
Children's Hearings Scotland

Annual Report to Those Charged
with Governance and the Auditor
General for Scotland

August 2016

Year ended 31 March 2016

PricewaterhouseCoopers
141 Bothwell Street
Glasgow
G2 7EQ

Audit and Risk Management Committee Members
Children's Hearings Scotland
Ladywell House
Ladywell Road
Edinburgh
EH12 7TB

August 2016

Ladies and Gentleman,

We are pleased to enclose our report to the Audit and Risk Management Committee in respect of our audit for the year ended 31 March 2016. The primary purpose of this report is to communicate the significant findings arising from our audit that we believe are relevant to those charged with governance.

The scope and proposed focus of our audit work was summarised in our audit plan, which we presented to the Audit Committee in February 2016. We have subsequently reviewed our audit plan and concluded that our original risk assessment remains appropriate. The procedures we have performed in response to our assessment of significant audit risks are detailed in Section 2.

We have completed our audit work and expect to be able to issue an unqualified audit opinion on the financial statements, subject to our final completion procedures including subsequent events review and receipt of the signed letter of representation from management.

We will provide an oral update on these matters at the meeting on 30 August 2016 and we look forward to discussing our report with you on this date. Attending the meeting from PwC will be James Gray.

Yours faithfully

PricewaterhouseCoopers LLP

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Section 1. Executive summary

Introduction

We set out in this report our significant findings from our audit of Children's Hearings Scotland ("the Body") for 2015/16, together with those matters which auditing standards require us to report to you as "those charged with governance" of the Body.

We carried out our audit work in line with our 2015/16 audit plan that we presented to you in February 2016. Our audit is not designed to identify all matters that may be relevant to you. Accordingly, the audit does not identify all such matters. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Framework for Our Audit

Our audit is conducted in accordance with Auditing Standards (International Standards on Auditing ('ISAs') (UK and Ireland)) and the Code of Audit Practice ('the Code').

The Code explains how external auditors should carry out their functions under the Public Finance and Accountability (Scotland) Act 2000. The audit of financial statements is covered by engagement and ethical standards issued by the UK Auditing Practices Board (APB), so the Code focuses more on the wider functions of public sector auditors. We have conducted our audit in accordance with the relevant requirements of the Code.

Respective Responsibilities of Management and Auditors

Management

It is the responsibility of the Body's management, and the Chief Executive, as Accountable Officer, to prepare the financial statements in accordance statutory and other relevant requirements. This means:

- acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintaining proper accounting records;
- preparing financial statements timeously which give a true and fair view of the financial position of the Body and its expenditure and income for the year ended 31 March 2016; and
- preparing a Performance Report and an Accountability Report, including a Statement of Governance and a Staff and Remuneration Report.

Auditors' responsibilities

Our responsibilities in accordance with the Code of Audit Practice are to provide you with an audit report stating whether, in our opinion the financial statements and the part of the Remuneration Report to be audited:

- give a true and fair view of the financial position of the entity and its expenditure and income for the year;
- have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
- the information which comprises the annual report included with the financial statements is consistent with the financial statements; and
- expenditure and receipts have been incurred and applied in accordance with guidance from Scottish Ministers (the regularity opinion).

We are also required to review and report as necessary on other information published within the financial statements, including the Directors' Report, Statement of Governance and the Remuneration Report.

Financial Statements

We have completed our audit work and will issue an unqualified audit opinion on the annual accounts.

As a result of our work, we proposed a number of disclosure audit adjustments to the draft financial statements. All identified misstatements were corrected by management meaning no uncorrected misstatements remain in the final financial statements. No financial adjustments above the de minimus posting level were identified during our audit.

Financial performance

The aspects of CHS' financial performance for the year that we would like to highlight are as follows:

- Net expenditure before Scottish Government funding was £3.82 million as at 31 March 2016, compared with net expenditure before Scottish Government funding of £3.76 million as at 31 March 2015. The increase of £0.06 million in the year is the mainly due to the net impact of the following movements:
 - an increase in staff costs of £30k;
 - an increase in other expenditure of £36k;
 - an increase in income of £12k; and
 - an increase in finance costs of £6k.
- Net assets of £0.188 million as at 31 March 2016, compared with net liabilities of £0.030 million as at 31 March 2015, with the decrease in liabilities of £0.218 million in the year being largely attributed to the movement in the pension liability (pension asset of £23k as at 31 March 2016 compared to a pension liability of £241k as at 31 March 2015).

Findings arising from the audit

Section 2 of this report summarises the findings arising from our audit.

Misstatements and significant audit adjustments

All misstatements identified during the audit have been adjusted within the accounts meaning we have no uncorrected misstatements to present in this report.

Action Plan

We have highlighted one recommendation for CHS within our Action Plan which can be seen in Appendix 1 of this report and which were identified by the audit team as part of the audit process.

We would like to take this opportunity to express our thanks for the co-operation and assistance we have received from the management and staff of Children's Hearings Scotland throughout our work.

Section 2: Significant audit and accounting matters

We set out in our audit plan our assessment of the areas of significant risk in the financial statements. We have reconsidered our approach and concluded that it remains appropriate. We have set out below our response to those significant risks along with other arising from our audit.

Matters identified in our audit plan

Set out below is a summary of our response to matters identified in our audit plan:

Financial Statement Risks

Matter arising	Audit response
<p>Fraud and management override of controls Significant Risk</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit.</p> <p>This includes consideration of the risk that management may override controls in order to manipulate the financial statements.</p>	<p>In response to this risk;</p> <ul style="list-style-type: none"> We tested high risk journals by agreeing the journals to supporting documentation and verifying journals had been appropriately authorised. Factors considered in the identification of high risk journals included expenditure journals with an unusual account combination (e.g. where a journal was posted to expenditure which was not offset by a posting to cash, accounts payable or accruals), large journal entries, and journals posted by unusual users; We examined management’s accounting estimates for bias and performed detailed testing over accruals; and We performed unpredictability testing over panel member expense claims to ensure claims were recorded correctly and appeared to be appropriate. We have raised one control recommendation in response to our work. <p>Our work did not identify any material errors that required adjustment to the financial statements.</p>

Matter arising	Audit response
<p>Recognition of expenditure Significant Risk Under ISA (UK&I) 240 there is a (rebuttable) presumption that there is a risk of fraud in revenue recognition. As CHS is wholly funded through Scottish Government “Grant in Aid” income, the risk of fraud in revenue recognition has been rebutted for CHS.</p> <p>However for public sector bodies we extend this risk to the risk of fraud in expenditure recognition. There is a risk that CHS could adopt accounting policies or treat expenditure transactions in such a way as to lead to material misstatement in the reported expenditure position.</p>	<p>In response to this risk;</p> <ul style="list-style-type: none"> • We evaluated and tested the accounting policy for expenditure recognition to ensure that it is consistent with the requirements of the International Financial Reporting Standards (IFRSs), as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (FReM); • We performed substantive testing on a sample of expenditure transactions and confirmed with reference to supporting documentation that each was recorded at the correct value, in the correct accounting period and was posted correctly within the accounts; • We performed substantive cut-off testing on a sample of expenditure transactions posted in the month prior to the year-end and the month after the year-end and confirmed with reference to supporting documentation that each item tested was recorded at the correct value, in the correct accounting period and was posted correctly within the accounts; • We identified high risk manual journals posted to expenditure accounts and identified the rationale for these transactions, agreed details to supporting documentation and verified appropriate authorisation; and • We reviewed estimates for expenditure such as accruals, to ensure that they had been accounted for on an accurate basis and in the proper period. <p>We did not identify any issues to report to you as a result of our work.</p>

Wider Scope Audit Risk

Matter arising	Audit response
<p>Wider scope audit risk – financial sustainability Elevated Risk</p> <p>The Audit Scotland Code of Audit Practice states that public sector audits should be wider in scope than in the private sector to reflect the accountabilities attached to the use of public money.</p> <p>There is unprecedented financial pressure on the public sector as a result of ever increasing demand during a period of financial austerity in UK public services.</p> <p>This is leading to public sector bodies across the country finding it increasingly difficult to address budget shortfalls through the identification of efficiency savings. As a result there is an increasing risk to the financial sustainability of organisations in the long term.</p> <p>It is noted that this is not a financial statement risk in relation to going concern, but a wider scope audit risk in relation to the longer term financial sustainability of the organisation.</p>	<p>We have reviewed management’s financial plans going forward to assess their robustness.</p> <p>We obtained an understanding of the 2015-16 financial performance and ensure that our substantive testing programme was delivered to reflect the areas of risk such as cut off, provisions and unrecorded liabilities.</p> <p>We have also considered management’s arrangements to manage its future financial position.</p> <p>Further details on financial sustainability have been provided in section 3 of this report.</p>

Other areas of audit focus

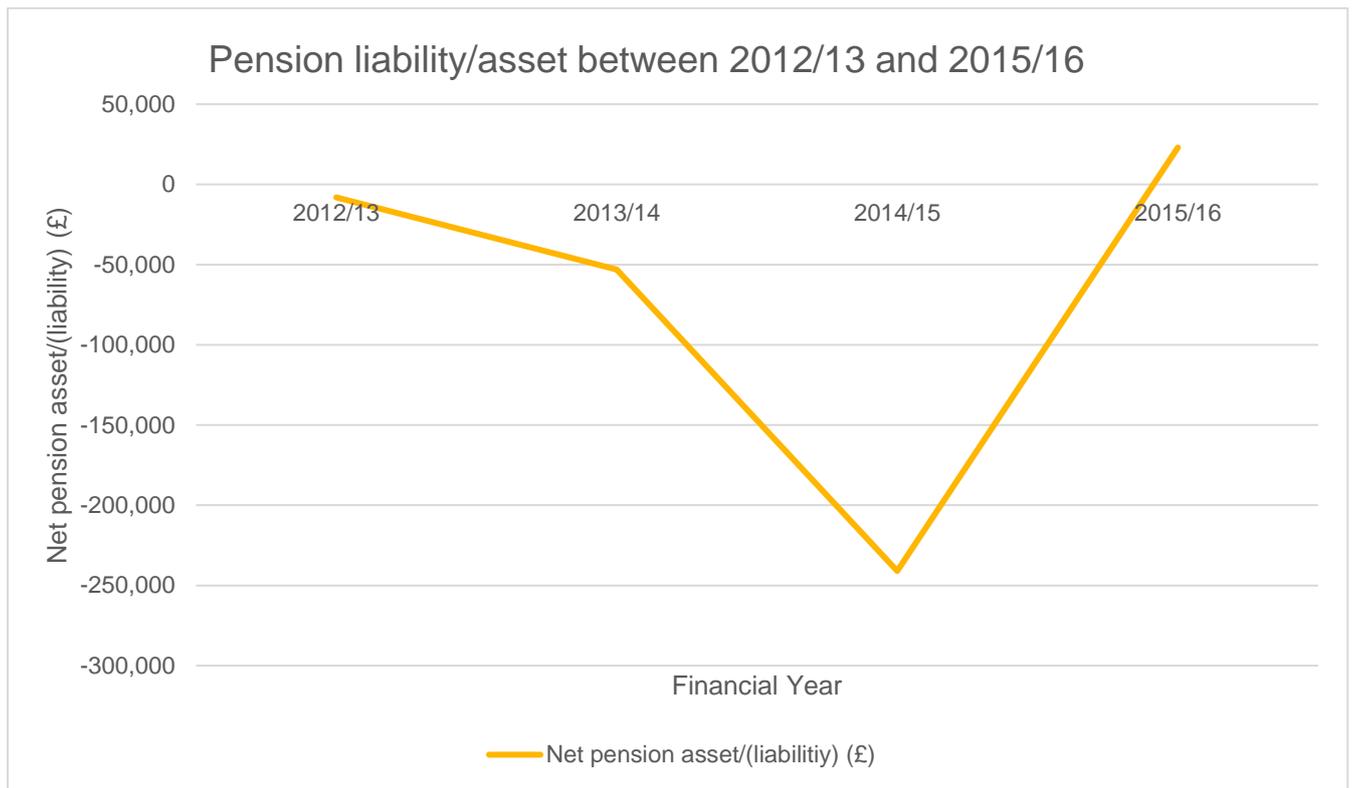
Pensions

CHS has an agreement with Edinburgh City Council under which all staff are eligible to enter the Local Government Pension Scheme managed by the Council in accordance with scheme rules. The Lothian Pension Fund is a defined benefit scheme providing pension benefits and life assurance for all staff members.

The Body’s share of the Lothian Pension Fund as at 31 March 2016 is a net pension asset of £23k (2015: net liability of £241k), the liability having decreased by £264k during 2015/16. As such, the pension asset was below our materiality threshold of £57k as at 31 March 2016. However, we have reviewed the movement in the scheme assets and liabilities during the year and considered the assumptions used by the Body’s actuaries in calculating the value of their share.

During the year to 31 March 2016, pension assets increased in value to £748k from £568k in 2014/15, an increase of £180k (32%) and the value of the liabilities has decreased to £725k from £809k in 2014/15, a decrease of £84k (10%). The increase in assets during the year is largely due to increased employer pension contributions as a decision was taken to prepay past service costs which would have otherwise been payable in 2016/17 and 2017/18. The decrease in the value of pension liabilities is largely due to changes in financial assumptions.

The chart below shows the movement in your net pension liability over recent years.



We benchmarked the assumptions against a range of other schemes with March 2016 year ends. Please see the results of our benchmarking exercise attached in appendix 2 of this report, with a summary of results presented in the table below. Please note that this exercise covers a number of clients reporting as at 31 March 2016, including schemes with various durations.

Key assumption	Benchmarked assessment
Discount rate	Mid-range
CPI inflation	Mid-range to prudent
Mortality (current pensioners)	Mid-range
Mortality (future pensioners)	Mid-range

In overall terms we are satisfied that the assumptions adopted by CHS are reasonable.

Misstatements and significant audit adjustments

There are no uncorrected misstatements arising from our audit to report to you.

Qualitative aspects of accounting practices

Financial statement disclosures

We have also reviewed, and tested, the material disclosures in the financial statements. We identified some errors upon review of the financial statement disclosures; however these have been agreed with management and updated within the final financial statements accordingly. We did not identify any issues to report to you as a result of our work in this area.

Governance Statement

The Financial Reporting Manual requires the Chief Executive to sign a Statement of Governance which covers all controls including financial, operational, compliance and the management of risk.

We reviewed the Statement of Governance and based on our normal audit procedures, we do not disagree with the disclosures contained within the Statement.

Materiality

We have conducted our work in accordance with the materiality levels detailed below. We have applied a de-minimus level of £3,822. This is the level above which any uncorrected misstatements are reported to the Audit Committee.

We note that our final overall materiality calculated below at £76,449 has increased from the amount of £75,000 communicated in our Audit Plan presented to the Audit Committee in February 2016. The increase in the overall materiality is due to our final materiality being based on the actual year-end financial statements. The change has not impacted our planned audit approach in any way.

	£
Overall materiality – This is the amount we have applied in assessing the overall impact on the financial statements of potential adjustments	£76,449
Performance materiality - We have applied this to direct the amount of work performed over each financial statement line item – for example in calculating sample sizes	£57,337
De-minimus posting level - Under ISA (UK & I) 450, we are required to report to the Audit Committee on all unadjusted misstatements in excess of a ‘de-minimus’ or ‘clearly trifling’ amount	£3,822

Section 3. Financial performance

Financial targets

CHS's financial performance for the year to 31 March 2016 is summarised in the table below.

Table 1: Financial targets summary 2015/16

	Outturn £ 000	Budget Allocation £ 000	Underspend/ (Overspend) £ 000
Resource Departmental Expenditure Limit	3,820	3,700	(120)

CHS's key areas of expenditure in 2015/16 included:

- Staff costs (£887k, 23% of total operating expenditure) – Staff costs have increased by £30k from the prior year. This increase is driven by an increase in pension scheme contributions in the current year.
- Other expenditure (£2,936k, 77% of total operating expenditure) – other operating expenses have increased by £36k from the prior year. The largest movement relates to an increase in training of panel and AST Members.

Table 2: Movement in the general fund

	31 March 2016 £ 000	31 March 2015 £ 000	31 March 2014 £ 000	31 March 2013 £ 000	31 March 2012 £ 000
General Fund	41	161	321	321	222

As detailed in Table 2 above, the CHS general fund balance decreased during 2015/16 to £41k, a decrease of £120k from the prior year and continues the trend of decreasing reserves in recent years.

Management confirmed that at the start of 2014/15 the Scottish Government requested that CHS reduce the general fund balance from £0.32 million as at 31 March 2014, to £0.07 million by 31 March 2016. The outturn for 31 March 2016 was £41k, achieved through a £120k deficit in 2015/16. The budget for the 2016/17 is an overspend of £23k.

Financial sustainability

Financial sustainability has become a key matter for consideration by all public sector entities and it is vital that consideration of longer term financial plans has taken place.

CHS has developed a budget for 2016/17, based on expected Grant in Aid funding of £3,700k. The draft budget was developed by the Senior Management Team in consultation with budget holders and are aligned to the 2016/17 Business Plan.

Table 3: 2016/17 Financial Plan

CHS	2016/17 Planned Budget £ 000
Grant in Aid (cash)	3,700
Total operating costs	3,723
Surplus / (Deficit)	(23)

The expected nil movement in funding was expected to have a delay in the momentum of work to improve outcomes for children and young people as the organisation reduces front-line spends such as engagement, partnership working, recruitment and training to offset the impact of other budget pressures, such as pay, NI and pensions. However, this has been avoided in part by using efficiencies and savings generated in 2015/16 to accelerate some of the activity planned for 2016/17. The Senior Management Team have set an objective to identify resources in 2016/17 for IT initiatives in the absence of a firm commitment from Scottish Government to fund the joint Digital Strategy, a shared digital investment programme across SCRA and CHS.

Staff costs are budgeted for the current 18.65 FTE staff in post for the full year, plus 0.5 FTE HR support, 1 FTE Training Officer, 2 Modern Apprentices and £30k to provide absence cover.

Whilst direct costs in relation to panels is a best-estimate based on previous years’ spends and profiling, due to the demand-led nature of these costs these remain uncertain. Panel and AST Training remains the largest portion of total expenditure and remain relatively consistent with 2015/16. No assumption has been made for in-year efficiency savings being delivered, however management have stated that they will continue to work with West Lothian College to realise these where possible.

Section 4. Governance and internal control

Governance structure

We have assessed the Body's overall governance arrangements including a review of Board and key Committee structures and minutes, and financial reporting to the Board. Appropriate evidence of activity has been provided by the Body.

The Code of Audit Practice requires us to review and report on the Body's Annual Governance Statement. The Body has used the appropriate format for its Statement and has outlined the processes it had employed to identify and evaluate risks. In addition, key elements of the Body's control framework have been highlighted.

We consider that the governance arrangements in place are appropriate.

System of internal control

The Chief Executive Officer in conjunction with management and the Audit and Risk Management Committee are responsible for developing and implementing systems of internal financial control and having in place proper arrangements to monitor their adequacy and effectiveness in practice.

We review these arrangements for the purposes of our audit of the financial statements and for our review of the annual governance statement and report to you any significant deficiencies in internal control that we find during our audit.

We have no significant matters to bring to your attention in relation to the system of internal control.

Risk management

Responsibilities for the risk management process lies with the Board, which is provided with information and guidance by the Audit and Risk Management Committee and the management team.

Reports on the management of risk are standing agenda items at meetings of the Board, and the Audit and Risk Management Committee. The risk register is reviewed regularly by the Audit and Risk Management Committee at their meetings.

Internal Audit

The role of internal audit is determined by management and therefore its objectives differ from ours. Part of our overall audit approach involves gaining an understanding of the internal audit function to determine if it would be effective and efficient to use their work.

Internal audit have performed five reviews within 2015/16:

- Payroll;
- Corporate Governance;
- AST function;
- Internal and external communications; and
- Business continuity and disaster recover.

Whilst we did not place specific reliance on the reports issued, they did assist us in updating our risk assessment.

Scott Moncrieff in their role as Internal Auditors have included their opinion within the Internal Audit annual reported, stating “CHS has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money and deliver best value”.

Based on audit work performed we consider the Internal Audit function within CHS to be appropriate for the need of the Body.

Section 5. Fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors and management are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Management have confirmed that they are not aware of any actual or suspected significant frauds having occurred during 2015/16. We confirm that we have not identified any actual or suspected significant frauds as part of our audit procedures.

Section 6. Independence

Independence and objectivity

We have made enquiries to determine if PwC is providing services to you in addition to our external audit. No such services have been identified. We have also considered the independence of the team delivering the audit.

There are no matters which we perceive may impact our independence or objectivity of the audit team.

Independence conclusion

At the date of this report we confirm that in our professional judgement, we are independent accountants with respect to the Body, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

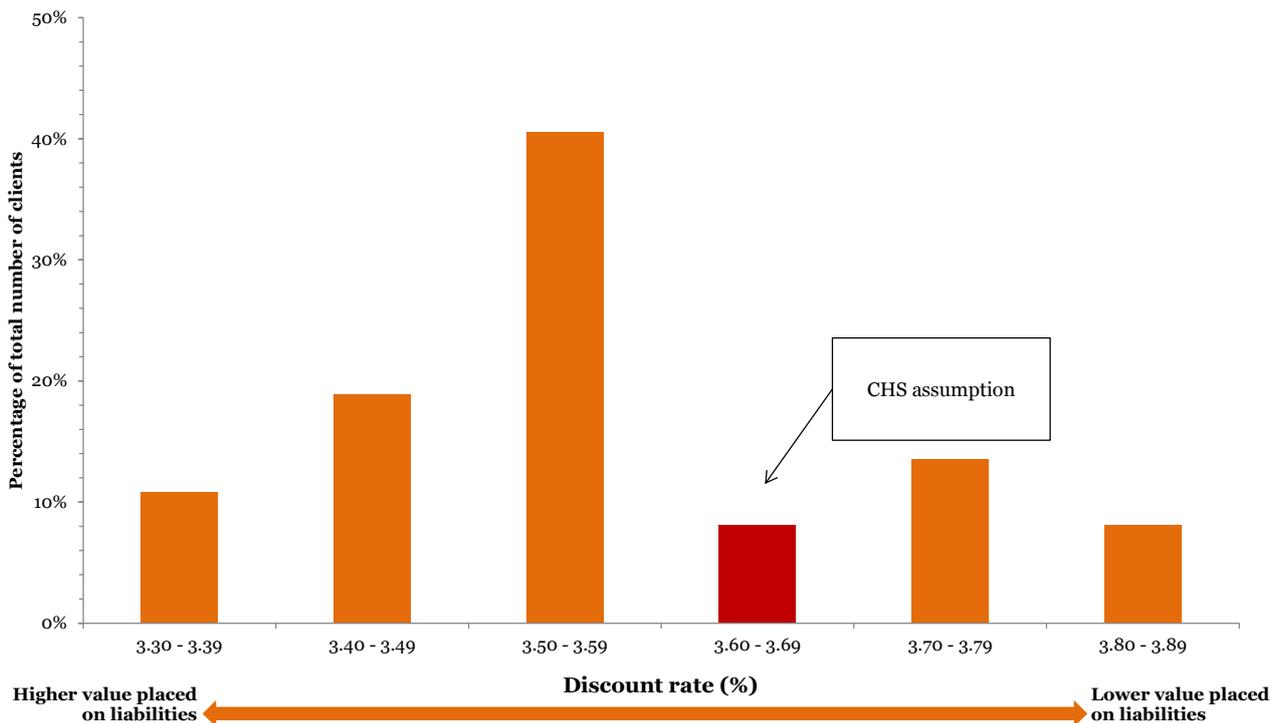
Appendix 1: Action Plan

<i>Finding</i>	<i>Management response</i>
<i>Controls around panel members expenditure</i>	Management agree with the finding.
Finding	Timescales
<p>During our testing around panel member expenditure it was noted that, at present, there are no processes or systems providing assurance to CHS around the legitimacy and accuracy of amounts invoiced by each local authority partner.</p> <p>The councils invoice CHS for expenditure incurred, however, insufficient information is provided to support this. This presents the risk of overpaying in areas for which CHS are not responsible or have designated out of policy.</p> <p>In addition, due to the lack of information provided to CHS, there are no processes in place to analyse and manage this expenditure which forms a significant portion of the annual budget.</p>	<p>31 March 2017</p>
Recommendation	
<p>CHS should liaise with their Local Authority partners to establish means by which information can be shared, allowing CHS to analyse expenditure and determine compliance with policy.</p>	

Appendix 2: Pension assumption benchmarking

Discount rate

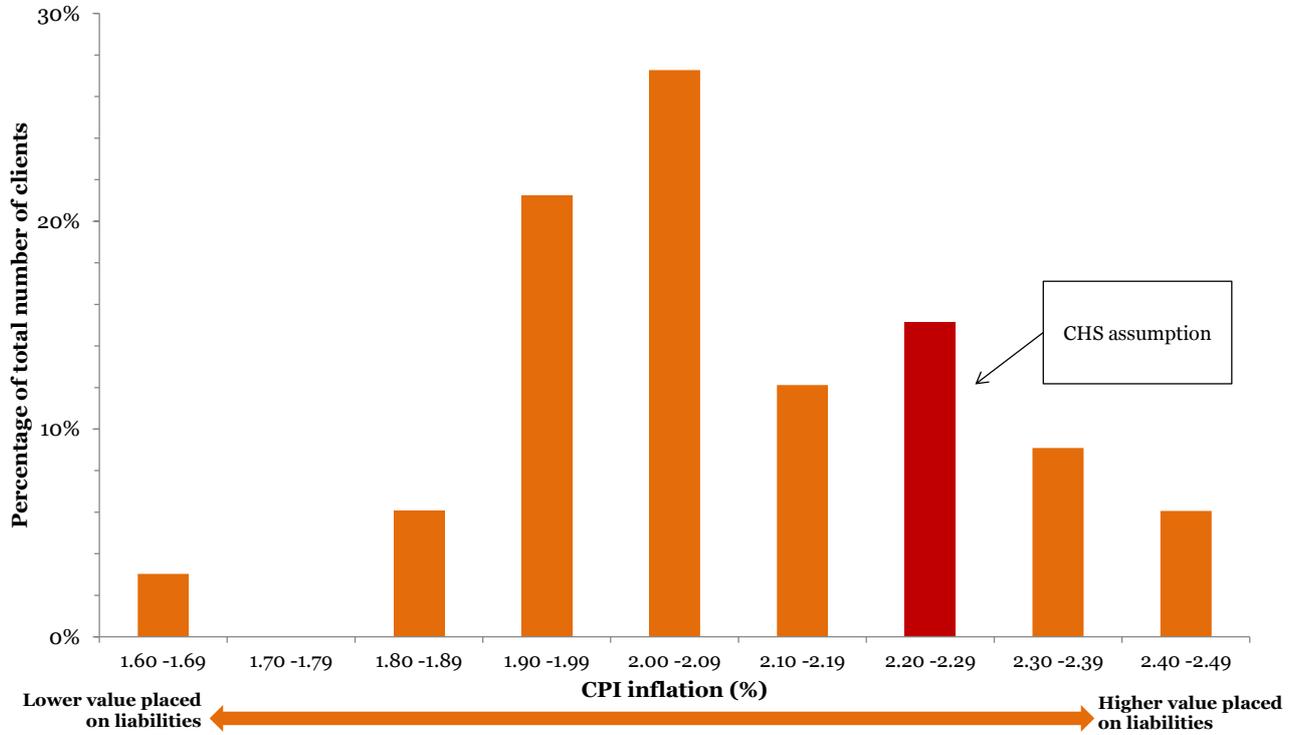
Spread of discount rate assumptions adopted by PwC clients at 31 March 2016



Number of clients: 37
Reporting date: 31 March 2016

CPI inflation

Spread of inflation (CPI) assumptions adopted by PwC clients at 31 March 2016



Number of clients: 33
Reporting date: 31 March 2016

Mortality – current pensioners

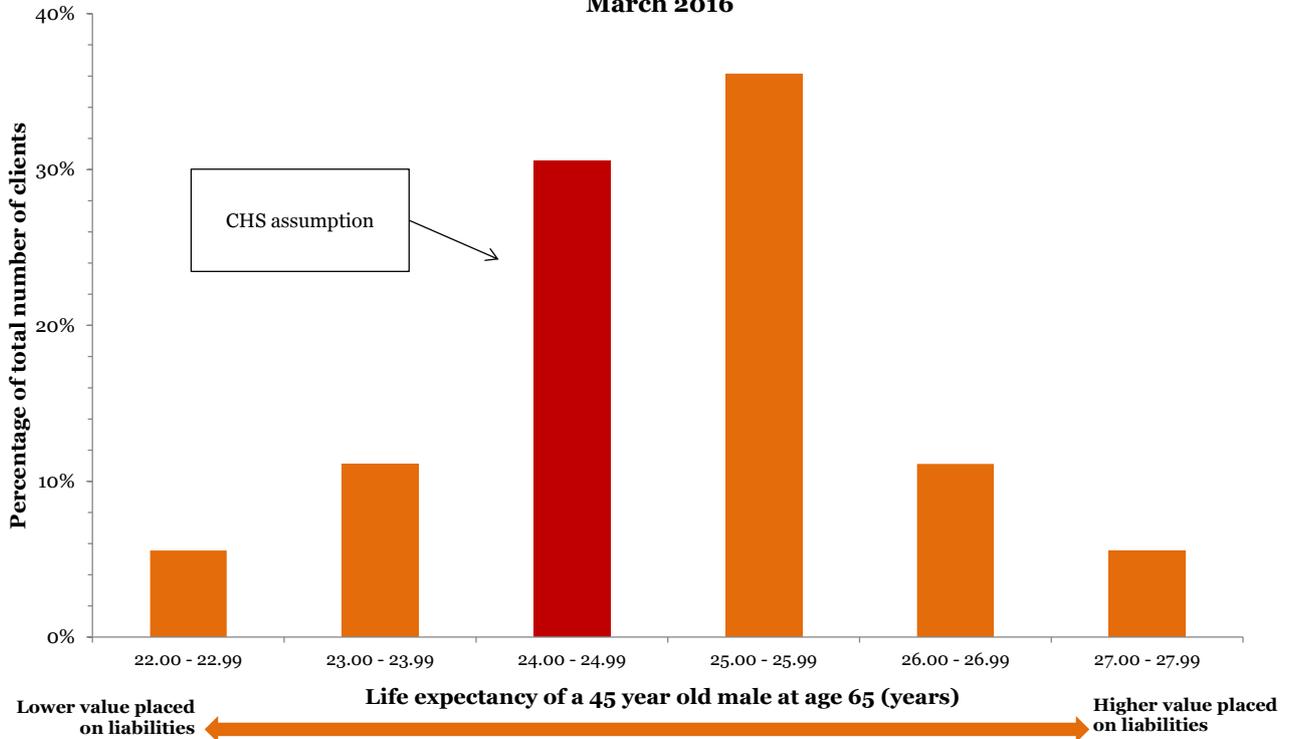
Spread of pensioner life expectancy assumptions adopted by PwC clients at 31 March 2016



Number of clients: 36
Reporting date: 31 March 2016

Mortality – Future pensioners

Spread of non-pensioner life expectancy assumptions adopted by PwC clients at 31 March 2016



Number of clients: 36
Reporting date: 31 March 2016

Appendix 2: Management Representation Letter

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Children's Hearings Scotland (the "Body") for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000.

We confirm that the following representations are made on the basis of enquiries of management and staff of the Body with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you.

We confirm, for all directors at the time the directors' report is approved, to the best of our knowledge and belief, and having made the appropriate enquiries, the following representations:

Financial Statements

- We have fulfilled our responsibilities, for the preparation of the financial statements in accordance with the IFRSs as adopted by the European Union and the Public Finance and Accountability (Scotland) Act 2000; in particular the financial statements give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- Significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the financial statements for which IFRSs as adopted by the European Union require adjustment or disclosure have been adjusted or disclosed.
- There are no uncorrected misstatements to report to you in this letter.
- The financial statements disclose all matters of which we are aware that are relevant to the Body's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Body's plans. The Body also has the intent and ability to take actions necessary to continue as a going concern.

Information Provided

- Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that you (the Body's auditors) are aware of that information.
- We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the Body from whom you determined it necessary to obtain audit evidence.

So far as each director is aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Body and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Body's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related party transactions

We confirm that the ultimate controlling party of the Body is the Scottish Government.

We confirm that the attached appendix to this letter is a complete list of the Body's related parties. All transfer of resources, services or obligations between the Body and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the FReM and the Public Finance and Accountability (Scotland) Act 2000.

We confirm that we have identified to you all members of key management, as defined by IAS 24, and included their remuneration in the disclosures of key management compensation.

Employee Benefits

We confirm that we have made you aware of all employee benefit schemes in which employees of the Body participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Body have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with IFRSs as adopted by the European Union.

Taxation

We have complied with the taxation requirements of all countries within which we operate and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. We are not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and we have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In managing the tax affairs of the Body, we have taken into account any special provisions such as transfer pricing, debt cap, tax avoidance disclosure and controlled foreign companies legislation as applied in different tax jurisdictions.

Retirement benefits

- All retirement benefits that the Body is committed to providing, including any arrangements that are statutory, contractual or implicit in the Body’s actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.
- All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.
- The following actuarial assumptions underlying the valuation of retirement benefit scheme assets are the responsibility of CHS senior management but are set upon advice given by the fund Actuary. The following assumptions are the assumptions recommended by the Actuary specifically for CHS. The assumptions are consistent with our knowledge of the organisation and in our view, the combined effect of the assumptions is reasonable as a whole and leads to the best estimate of the future cash flows that will arise under the scheme liabilities:

Pension assumptions	
Pension increase rate	2.2%
Salary increase rate	3.0%
Discount rate	3.6%
Net pension asset	£23k

As minuted by the Board at its meeting on 30 August 2016

.....
(Chief Executive)

.....
(Chair)

For and on behalf of

.....

Date

This document has been prepared only for Children's Hearings Scotland and Audit Scotland and solely for the purpose and on the terms agreed through our contract with Audit Scotland. We accept no liability (including for negligence) to anyone else in connection with this document. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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