug-21 | Medium | <i>Partially implemented</i> As noted on page 9, whilst generally compliant with the reporting requirements, a number of minor amendments were required including the new disclosure requirements within the staff report, errors identified in the remuneration report and some inconsistencies between the accounts and the narrative. |
| <i>Financial Sustainability: Workforce Planning</i> | We recommend that the Commissioner reviews the available staff capacity and develops a workforce plan including succession planning. In addition, the Commissioner should conduct a skills audit identifying the required skills, what skills the organisation has and which skills require development including cross-skilling. | A skills audit will be conducted, supported by a review of available staff capacity and professional development plans. A workforce plan will be developed with future review points established. | Head of Corporate Services | Mar-21 | High | <i>Not implemented</i> Prior to the pandemic, the office commenced a staff-wide skills audit to ensure that the small staff team are able to work as efficiently as possible and that any gaps or improvements can be identified and progressed. This work was delayed due to COVID-19 and will not be recommenced until the office opens. Revised target date: March 2022 |

Action plan (continued)

Follow-up 2019/20 action plan

| Area | Recommendation | Management Response | Responsible person | Target Date | Priority | 2020/21 Update |
|---|---|--|----------------------------|-------------|----------|--|
| <i>Financial Sustainability: Performance Management</i> | We recommend that the Commissioner reviews the policies and procedures in place for the development of the annual delivery plan, linked KPI's and monitoring of performance throughout the year. In addition, robust reviews should be undertaken by SMT and the Commissioner and SMT to ensure reporting is fair and balanced. | A review of policies and procedures is underway, with new Contribution Management plans for staff and clearer annual delivery planning and KPIs. Due to COVID 19, significant changes and a SMT reprioritisation of activity has been necessary for the 2020-21 delivery plan. Performance management is the collective responsibility of SMT. | SMT | Mar-21 | High | <p>Partially Implemented</p> <p>The Contribution Management Framework is now embedded. In line with the office's statutory duty to involve children and young people in our work, the Commissioner has recruited a new group of Young Advisers with a specific focus on governance. The revised delivery planning process is being developed with this group and they will contribute and have oversight of the Delivery Plan 2022/23 including budgeting. CMPs will be linked to this plan.</p> <p>Revised target date: March 2022</p> |
| <i>2018/19 action plan follow up</i> | We recommend that the Risk Management Policy is updated on an annual basis. During the audit the policy was updated in July 2019 from 2014. We recommend that the risk register is updated on a regular basis i.e. quarterly. We would also recommend that this is a standing item on the AAB agenda to gain their input. We understand that since the audit this has been updated. | Management have held meetings with AAB members in January 2020. Due to COVID-19 this work has moved online and had not been finalised in 2019/20. The risk register has been considered quarterly by SMT and the risk management policy is expected to be approved in 2020/21. | Head of Corporate Services | Mar-21 | Medium | <p>Fully implemented</p> <p>The Risk Management Policy was developed and approved in 2021. The Risk Register is updated and monitored through regular Governance Meetings with SMT and Commissioner.</p> |

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the Annual Report and Accounts as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Commissioner to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the Annual Report and Accounts may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity.

We have also asked the Commissioner to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in relation to operating within the expenditure resource limit and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the Annual Report and Accounts

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Commissioner and our objectivity is not compromised.

Fees

The audit fee for 2020/21, in line with the expected fee range provided by Audit Scotland, is £16,910, as analysed below:

| | £ |
|-------------------------------|---------------|
| Auditor remuneration | 13,200 |
| Audit Scotland fixed charges: | |
| Pooled costs | 3,040 |
| Audit support costs | 670 |
| Total fee | 16,910 |

We have still to assess any impact of additional testing as a result of COVID-19. Once completed, we will discuss any impact on the fee with management.

No non-audit services fees have been charged for the period.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.



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