

Children and Young People's Commissioner Scotland

2023/24 Annual Audit Report



 AUDIT SCOTLAND

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

October 2024

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Key messages

2023/24 annual report and accounts

- 1** Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2** The significant risk for the audit of the annual report and accounts was included in our Annual Audit Plan presented to the Advisory Audit Board on 18 June 2024. There are no matters identified relating to the risk to draw to the attention of the Board.
- 3** The CYPCS's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 4** Expenditure and income were incurred in accordance with applicable enactments and guidance.

Wider-scope

- 5** The CYPCS operated within its revised budget for 2023/24.
- 6** There are appropriate arrangements in place to continue to deliver services.
- 7** The CYPCS has a Strategic Plan for 2024-28, which includes indicative budget costs, and should continue to develop its medium-term financial plan and workforce plan.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of the Children and Young People's Commissioner Scotland ('CYPCS' or 'The Commissioner'). The scope of the audit was set out in an Annual Audit Plan presented to the 18 June 2024 meeting of the Advisory Audit Board (AAB). This Annual Audit Report comprises:

- significant matters arising from an audit of CYPCS's annual report and accounts
- conclusions on financial sustainability as required by the [Code of Audit Practice 2021](#).

2. This report is addressed to the CYPCS and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. Asif A Haseeb OBE was appointed by the Auditor General as auditor of CYPCS for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of his five-year appointment.

4. We would like to thank everyone involved in the audit for their cooperation and assistance in this year and we look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

5. The CYPCS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. The CYPCS is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity.

6. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK (ISAs)

7. The weaknesses or risks identified in this report are only those which have come to the attention of the audit team during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that our audit team comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the audit fee of £23,870 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. The annual audit adds value to CYPCS by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

Part 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

The CYPSC's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Expenditure and income were incurred in accordance with applicable enactments and guidance.

Audit opinions on the annual report and are unmodified

11. The Advisory Audit Board (AAB) is expected to recommend approval of the annual report and accounts for the CYPSC for the year ended 31 March 2024 to the Commissioner on 11 October 2024. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income are regular and in accordance with applicable enactments and guidance
- the audited part of the Remuneration and Staff Report was prepared in accordance with the Government Financial Reporting Manual
- the Performance Report and Governance Statement were all consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.

Overall materiality was assessed on receipt of the annual report and accounts as £31,000

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£31,000
Performance materiality	£23,000
Reporting threshold	£2,000

14. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a low occurrence of errors identified from the previous audit.

16. It is our responsibility to request that all misstatements are corrected, other than those below the reporting threshold. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under ISA (UK) 260, we communicate significant findings from the audit to the AAB, including our view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires us to highlight key audit matters which are defined in ISA (UK) 701 are those matters judged to be of most significance.

19. The significant finding is summarised in Exhibit 2.

Exhibit 2

Significant finding from the audit of the annual report and accounts

Issue	Resolution
<p>1. Remuneration and Staff Report</p> <p>Our work identified areas within the performance report which could benefit from additional disclosure to ensure compliance with the Government Financial Reporting Manual (FreM).</p> <p>We worked with management to ensure disclosures relating to an exit payment, and summary information relating to movements in fair pay ratios, complied with the Government Financial Reporting Manual (FreM) while protecting the anonymity of individuals in smaller organisations.</p>	<p>Following updates made by management, disclosures were prepared in accordance with FreM requirements.</p>

Audit work responded to the risks of material misstatement identified in the annual report and accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in my 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Identified Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud</p>	<p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual</p>	<p>We did not identify any issues as a result of our audit work that would indicate management override of</p>

Audit risk	Assurance procedure	Results and conclusions
<p>caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals and accounting adjustments at the year-end focusing on significant risk areas.</p> <p>Test journal entries and other adjustments throughout the year.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	<p>controls affecting the year-end position.</p>

21. We kept these areas under review throughout the audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

There were no misstatements identified within the financial statements

22. We identified no misstatements above our reporting threshold of £2,000.

The unaudited annual report and accounts were received in line with the agreed timetable

23. The unaudited annual report and accounts were received in line with the agreed audit timetable on 16 August 2024.

Progress on prior year recommendations

24. The CYPSCS has made some progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term

Conclusion

The CYPCS operated within its revised budget for 2023/24.

There are appropriate arrangements in place to continue to deliver services.

The CYPCS has a strategy plan, but has yet to develop its medium-term financial plan and workforce plan.

The CYPCS operated within its revised budget for 2023/24

25. The main financial objective for the CYPCS is to ensure that the financial outturn for the year is within the budget agreed with the SPCB.

26. The CYPCS receives its budget on a cash basis from the Scottish Parliamentary Corporate Body ('SPCB') and is their only source of income.

27. The CYPCS has reported an outturn of £1.543 million against its overall revised budget for 2023/24 of £1.591 million.

The CYPCS has a strategy plan, and should continue to develop its medium-term financial plan and workforce plan

28. In April 2024 the CYPCS published its Strategy Plan covering 2024-28. The plan includes a high-level budget, showing indicative budget spend in each of the financial years concerned up until 2027/28.

29. The plan highlights that incorporation of the UN Convention of Rights of a Child (UNCRC) into domestic law and the potential for expanded responsibilities placed on the commissioner through the Human Rights Bill will place additional demands on the office. It also highlights that there is unpredictability in costs and that the budget is the minimum required to deliver its current statutory functions.

30. We have repeated our prior year recommendation that the Commissioner should continue to develop a Medium-Term Financial Plan, to ensure that they can manage resources sustainably and deliver services effectively. Refer to Appendix 1, recommendation 5.

31. The SPCB has approved a revised annual funding budget for 2024/25 of £1.662 million. The Commissioner is currently forecasting to operate within its agreed budget for 2024/25.

THE CYPCS has appropriate arrangements in place for securing Best Value

32. Ministerial Guidance to Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the Accountable Officer's duty to ensure that arrangements are in place to secure Best Value. The guidance sets out the key characteristics of Best Value and states that compliance with the duty of Best Value requires public bodies to take a systematic approach to self-evaluation and continuous improvement. As part of our 2023/24 audit, we have undertaken a high-level review of the CYPCS's Best Value arrangements. These include:

- an appropriate management structure, and robust systems used in decision-making, budgeting, procurement and risk management
- regular monitoring of performance including financial performance against budget
- appropriate governance and accountability arrangements including a systematic approach to risk management

33. Our work identified that although the risk register was regularly reviewed throughout the period, as detailed below, the commissioners Risk Management Policy was marked as last updated in July 2021 and due to be reviewed in July 2022. Management have agreed to review the policy during 2024/25.

Recommendation 1

The Commissioner should formally review the Risk Management Policy to ensure that it remains fit for purpose.

34. We concluded that CYPCS has an appropriate best value framework in place.

Cyber Security

35. There continues to be a significant risk of cyber-attacks to public bodies and a number of recent incidents have demonstrated the significant impact they can have on both the finances and operation of an organisation. In 2023/24, we considered the CYPCS's arrangements for managing and mitigating cyber security risks.

36. The CYPCS's IT environment continues to be provided by an external supplier since 2015. The contract was extended during the year. Management are appraising options for best value in relation to information governance and IT.

The Commissioner should ensure that they continue to receive ongoing IT and cyber security training and support.

Appropriate governance arrangements are in place

37. The CYPCS has a Governance group which meets quarterly to monitor performance, comprising of the Commissioner and Senior Manager Team (SMT) who have delegated responsibility for governance. SMT meet at least monthly to discuss and record key issues affecting the operation of the office.

38. Our review of the minutes and papers submitted throughout the year concluded that they are sufficiently detailed and comprehensive to allow for effective decision making and scrutiny of performance.

39. During the year the Finance Manual, and Memorandum of Understandings (Budget process agreement, and Framework agreements) were agreed with the SPCB, and then published on the CYPCS website in June 2024.

40. We concluded that CYPCS has appropriate governance arrangements in place.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Risk Management Policy</p> <p>The Risk Management Policy was marked as last updated in July 2021 and due to be reviewed in July 2022.</p> <p>Risk – that the policy does not reflect changes in the environment in which CYPICS operates in and the response to threats that it faces.</p>	<p>The Commissioner should formally review the Risk Management Policy to ensure that it remains fit for purpose.</p> <p>Paragraph 33</p>	<p>Accepted</p> <p>Rick Management Policy will be reviewed before December 2024 by the SMT and approved by the Commissioner. Thereafter, it will be reviewed every 5 years.</p> <p>Responsible officer: Head of Corporate Services</p> <p>Agreed date: December 2024</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>2. Financial Memorandum Manual review</p> <p>We noted that the current financial memorandum manual (revised April 2020) was not available on the CYPICS website. Furthermore, the manual is beyond its required review period of at least every 3 years.</p> <p>Risk – That the Commissioner is not</p>	<p>The Commissioner should seek to ensure that the Financial Memorandum Manual is formally reviewed as required at least every 3 years.</p> <p>Action: Update Website with 2020 Financial Memorandum and continue to revise.</p> <p>Responsible officer: Head of Corporate Services</p> <p>Date: December 2023</p>	<p>Implemented</p>

Issue/risk	Recommendation and Agreed Action	Progress
compliant with the Scottish Public Finance Manual.		
<p>3. Advisory Audit Board (AAB) meetings</p> <p>We note that the Commissioner and AAB currently meet annually prior to the signing and publication of the annual report and accounts.</p> <p>Risk – That the Commissioner does not receive sufficient advice in relation to audit matters.</p>	<p>The Commissioner and the AAB should consider meeting more often in future to consider both internal and external audit plans and reports.</p> <p>Action: Agree further meeting March/April</p> <p>Responsible officer: Head of Corporate Services</p> <p>Date: April 2024</p>	<p>Implemented</p>
<p>4. Financial Planning</p> <p>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 has 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.</p> <p>Risk – 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.</p>	<p>The Commissioner should develop a Medium-Term Financial Plan, to ensure that they can manage resources sustainably and deliver services effectively.</p> <p>Revised action: Management to commence report April 2024 after laying of Strategic Plan 2024-28</p> <p>Responsible officer: Head of Corporate Services</p> <p>Revised date: April 2024</p>	<p>Work in Progress</p> <p>The Strategic Plan 2024-28 contains future financial need. The CYPCS Budget Submission also contains future financial requirements (indicative funding). Future financial requirements are discussed regularly at SMT and Governance Group Meetings. The organisation will consider whether there are any perceived funding gaps or risks to funds through its governance arrangements</p> <p>Responsible officer: Head of Corporate Services</p> <p>Revised date: March 2025</p>
<p>5. Workforce Planning</p>		<p>Work in Progress</p> <p>In Progress</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>The Commissioner currently does not have a formalised workforce plan. Given that staff costs account for 71% of expenditure 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 as noted in previous years.</p> <p>Risk – 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.</p>	<p>The Commissioner should continue to 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.</p> <p>In Progress</p> <p>Revised action: Management to commence report April 2024 after laying of Strategic Plan 2024-28</p> <p>Responsible officer: Head of Corporate Services</p> <p>Revised date: April 2024</p>	<p>Responsible officer: Head of Corporate Services</p> <p>Revised date: January 2025</p>

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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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