

Children and Young People's Commissioner Scotland

Annual Audit Plan 2023-24



Prepared for Children and Young People's Commissioner Scotland

March 2024

Contents

Introduction	3
Annual report and accounts	5
Wider Scope and Best Value	9
Reporting arrangements, timetable, and audit fee	11
Other matters	14
Appendix 1: Your audit team	16

Introduction

Summary of planned audit work

This document summarises the work plan for our 2023/24 audit for the Children and Young People's Commissioner Scotland (also referred to as 'the Commissioner'). The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- an audit opinion on regularity and other statutory information published with the financial statements in the annual report and accounts, including the Performance Report, Governance Statement, and the Remuneration and Staff Report
- consideration of arrangements in relation to the financial sustainability of the Commissioner and a review of the Governance Statement
- provision of an Independent Auditor's Report expressing our opinions on the different elements of the annual report and accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

Audit Appointment

1. The 2023/24 financial year is the second of our five-year audit appointment. A brief biography of the audit team is provided at [Appendix 1](#).

Respective responsibilities of the auditor and Audited Body

2. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the Commissioner. Key responsibilities are summarised below.

Auditor responsibilities

3. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

4. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at CYPCS. In doing this, we aim to support improvement and accountability.

CYPCS responsibilities

5. CYPCS is responsible for maintaining adequate accounting records and internal controls and preparing financial statements for audit that give a true and fair view.

They are also required to produce other reports in the annual report and accounts in accordance with applicable requirements.

6. CYPICS has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver their objectives.

Adding Value

7. We aim to add value to the Commissioner through our external audit work by being constructive and forward looking, by attending meetings of the Audit Advisory Board and by recommending and encouraging good practice. In so doing, we will help the Commissioner promote improved standards of governance, better management and decision making and more effective use of resources.

Communication of fraud or suspected fraud

8. In line with auditing standards, in presenting this plan to the Commissioner Governance Group and the Audit Advisory Board (AAB), we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within CYPICS, we invite them to communicate this to the appointed auditor for consideration.

Annual report and accounts

Introduction

9. The annual report and accounts are an essential part of demonstrating CYPCS's stewardship of resources and its performance in the use of those resources.

10. As auditors we are required to perform an audit of the financial statements, consider other information within the annual report and accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

11. We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for the Commissioner are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for CYPCS

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the Commissioner's operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2022/23.	£29,000

Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality. £22,000

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. £1,500

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of the Commissioner, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, communication with internal audit, and a review of supporting information.

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

16. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management's sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

Exhibit 2

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240,</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals and accounting adjustments at the year-end focusing on significant risk areas. • Test journal entries and other adjustments throughout the year.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.		<ul style="list-style-type: none"> • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.

Source: Audit Scotland

17. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

We have rebutted this risk as funding received from the Scottish Parliament Corporate Body (SPCB) is clearly communicated and can be readily agreed to third party confirmations.

18. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

We have rebutted this risk on the basis that the main expenditure streams of the Commissioner can be readily forecast based on a predictable pattern of spend (for example, salaried staff costs in a well-defined grading system). We also consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements.

19. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

20. As part of our assessment of audit risks, we have identified no other areas where we consider there are also risks of material misstatement to the financial statements. We will keep these areas under review as our audit progresses.

Regularity

21. Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

22. We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.

Wider Scope and Best Value

Introduction

23. Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. The Code requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area unless the auditor judges it is not appropriate due to the body's size, nature, and audit risks (i.e., a less complex body).

24. The audit of the wider scope in an audited body which meets the definition of a less complex body under the Code may be limited to:

- Review of the Annual Governance Statement
- Concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term.

25. In line with our supplementary audit guidance, we plan to apply these provisions of the Code to the 2023/24 audit of the Commissioner. Based on the Commissioner's gross expenditure, assets, and liabilities, as well as the lack of wider scope risks, we have concluded that the Commissioner meets the criteria to be considered a less complex body.

Wider scope risks

26. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that organisations have appropriate cyber security arrangements in place. Recent cyber-attacks on public sector bodies have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. We will continue to review cyber arrangements at CYPCS as part of our standard audit procedures.

27. We have not identified any significant risks in the wider scope environment that are specific to CYPCS. Any risks that are identified throughout the audit process will be reported in our Annual Audit Report.

Financial Sustainability

28. Financial sustainability is a risk impacting many organisations across the public sector. There are national pressures resulting from late allocations of funding from the Scottish Government. As part of our audit, we will monitor the Commissioner's financial position as reported to the Senior Management Team (SMT) and report on the year-end position as part of our Annual Audit Report.

Duty of Best Value

29. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within the Commissioner.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

30. Audit reporting is the visible output for the annual audit. All audit outputs, as detailed in [Exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

31. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

32. We will provide:

- an Independent Auditor's Report to the Commissioner, the Scottish Parliament, and the Auditor General for Scotland setting out our opinions on the annual report and accounts
- The Commissioner and the Auditor General for Scotland with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

33. [Exhibit 3](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by our internal deadline of 10th October 2024.

Exhibit 3 2023/24 Audit outputs

Audit Output	Target Date
Annual Audit Plan	29 March 2024
Annual Audit Report	10 October 2024
Independent Auditor's Report	10 October 2024



Source: Audit Scotland and the Commissioner

Timetable

34. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#) that has been discussed with management.

35. We intend to take a hybrid approach to the 2023/24 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 4 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package	16 August 2024
Latest date for final clearance meeting with the Head of Corporate Services	27 September 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	3 October 2024
Agreement of audited and unsigned annual report and accounts	3 October 2024
Issue of Annual Audit Report, Letter of Representation and Independent Auditor's Report (IAR) to the Commissioner and the Audit Advisory Board (AAB). Annual report and accounts and IAR to be signed on the day of the AAB meeting.	10 October 2024

Source: Audit Scotland & the Commissioner

Audit fee

36. In determining the audit fee, we have taken account of the risk exposure of the Commissioner and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The audit fee for 2023/24 is £23,870 (2022/23: £22,510).

37. In setting the fee for 2023/24, we have assumed that the Commissioner has effective governance arrangements and will prepare a comprehensive and accurate set of annual report and accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in

respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

38. It is the responsibility of the Commissioner to manage adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

39. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

40. We are independent of the Commissioner in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

41. Audit Scotland has robust arrangements in place to ensure compliance with the Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

42. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of the Commissioner.

Audit Quality

43. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

44. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

45. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

46. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

47. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Appendix 1: Your audit team

48. The audit team involved in the audit of the Commissioner have significant experience in public sector audit.

Asif Haseeb OBE

Engagement Lead

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Asif joined Audit Scotland in 2001. Prior to this he was Chief Auditor in a Scottish Council. Asif has over 30 years of public sector audit experience. He also has substantial financial management and board level experience in the public sector, obtained through Non-Executive membership of various boards. He is currently a member of the Court of Glasgow Caledonian University as well as being a Justice of the Peace (Lay Magistrate).

Martin Devenny CA

Senior Auditor

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Martin joined Audit Scotland in 2022. Martin is experienced in planning and delivering audits. He will manage the team and work alongside the engagement lead to deliver the audit.

Sean Cowan

Trainee Auditor

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Sean joined Audit Scotland in 2019 and is a part-qualified Chartered Accountant. Sean has experience of working on local authority, health boards and central government audits.

Daniel Penman

Trainee Auditor

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Daniel Joined Audit Scotland in 2023. Daniel has experience of working on local authority, health boards and central government audits.

49. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

Children and Young People's Commissioner Scotland

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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