



# Scottish Social Services Council

2015/16 Annual audit  
report to Members and  
the Auditor General for  
Scotland

September 2016

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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/](http://www.audit-scotland.gov.uk/about/)).

David McConnell, Assistant Director, Audit Scotland is the appointed external auditor of the Scottish Social Services Council for the period 2011/12 to 2015/16.

This report has been prepared for the use of the Scottish Social Services Council 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 in support of her wider responsibilities, including reporting to the Scottish Parliament.

## Contents

Key messages.....	3
Introduction.....	4
<b>Audit of the 2015/16 financial statements .....</b>	<b>5</b>
<b>Audit opinions.....</b>	<b>6</b>
<b>Financial management and sustainability.....</b>	<b>9</b>
<b>Governance and transparency.....</b>	<b>12</b>
<b>Appendix I: Significant audit risks .....</b>	<b>15</b>
<b>Appendix II: Summary of local audit reports 2015/16.....</b>	<b>18</b>
<b>Appendix III: Summary of Audit Scotland national reports 2015/16.....</b>	<b>19</b>
<b>Appendix IV: Action plan.....</b>	<b>20</b>

# Key messages

## Audit of financial statements

- Unqualified independent auditor's report on the 2015/16 financial statements.
- Working papers were of a high standard and officers provided excellent support which enabled the audit team to complete on-site fieldwork by the planned target date.
- Only presentational and disclosure adjustments were required to the financial statements presented for audit.

## Financial Position

- The Scottish Social Services Council operated within its resource budget for 2015/16.
- The financial position remains stable. An indicative budget of income and expenditure is projected for a 3 year period to 2018/19 based on continuing Scottish Government funding.
- The Scottish Social Services Council faces a challenge to keep operating costs within its budget in the medium to longer term.
- Financial management is strong and soundly based.

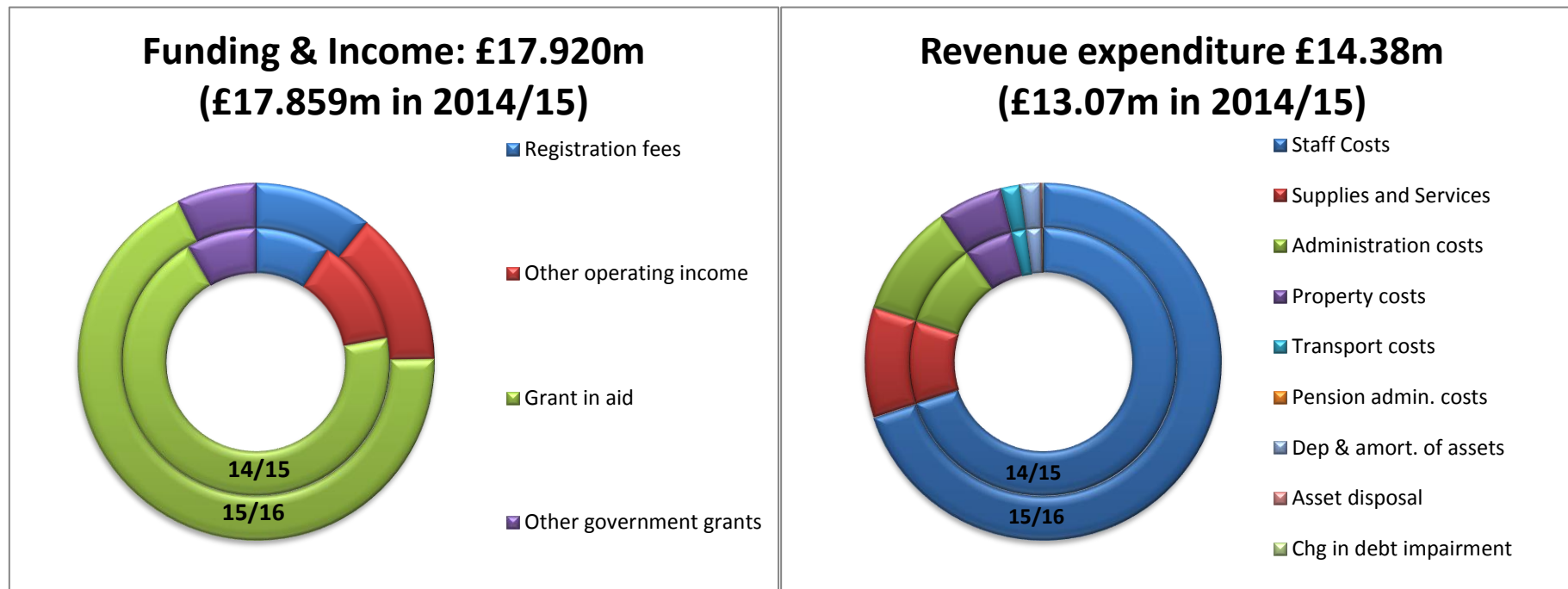
## Governance & accountability

- Overall we found that the Scottish Social Services Council had sound governance arrangements.
- Systems of internal control operated effectively during 2015/16.
- The register of interests extends to all Council members and is renewed annually.
- The council has an effective internal audit function and robust anti-fraud arrangements.

# Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Scottish Social Services Council.
2. The management of the Scottish Social Services Council is responsible for:
  - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
  - ensuring the regularity of transactions, by putting in place systems of internal control
  - maintaining proper accounting records
  - publishing with their financial statements an annual governance statement and a remuneration 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. 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 [appendix II](#) and [appendix III](#).
6. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that Scottish Social Services Council understands its risks and has arrangements in place to manage them. The Audit committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
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. From 2016/17 the external auditor of the Scottish Social Services Council will be Grant Thornton. In accordance with agreed protocols and International Standards on Auditing we will be liaising with Grant Thornton as part of this transition.

# Audit of the 2015/16 financial statements



The financial statements show that income and Scottish Government net funding for 2015/16 was £17.920 million, an increase of £0.061 million (0.3%) from 2014/15. Expenditure increased by £1.310 million (10%) to £14.38 million in 2014/15. Staff costs within the expenditure for 2015/16 include the impact of IAS 19 actuarial pension valuation adjustment of £0.641 million.

# Audit opinions

<b>Financial Statements</b>	<ul style="list-style-type: none"><li>• The financial statements of the Scottish Social Services Council 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.</li><li>• We confirm that the financial statements have been properly prepared in accordance with the 2015/16 FReM and the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions.</li></ul>
<b>Regularity</b>	<ul style="list-style-type: none"><li>• In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.</li></ul>
<b>Other prescribed matters</b>	<ul style="list-style-type: none"><li>• The part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.</li><li>• The information given in the Performance Report is consistent with the financial statements.</li></ul>

## Submission of financial statements for audit

9. We received the unaudited financial statements on 30 June 2016, in accordance with the agreed timetable. The working papers were of a high standard and staff provided excellent support to the audit team which enabled us to complete our fieldwork on 29 July 2016.

## Overview of the scope of the audit of the financial statements

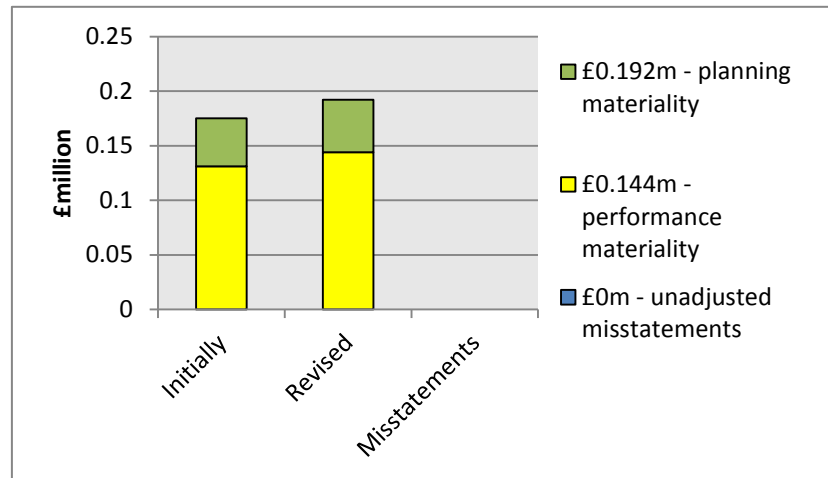
10. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit Committee on 14 March 2016.
11. As part of the requirement to provide full and fair disclosure of matters relating 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 £17,800 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
12. 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.

13. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
14. 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

15. 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.
16. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £0.192 million (1% of gross expenditure).
17. 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 £0.144 million (i.e. 75% of materiality).
18. We report all misstatements greater than £2,000.

**Exhibit 1: Overall materiality misstatements**



Source: 2015/16 Annual Audit Plan and draft Annual Report and Accounts

**Evaluation of misstatements**

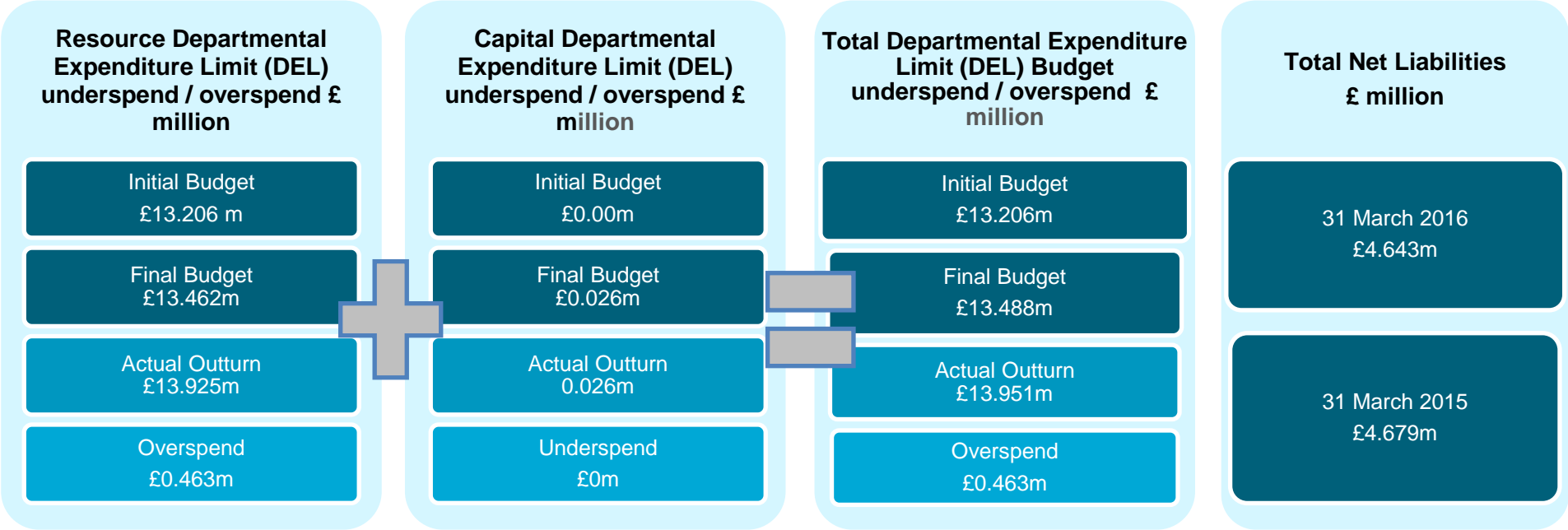
19. There were no misstatements identified during the audit which exceeded our misstatement threshold. Therefore, no amendments have been made to the financial statements which impact upon either the net expenditure for the year or the net assets position at 31 March 2016.

**Significant findings from the audit**

20. 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.
21. There are no significant findings from the audit that we require to bring to your attention.
22. We recommended changes to the presentation of the annual report and accounts in the financial statements due to changes in the 2015/16 FReM. The recommended changes have been processed by management and there are no unadjusted misstatements to report.



# Financial management and sustainability



23. The main financial objective for the Scottish Social Services Council is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

## 2015/16 financial position

24. The Scottish Government sets a resource budget for the year for the Scottish Social Services Council which originates from the spending review settlement and is subsequently approved in the Budget Bill. During the year, any revisions are approved in the autumn and spring.
25. The Scottish Social Services Council received a total final resource budget of £13.488 million for 2015/16 which was internally split between revenue (£13.462 million) and capital (£0.026 million) as detailed above.
26. Spending on operating costs was within the final budget set, mainly as a result of in-year expenditure monitoring where budget adjustments, slippages and efficiencies have been used to balance within the overall allocation. We have concluded that the Scottish Social Services Council budget setting and monitoring arrangements are satisfactory, and we noted that senior management and the council received relevant monitoring reports timeously.
27. The Statement of Financial Position at 31 March 2016 shows net liability of £4.643 million. This position is largely attributable to the pension liability value of £5.672 million which is subject to an annual valuation process.

28. The financial position of the Scottish Social Services Council remains stable with the body operating within its available funding (on an accounting and resourcing basis)

## Financial management

29. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the director of Corporate Services has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the body
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - audit committee members provide a good level of challenge and question significant variances.
30. Our review noted that the Director of Corporate Services and Head of Finance have sufficient status to deliver good financial management to the Scottish Social Services Council.
31. Our review of the Scottish Social Services Council's financial regulations concluded that they are comprehensive and current. The financial regulations are available on it's website.

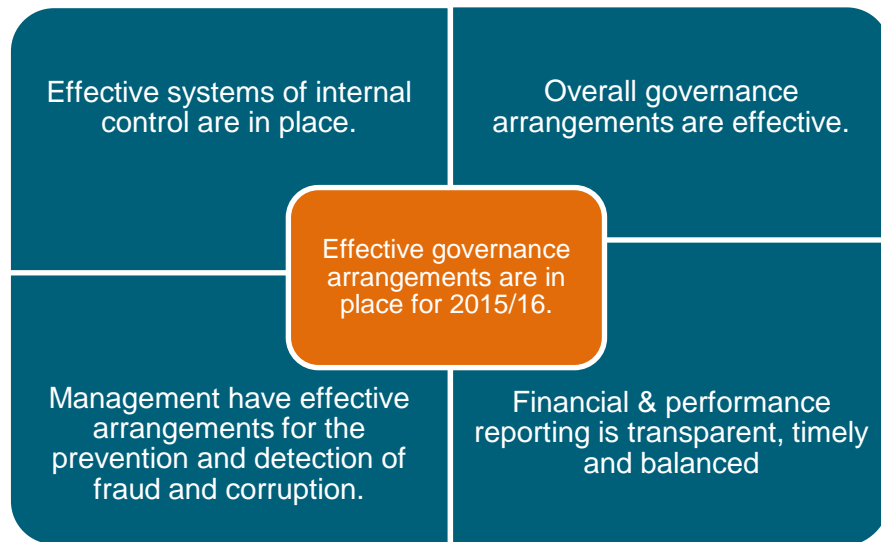
32. Regular reporting on budget monitoring and key performance indicator updates are provided to relevant council and resources committee members on a regular basis throughout the year.
33. Based on our accumulated knowledge, our review of council papers and through our attendance at the Audit Committee we conclude that the Scottish Social Services Council has strong financial management arrangements in place.

## 2016/17 budget

34. The Scottish Social Services Council are undertaking further reviews of their fitness to practise, registration and hearing resource models to ensure they are adequate and appropriate. The Scottish Social Services Council have provided resource model forecasts to the Scottish Government for the period 2016/17 to 2018/19 as part of the ongoing dialogue to agree additional funding. However, this is on a year to year basis with no long-term funding solution formally agreed to manage the increased workload. This presents a future challenge for the Scottish Social Services Council as they acknowledge that transferring funds from reserves is not sustainable.

**Refer Action Plan no. 1**

# Governance and transparency



## Corporate governance

35. The council and Chief Executive (as Accountable Officer) are responsible for establishing arrangements for ensuring the proper conduct of the affairs of the Scottish Social Services Council and for monitoring the adequacy of these arrangements.

36. The Scottish Social Services Council is managed by a council of non-executive directors and is accountable through the Scottish Ministers to the Scottish Parliament. The council's Chair and non-executives are appointed by the Scottish Ministers.
37. The council is supported in its role by the audit committee and resources committee. The committees meet on a regular basis throughout the year to consider relevant matters.
38. We concluded that the Scottish Social Services Council has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

## Transparency

39. 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
  - making corporate plans and the annual report widely available.
40. Audit Scotland supports transparency of financial reporting within the Annual Report and Accounts including:
- a clear reconciliation between expenditure and the outturn against Scottish Government Resource budgets
  - identification and explanation of any significant movements in budget during the year.
41. The financial statements include a table showing the Scottish Social Services Council's outturn against budget and a reconciliation to the statement of comprehensive net expenditure within the accounts. The Performance Report also includes an overview of the financial performance for the year.
42. Together with the annual accounts, the Scottish Social Services Council also publishes a comprehensive annual report which includes performance against its key indicators. We consider that this provides a fair and balanced view of activities for the year.
43. The Scottish Social Services Council makes available a range of information on their website, such as the Strategic Plan 2014-17. While we acknowledge that there are aspects of meetings that are confidential and sensitive in nature, the Scottish Social Services

Council's council meetings are open to the public and summarised minutes are made available on it's website.

44. Overall we concluded that the Scottish Social Services Council have effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

## Internal control

45. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit which could adversely affect 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.

## Internal audit

46. Internal audit provides the audit committee and Accountable Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.

47. Our review of internal audit concluded that the internal audit service (provided by Scott Moncrieff) operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. Therefore, we were able to place reliance on the following reviews during 2015/16:

- Financial systems health check
- Risk Management.

### **Arrangements for the prevention and detection of fraud**

48. The Scottish Social Services Council 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.

### **Arrangements for maintaining standards of conduct and the prevention and detection of corruption**

49. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We consider whether bodies have adequate arrangements in place and have concluded that

appropriate arrangements exist within the Scottish Social Services Council.

### **Acknowledgements**

50. We would like to express our thanks to the staff and members of the Scottish Social Services Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

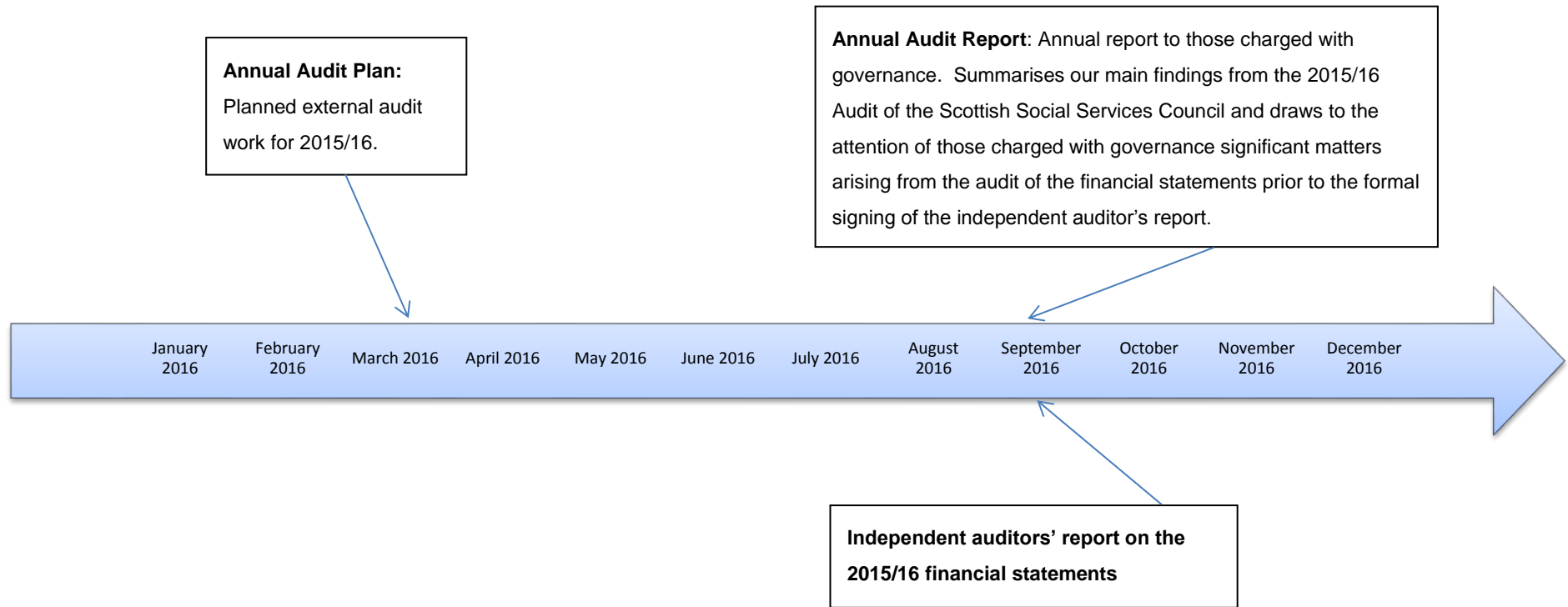
Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement</b>		
<p>A funding solution has been agreed for 2015/16 which is consistent with previous years. However, a longer term funding/ efficiencies solution is required to manage the identified budget deficits in future years as it is not sustainable to keep using reserves.</p> <p><i>Without a longer term solution, SSSC may not be able to deliver the key objectives and outcomes agreed within the Strategic plan.</i></p>	<ul style="list-style-type: none"> <li>We plan to monitor progress in agreeing a funding solution and will report accordingly within our annual audit report.</li> </ul>	<p>A three year budget for 2016/17 to 2018/19 has been developed and the Scottish Social Services Council is working closely with Scottish Government colleagues in order to secure a longer term funding solution.</p> <p>The Scottish Social Services Council are in process of identifying future efficiency savings as they acknowledge it is not sustainable to keep using reserves</p> <p><b>Satisfactory</b></p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Changes to the 2015/16 FReM</b></p> <p>The 2015/16 FReM contains changes that will require action by officers to ensure they are fully reflected in the 2015/16 unaudited financial statements.</p> <p><i>There may be ongoing issues with the financial statements provided for audit and they may require additional resource and effort from both audit and Scottish Social Services Council staff to ensure compliance with the FReM.</i></p>	<ul style="list-style-type: none"> <li>• We met with the Scottish Social Services Council in February 2016 to discuss the required changes and their proposals for the revised annual report layout and content.</li> <li>• 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.</li> </ul>	<p>Our review did not identify any significant departures from the requirements of the 2015/16 FReM. However, 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. Scottish Social Services Council reflected the required changes in the final version of the accounts.</p> <p><b>Satisfactory</b></p>
<p><b>Income</b></p> <p>The Scottish Social Services Council receives a significant amount of income in addition to Scottish Government funding.</p> <p><i>The extent of income means there is an inherent risk that income could be materially misstated.</i></p>	<ul style="list-style-type: none"> <li>• Analytical procedures on income streams.</li> <li>• We will perform substantive testing of income to ensure that income has been recognised appropriately.</li> </ul>	<p>We undertook detailed testing of income streams and did not identify any evidence of fraudulent activity or significant weaknesses in related controls.</p> <p><b>Satisfactory</b></p>

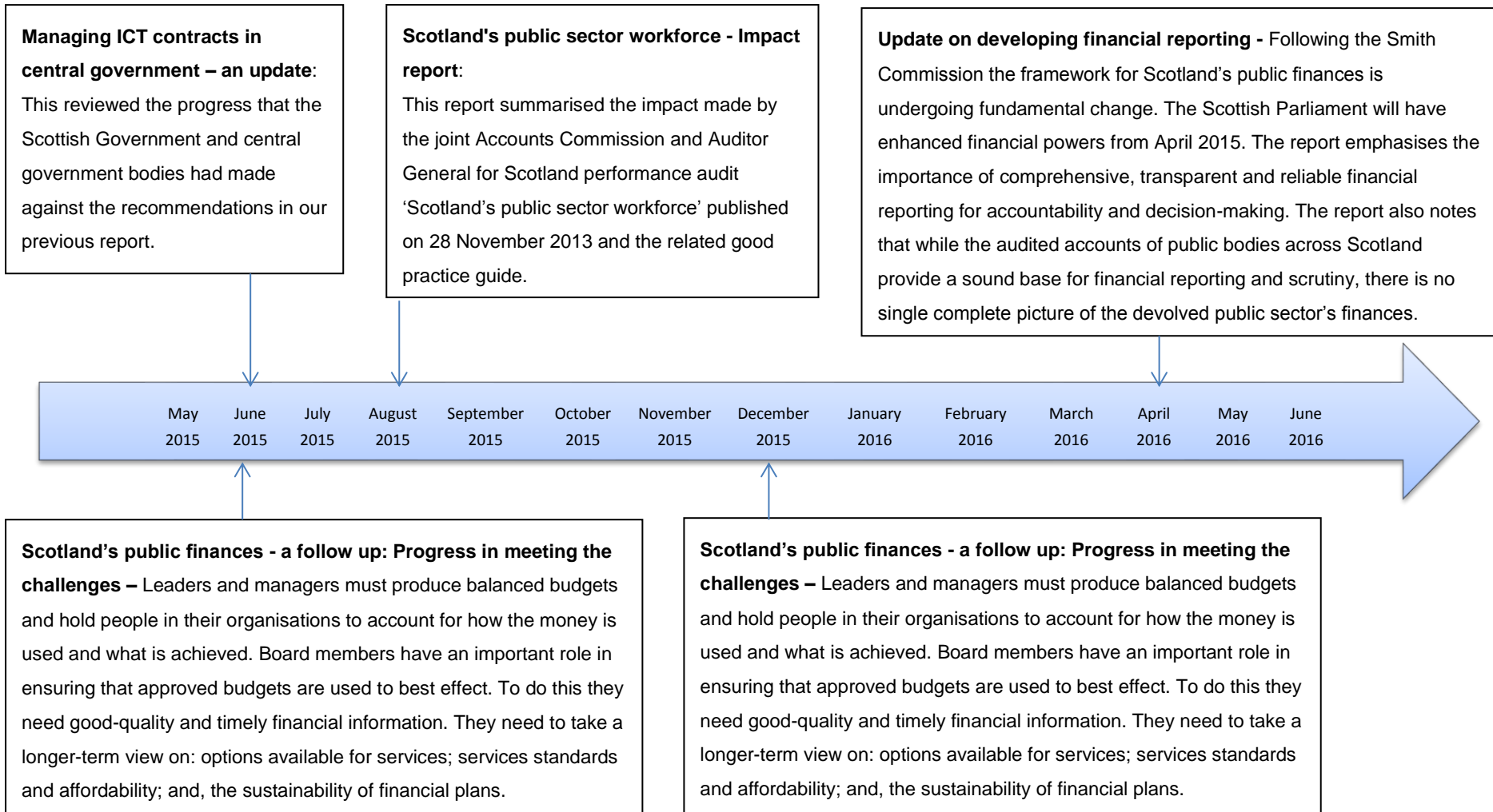


Audit Risk	Assurance procedure	Results and conclusions
<p><b>Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of any significant transactions that are outside the normal course of business.</li> </ul>	<p>We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness.</p> <p>We did not identify any incidents of management override of controls.</p> <p><b>Satisfactory</b></p>

# Appendix II: Summary of local audit reports 2015/16



# Appendix III: Summary of Audit Scotland national reports 2015/16



## Appendix IV: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	34	<p><b>Issue:</b> As reported in previous years, a longer term funding and efficiencies solution is required to manage the identified increased fitness to practise and registration workload.</p> <p><b>Risk:</b> Without a longer term solution, the Scottish Social Services Council may not be able to deliver the key objectives and outcomes agreed within the strategic plan.</p> <p><b>Recommendation:</b> The SSSC should clarify future funding arrangements and liaise with the Scottish Government sponsor department to ensure a longer term funding solution is agreed for financial year 2016/17 and beyond.</p>	Work is progressing on developing a medium term financial strategy for the SSSC. This will cover both expenditure and income and will facilitate the ongoing dialogue with SG about our funding position.	Chief Executive 31 March 2017