



Children & Young People's Commissioner Scotland

2015/16 Annual Audit Report to
the Children & Young People's
Commissioner Scotland and
the Auditor General for
Scotland

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about).

Gillian Woolman, Assistant Director, Audit Scotland, is the appointed external auditor of the Children & Young People's Commissioner Scotland for the period 2012/13 to 2015/16.





This report has been prepared for the use of the Children & Young People's Commissioner Scotland and the Auditor General for Scotland and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General for Scotland in support of her wider responsibilities, including reporting to the Scottish Parliament.

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Key messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none"> • Unqualified independent auditor's report (audit certificate) on the 2015/16 financial statements. • Working papers were adequate and officers provided appropriate support which enabled the audit team to complete on-site fieldwork by the planned target date. • All monetary errors, and presentation and disclosure issues, identified in the unaudited accounts were corrected by management in the audited financial statements.
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none"> • We are satisfied that the Children & Young People's Commissioner Scotland has sufficient financial management arrangements in place. • There is an underspend of £1,000 against an approved budget of £1.287 million.
 <p>Governance and transparency</p>	<ul style="list-style-type: none"> • We concluded that the Children & Young People's Commissioner Scotland had satisfactory governance arrangements in place during 2015/16.
 <p>Best Value</p>	<ul style="list-style-type: none"> • The Children & Young People's Commissioner Scotland have considered Scottish Government guidance on Best Value and have reported that they are proactive in their approach.

Introduction

1. This report summaries our findings arising from the 2015/16 audit of the Children & Young People’s Commissioner Scotland (the Commissioner).
2. The Children & Young People’s Commissioner Scotland as the Accountable Officer, is responsible for:
 - acting within the law and ensuring the regularity of transactions by putting in place appropriate systems of internal control
 - maintaining proper accounting records
 - preparing financial statements which give a true and fair view of the financial position of the Commissioner as at 31 March 2016 and its expenditure and income for the year then ended
 - publishing with the financial statements an annual report, comprising a performance report and accountability report.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. Appendix 1 sets out the financial statements risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
6. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at appendices 2 and 3.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. 2015/16 is the final year of the current five year audit appointment. Deloitte have been appointed as the Commissioner’s external auditors for the next five year appointment. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming audit team as part of this transition.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2015/16 financial statements

Audit Opinions

Financial Statements	<ul style="list-style-type: none">• The financial statements of the Commissioner for 2015/16 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.• We confirm that the financial statements have been properly prepared in accordance with the 2015/16 FReM and the requirements of the Children and Young People Act (Scotland) Act 2003 and directions made thereunder by the Scottish Ministers.
Regularity	<ul style="list-style-type: none">• In all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers
Other prescribed matters	<ul style="list-style-type: none">• The part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Children and Young People Act (Scotland) Act 2003 and directions made thereunder by the Scottish Ministers.• The information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Submission of financial statements for audit

10. We received the unaudited financial statements on 16 September 2016, in accordance with the agreed timetable.
11. The working papers in support of the financial statements were adequate and staff provided appropriate support to the audit team which enabled us to complete our on-site fieldwork by the planned target date of 23 September 2016.

Overview of the scope of the audit of the financial statements

12. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan which was issued in February 2016.
13. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed fee for the audit was £14,000 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
14. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.

15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

16. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
17. We summarised our approach to materiality in our Annual Audit Plan. On receipt of the unaudited financial statements, we revised materiality for 2015/16 to £12,080 on actual expenditure for the year.
18. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £6,040 (i.e. 50% of materiality).
19. We report all misstatements greater than £1,000.

Evaluation of audit adjustments

20. We identified one monetary adjustment to the unaudited financial statements. This related to depreciation on Information Technology

assets. The error was adjusted in the financial statements. The error was minor and well within our materiality tolerance for the financial statements to present a true and fair view.

Significant findings from the audit

21. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
- Significant difficulties encountered during the audit.

- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

22. A number of minor presentational and disclosure adjustments were identified during the course of the audit. These were discussed with management who agreed to amend the financial statements. We do not deem any of those amendments significant enough to report separately.

23. The following table details those issues or audit judgements that, in our view, do require to be communicated to those charged with governance in accordance with ISA 260.

Table : Significant findings from the audit

Significant findings from the audit in accordance with ISA260

Year end bank reconciliation

24. The bank statement up to 30 March 2016 was used to prepare the bank reconciliation to 31 March 2016. An unrepresented cheque for £55,510 was included in the bank reconciliation and audit testing revealed that this cheque had been cashed on 31 March 2016. There is no error in the accounts as the Head of Corporate Services was aware that the cheque was cashed on 31 March and included the payment in the cashflow statement.
25. However, the year end bank reconciliation is a key internal control. The bank statement at 31 March should be used to prepare the year end bank reconciliation to ensure The Children & Young People's Commissioner Scotland is fully informed of all payments and receipts at the end of the financial year and to mitigate the risk of fraud or error.

Remuneration report

26. The remuneration report included in the unaudited financial statements included relevant details of the Children & Young People's Commissioner Scotland. The report was amended to include the additional three members of the Senior Management team as required by the FReM.

Future accounting and auditing developments

Audit appointment from 2016/17

27. The procurement process for the new round of audit appointments was completed in March 2016 and Deloitte LLP will be the new appointed auditor for the Commissioner for the five years commencing 2016/17.
28. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming Audit Manager and new audit team as part of this transition.

Code of Audit Practice

29. A new Code of Audit Practice (the Code) applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. The new Code outlines the objectives and principles to be followed by auditors.
30. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all Annual Audit Reports, from 2016/17, Annual Audit Plans and other significant audit outputs will be available on the Audit Scotland website for all audited bodies. This is irrespective of whether the body meets in public or makes external audit reports publicly available.

Financial management and sustainability

31. The main financial objective for the Commissioner is to ensure that the financial outturn for the year on a cash basis is within the budget allocated by Scottish Ministers, taking one year with another.

Financial Planning

32. The Commissioner was constituted under Section 1 of the Commissioner for Children and Young People (Scotland) Act 2003 which was passed by Parliament on 26 March 2003 and received Royal assent on 1 May 2003.
33. The Commissioner's general function is to promote and safeguard the rights of children and young people in Scotland, up to age 18, or up to 21 if they have ever been in care or looked after by a local authority. In particular, the Commissioner is required to:
 - promote awareness and understanding of the rights of children and young people;
 - review law, policy and practice to assess their adequacy and effectiveness as regards those rights;
 - promote best practice by service providers; and
 - promote, commission, undertake and publish relevant research.

34. The current Children & Young People’s Commissioner Scotland, Tam Baillie, was appointed by Scottish Ministers on 18 May 2009 for a period of 8 years. Tam’s appointment is due to end in May 2017 and preparations are underway for the appointment of a new Children & Young People’s Commissioner Scotland. The Children & Young People’s Commissioner Scotland is supported by three senior managers and eleven other officers and is based in Edinburgh.
35. The Commissioner is a Scottish public authority, subject to the same requirements in relation to governance, efficiency and Freedom of Information as other authorities.
36. The Scottish Parliamentary Commission and Commissioners etc. Act 2010 from 1 April 2011 provided the Scottish Parliamentary Corporate Body (SPCB) with additional powers, including approving the Commissioner’s budget.

2015/16 financial position

37. The Commissioner is an independent public body and receives all of its funding directly from the SPCB. The Commissioner operates against an annual cash based budget that is reviewed by the SPCB and subsequently approved by the Scottish Parliament. The budget also includes access to contingency funding. The accounts are prepared on an accruals basis but the body is funded on a cash basis and management closely monitor financial performance on a cash basis.

38. The key financial objective for the Commissioner is to ensure that the cash drawn down for the year is within the cash budget allocated by the SPCB. In 2015/16 cash drawn down from the SPCB totalled £1.268 million which was £1,000 less than the allocated budget of £1.269 million.
39. A net assets position of £83,000 was recorded in 2015/16 compared to £5,000 in 2014/15. The improved position has arisen mainly as a result of an increase in non current assets and a reduction in trade payables.
40. The following table details performance against budget for each area of cash expenditure in 2015/16.

Table 2: Analysis of 2015/16 cash expenditure against budget

Area of Expenditure	2015/16 Budget (£'000)	2015/16 Actual (£'000)	Variance (£'000)
Staff costs	792	758	34
Travel expenses	27	18	9
Staff recruitment and training	18	19	(1)
Property costs	90	88	2
Professional fees	39	63	(24)

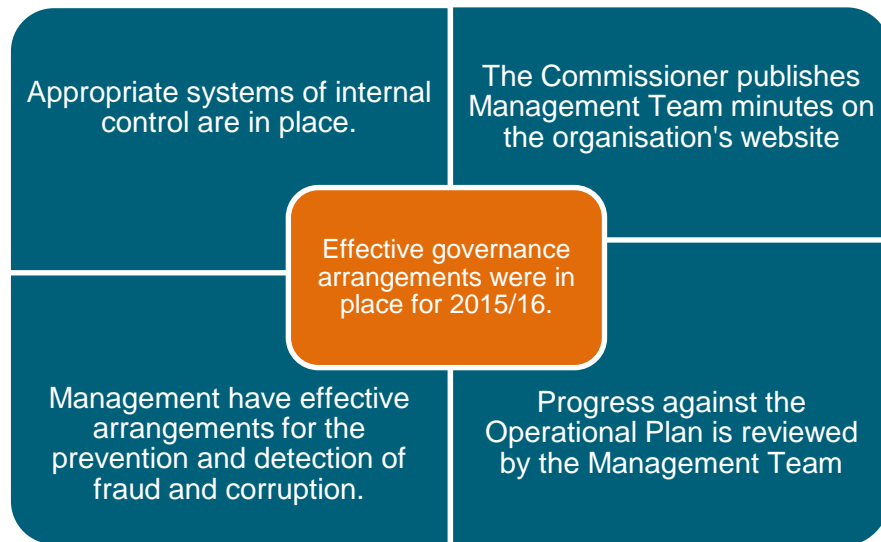
Area of Expenditure	2015/16 Budget (£'000)	2015/16 Actual (£'000)	Variance (£'000)
IT support and website	74	34	40
Promotion and participation	99	136	(37)
Research	73	33	40
Running costs	70	49	21
Capital costs	5	58	(53)
Total	1,287	1,256	31

41. The table highlights a few areas where outturn varies significantly from the approved budget. In particular there is a £53,000 overspend against the approved capital budget of £5,000. This is partly as a result of incorrectly including planned capital expenditure for a number of servers, 16 desktop computers and 6 laptops in the IT support and website budget. The purchase of the IT equipment was necessary to replace fully depreciated assets which were considered a major risk to the organisation's ability to continue to function.
42. The Commissioner has provided details of outturn against budget to its sponsor body the SPCB along with explanations for significant variances.

2016/17 budget

43. The Commissioner's Scottish Government core grant-in-aid allocation for 2016/17 has been set at £1.268 million. This in line with prior years and the Commissioner considers this will be sufficient to meet their resource requirements for the coming year.

Governance and transparency



Corporate governance

44. The Children & Young People's Commissioner Scotland as Accountable Officer, is responsible for establishing arrangements for ensuring the proper conduct of affairs and for monitoring the adequacy of these arrangements.
45. The Children & Young People's Commissioner Scotland is accountable for the finances of the organisation to the Scottish Parliament and is the designated Accountable Officer.

46. The Children & Young People's Commissioner Scotland is supported by a Management Team. They hold monthly meetings to which spend against budget is reported and the minutes are published on the Commissioner's website. Confidential matters are discussed in Executive Team meetings.

Transparency

47. The Scottish Government's "On Board" guidance (<http://www.gov.scot/Publications/2015/04/9736/0>), for board members of public bodies was updated and reissued in April 2015. On Board states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:
 - holding an annual open meeting,
 - holding board meetings in public unless there is a good reason not to,
 - publishing summary reports and/or minutes of meetings,
 - inviting evidence from members of the public in relation to matters of public concern,
 - consulting stakeholders and users on a wide range of issues, and
 - making corporate plans and the annual report widely available.
48. Audit Scotland also believes in transparency of financial reporting within the Annual Report and Accounts including:

- a clear reconciliation between expenditure and the outturn against Scottish Government Resource budgets, and
 - identification of, and explanation of, any significant movements in budget during the year.
49. Overall we concluded that the organisation is open and transparent as far as confidential considerations allow. The Children & Young People's Commissioner Scotland is a public official appointed by Her Majesty the Queen on the nomination of the Scottish Parliament. The Commissioner for Children and Young People Act (Scotland) Act 2003 does not provide for a Board, however the monthly Management Team minutes together with the annual report and a range of corporate plans and progress reports are published on the website. The Commissioner should keep openness and transparency in decision making under review.

Internal control

50. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole.
51. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit which could have adversely affected the organisation's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Arrangements for the prevention and detection of fraud

52. The Commissioner is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We reviewed and reported on these arrangements and have concluded that there are effective arrangements for the prevention and detection of fraud.

Best Value

Arrangements for securing Best Value

53. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.
54. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with the Commissioner, agree to undertake local work in this area.
55. We did not undertake any specific work in this area during 2015/16. However we noted that The Children & Young People's Commissioner Scotland have considered Scottish Government guidance on Best Value and have reported that they are proactive in their approach.

National performance audit reports

56. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued that may be of interest to the Commissioner. A summary of these reports is outlined in [Appendix III](#).

Acknowledgements

57. We would like to express our thanks to the staff and members of the Children & Young People's Commissioner Scotland for their help and assistance during the audit of this year's financial statements, and throughout the course of the five year audit appointment.

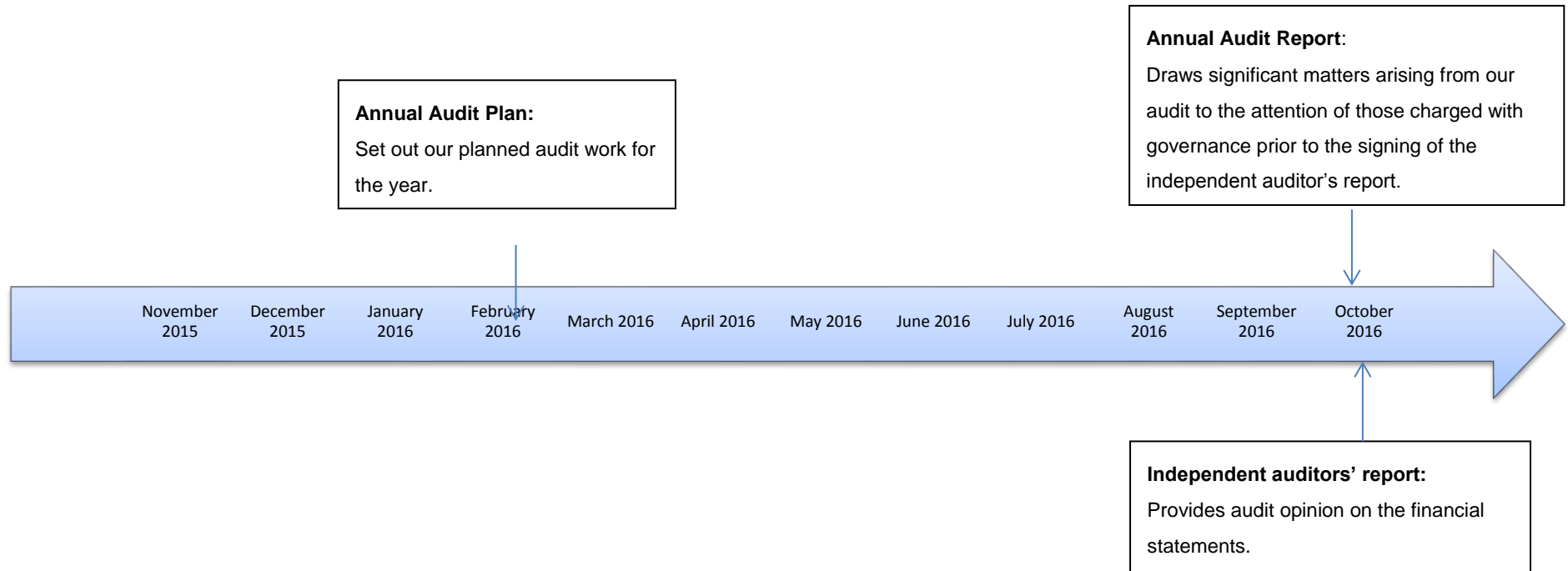
Appendix 1: Financial statements risks

The table below sets out the financial statements risks identified in our 2015/16 Annual Audit Plan, how we addressed each risk and our judgement in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement / opinion risk		
<p>Management override of controls: ISA 240 requires auditors to consider, on all audits, management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Detailed testing of journal entries and accounting estimates. Evaluation of any significant transactions that are outside the normal course of business.</p>	<p>No unusual or incorrect entries found from testing.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Changes to Annual Report disclosure requirements</p> <p>The 2015/16 Government Financial Reporting Manual (FReM) has been extensively rewritten to revise the layout and content of the Annual Report.</p> <p><i>There is a risk that the new requirements will not be reflected in the Commissioner’s 2015/16 Annual Report and Accounts.</i></p>	<ul style="list-style-type: none"> • We met with management in March 2016 to discuss the required changes and their proposals for the revised Annual Report layout and content. • We reviewed the Annual Report included within the unaudited financial statements against the requirements of the 2015/16 FReM as part of the financial statements audit. 	<p>Our review identified one significant departure from the requirements of the 2015/16 FReM. Also, a number of minor presentational and disclosure adjustments to the Annual Report were identified to ensure this reflected the disclosure requirements set out for the new Performance Report and Accountability Report sections. Management reflected the required changes in the final version of the accounts.</p> <p>Satisfactory</p>

Appendix 2: Summary of local audit reports



Appendix 3: Summary of national reports

