

Children's Hearings Scotland

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Children's Hearings Scotland and the Auditor General for Scotland

18 September 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Introduction	5
Part 1	7
Audit of 2017/18 annual report and accounts	
Part 2	9
Financial sustainability and governance statement	
Appendix 1	11
Action plan 2017/18	
Appendix 2	12
Significant audit risks identified during planning	
Appendix 3	13
Summary of national performance reports 2017/18	

Key messages

2017/18 annual report and accounts

- 1** In our opinion Children's Hearings Scotland's (CHS) financial statements give a true and fair view and were properly prepared and expenditure and income was in accordance with applicable enactments and guidance.
- 2** The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements.

Financial sustainability and governance statement

- 3** We concluded that CHS effectively managed its 2017/18 budget.
- 4** We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Introduction

1. This report summarises the findings from our 2017/18 audit of Children's Hearings Scotland (CHS).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 27/02/18 meeting of the Audit Committee. This report comprises the findings from:
 - an audit of the CHS annual report and accounts
 - consideration of the financial sustainability and appropriateness of governance statement
3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:
 - financial sustainability,
 - financial management,
 - governance and transparency, and
 - value for money.
4. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services.
5. As highlighted in our 2017/18 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2017/18 audit of CHS.
6. CHS 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. CHS is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
7. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), and guided by the auditing profession's ethical guidance.
8. As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.
9. The weaknesses or risks identified are only those which have come to our attention 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.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. For 2017/18, there are no significant findings. The appendix includes outstanding actions from last year and progress made against these.

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £10,600 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to CHS by providing insight and foresight on financial sustainability and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help CHS promote improved standards of financial planning, better management and decision making.

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

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual report and accounts



Main judgements

In our opinion CHS's financial statements give a true and fair view and were properly prepared; expenditure and income was in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements.

Audit opinions on the annual report and accounts

15. The annual report and accounts for the year ended 31 March 2018 were approved by the board on 18/09/2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- an unqualified opinion on regularity of expenditure and income
- the audited part of the remuneration and staff report performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of those matters which we are required by the Auditor General to report by exception.

The body's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

16. We received the unaudited annual report and accounts on 15/06/2018 in line with our agreed audit timetable.

17. The unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risks of material misstatement

18. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When

deciding on what is material we consider both the amount and nature of the misstatement.

20. We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the annual report and accounts we reviewed our planning materiality calculations and these are summarised in [Exhibit 1](#). The levels are broadly consistent with those calculated at the planning stage.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 18.	£59,000
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of overall materiality.	£44,000
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality.	£3,000

Source: Audit Scotland

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit.

22. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality. Management adjusted for all immaterial errors identified during the audit.

Significant findings from the audit (ISA 260)

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. There were no significant findings from the audit to report.

Follow up of prior year recommendations

24. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

25. One agreed action was raised in 2016/17, and this has now been fully implemented.

Part 2

Financial sustainability and governance statement



Main judgements

CHS effectively managed its 2017/18 budget.

We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Financial performance in 2017/18

26. The main financial objective for CHS is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government. CHS had an underspend of £0.11m on a budget of £4.05m in 2017/18.

Short term financial planning

27. CHS is funded directly by Grant in Aid received from the Scottish Government.

28. CHS submitted its 2018/19 draft budget in March 2018 with a resource allocation of £3.86m which is £0.19m (4.7%) less than the 2017/18 budget allocation (£4.05m). The 2018/19 budget allocation was approved by the Scottish Government on 28/03/2018.

29. Funding from the SG is CHS's sole source of income and there is a greater degree of certainty over future funding streams than for some other public sector organisations who are involved in income generating activities. Therefore, the main focus for CHS is achieving a balanced financial plan to remain within their annual allocation.

Medium to long term financial planning

30. CHS has a Corporate Plan covering 2015-2018 which includes a high level financial plan covering the period based on the assumed level of funding and estimated costs against each of its strategic objectives until 2015/18. CHS are currently updating the corporate plan for 2018 onwards.

31. CHS also produces an annual business plan which outlines the work being undertaken in the year to meet its strategic aims.

32. CHS has adequate financial planning arrangements in place.

Governance statement

33. Our review of the governance statement assessed the assurances which are provided to the Chief Executive as Accountable Officer regarding the adequacy and effectiveness of the board's system of internal control which operated in the financial year.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

34. Several risks are set out in the governance statement. These include issues such as meeting the legal requirements of the General Data Protection Regulation, providing secure and sustainable digital systems, reduction of services following spending review settlement and weak cyber resilience. The statement also summarises internal audit findings and key reports issued in the year. In 2017/18, internal audit reviewed Risk Management, Core Financial Processes, Volunteer Management, and General Data Protection Regulations (GDPR). For the first three, internal audit found the activities and controls were adequately designed to achieve the specific risk management, control and governance arrangements, and these arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, controls and governance objectives were achieved for the period under review. For the GDPR review, internal audit was not able, at the time of the audit, to provide reasonable assurance that the risk management, control and governance arrangements were operating with sufficient effectiveness in this area.

35. We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Appendix 1

Action plan 2017/18



No. Issue/risk



Recommendation



Agreed management action/timing

Follow up of prior year recommendations

b/f

1. Receipt of unaudited accounts

A full set of accounts, including performance and governance reports, was not provided until 26 July 2017. This was due to the longer timeline required by CHS to prepare the performance report.

Risk

Delays in providing the unaudited accounts and working papers can result in additional audit work, and may result in additional fees being charged by the auditor.

Management should ensure that a complete set of unaudited accounts and associated working papers are presented in line with the agreed timetable in future years

Management agreed the timetable for 2017/18 reports and accounts in advance of the 2017/18 financial statements audit.

Management delivered a complete set of accounts, including performance report and governance statement in line with the agreed timetable for the 2017/18 financial statements audit.

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</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>	<p>Reviewed the appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements.</p> <p>Reviewed accounting estimates for biases.</p> <p>Evaluated significant transactions that are outside the normal course of business.</p> <p>Focussed testing of the regularity and cut-off assertions during the financial statements audit.</p>	<p>We carried out detailed testing of trade payable and trade receivable transactions to ensure that they were posted to the correct financial year.</p> <p>We performed substantive testing on a sample of transactions from each material category of income and expenditure with reference to supporting documentation to confirm that they were accounted for in the correct accounting period.</p> <p>Our conclusion is that there is no evidence of management override of controls at CHS.</p>

Appendix 3

Summary of national performance reports 2017/18



		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	 Scotland's colleges 2017
		Jul	 NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

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