

**CHILDREN &
YOUNG PEOPLE'S**
Commissioner
Scotland

Final report to the Audit Advisory Board on the
2016/17 audit

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Director introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit Advisory Board for the 2017 audit.

As detailed in our plan presented to the Audit Advisory Board in March 2017, the new Code of Audit Practice, which came into force for the 2016/17 audits, sets out our responsibilities under core audit and wider scope requirements. A reminder of the requirements is set out below.

- *Opinion on the financial statements and regularity*
- *National performance audits and Best Value audits*



- *Public reporting and audit findings*
- *Wider scope reporting*

- *Opinion on performance report, remuneration reports and accountability report*

As set out in our plan, due to the relative size and scale of the functions delivered by the Children and Young People's Commissioner Scotland, we concluded that the full wider scope audit was not appropriate. In accordance with paragraph 53 of the Code, our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the governance statement; and
- The financial sustainability of the Commissioner and the services that it delivers over the medium to longer term.

Director introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Statutory audit

Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
 - Compliance with expenditure resource limits; and
 - Management override of controls.
- A summary of our work on the significant risks is provided in the dashboard on page 9.
- We have identified no audit adjustments.
- We issued an unmodified audit opinion.

Status of the audit

- The audit is complete.

Director introduction (continued)

The key messages in this report (continued)

Best Practice

Overall conclusion

- We have reviewed the annual report with reference to the format and content set out in the Government Financial Reporting Manual (FReM), confirming that the annual report and accounts comprise a performance report, an accountability report (which includes the remuneration report and staff report, the governance statement and the parliamentary accountability disclosures) and the financial statements.
- As a new requirement in 2016/17, we are required to provide an opinion on whether:
 - the performance report has been prepared in accordance with paragraph 11(1) of Schedule 1 of the Commissioner for Children and Young People (Scotland) Act 2003 and in accordance with the accounts direction made thereunder by the Scottish Ministers;
 - the information given in the governance statement is consistent with the financial statements; and
 - the governance statement has been prepared in accordance with the Acts and the directions made thereunder by the Scottish Ministers.
- We issued unmodified opinions on the above.
- In addition to the opinion, we have read the performance report and accountability report (including the governance statement) and confirmed that the information contained within both is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
- We have also audited the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the Acts and the directions made thereunder by the Scottish Ministers.

Director introduction (continued)

The key messages in this report (continued)

Adds Value

Governance Statement

The FReM requires a governance statement to be published with the financial statements and guidance on content is provided in the governance statement section of the Scottish Public Finance Manual (SPFM) which sets out the essential features. We have confirmed that the Commissioner's governance statement is in compliance with this guidance and is consistent with our knowledge gained during the audit. We are not aware of any significant events between 31 March 2017 and the date of authorisation which have not been included in the governance statement.

As part of his review of the effectiveness of the systems of internal control and risk management arrangements, the Accountable Officer has been informed by comments from Deloitte as external auditors, the work of the AAB (Audit Advisory Board), the work of the management team, review of the Commissioner's objectives as set out in the strategic and operational plans and review of the systems and procedures in place.

Financial Sustainability

The Children and Young People's Commissioner Scotland had approved funding for 2016/17 of £1,263,500 drawing down £1,242k of the allocation and used £25k of reserves, to cover CYPCS's operating costs in the year of £1,267k

As the new Commissioner started in May, the Strategic Plan 2016-20 is going to be updated and will be approved in October, and an Operational Plan for the rest of 2017/18 will be created from this.

Budgets are created on an annual basis as there is uncertainty around the funding that will be received. Costs of the Commissioner are primarily fixed in nature eg rent and payroll, therefore actual expenditure is normally similar to budget, meaning that the Commissioner has never had to request contingency funding

Responsibilities of the Audit Advisory Board

Helping you fulfil your responsibilities

The primary purpose of the Auditor's interaction with the Audit Advisory Board:

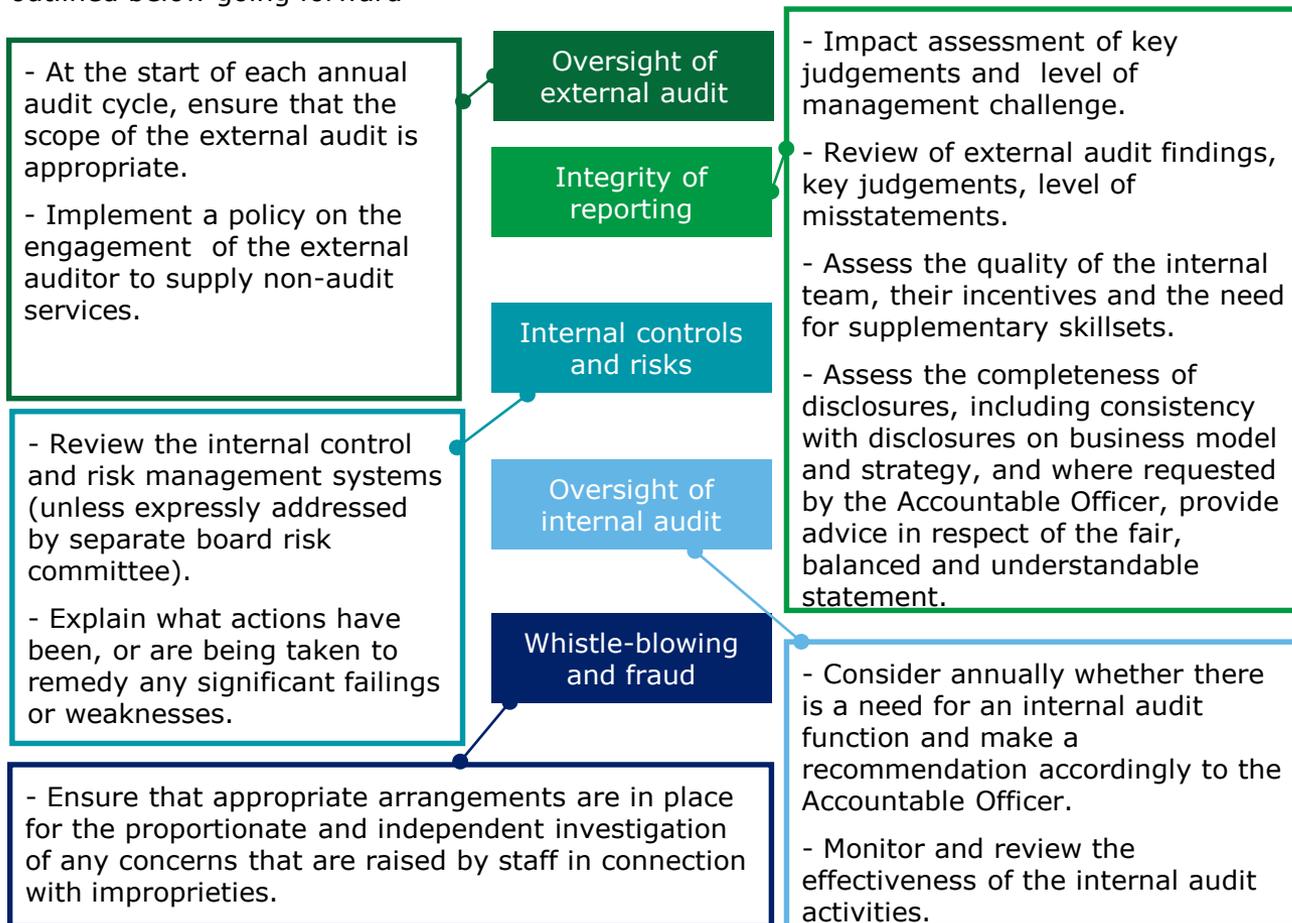
- Clearly communicate the planned scope of the financial statements audit
- Provide timely observations arising from the audit that are significant and relevant to the Audit Advisory Board's responsibility to oversee the financial reporting process
- In addition, we seek to provide the Audit Advisory with additional information to help them fulfil their broader responsibilities

We use this symbol throughout this document to highlight areas of our audit where the Audit Advisory Board need to focus their attentions.



As a result of regulatory change in recent years, the role of the Audit Advisory Board (AAB) has significantly expanded. We set out here a summary of the core areas of AAB responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the AAB in fulfilling its remit.

The AAB agrees that these guidelines represent best practice in terms of the role of the Audit Committee and subject to the agreement of the Commissioner will look to fully perform the role outlined below going forward



Our audit explained

Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered:

- The appropriateness of the disclosures in the governance statement; and
- The financial sustainability of the Commissioner and the services that it delivers over the medium to longer term.

Significant risks

Our risk assessment process is a continuous cycle throughout the year. Page 9 provides a summary of our risk assessment of your significant risks.

Final audit report

In this report we have concluded on the audit risks identified in our planning report and any other key findings from the audit.

Key developments in your business

As noted in our planning report, the Children and Young People's Commissioner Scotland continues to face financial challenges, due to uncertainty around future funding.

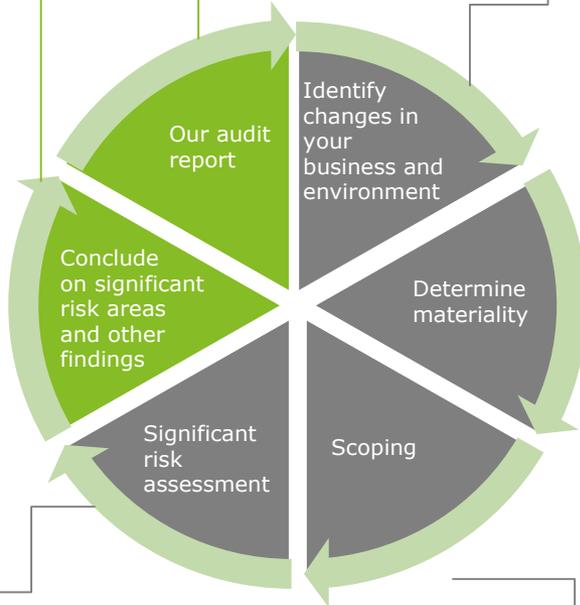
Materiality

The materiality of £25,300 and performance materiality of £18,975 has been based on the benchmark of gross expenditure.

We have used these as the basis for our scoping exercise and initial risk assessment. We have reported to you all uncorrected misstatements greater than £250. This is slightly greater than the materiality of £24,000 which was reported in our planning paper due to greater expenditure than budgeted.

Scope of the audit

We have audited the financial statements for the year ended 31 March 2017 of the Children and Young People's Commissioner Scotland.



Timeline 2017

October 2016
Meetings with management and other staff to understand the processes and controls.

24 March 2017
Audit Advisory Board meeting to present audit plan

March 2017
Year end

June 2017
Testing of significant risk and performance of substantive testing of results.

September 2017
Review of draft accounts

30 October 2017
Audit Advisory Board meeting and Accounts sign off

Quality and Independence

We confirm we are independent of Children and Young People's Commissioner Scotland. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Slide no.
Expenditure resource limits			D+I	Satisfactory		Expenditure in 2016/17 was within budget	10
Management override of controls			D+I	Satisfactory		Controls in place are appropriate	11



Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Core expenditure resource limits

Risk identified

The key financial duty for the Children and Young People’s Commissioner Scotland is to comply with the budget approved by the SPCB to cover cash expenditure. Given the pressures across the whole of the public sector, there is an inherent risk associated with the accuracy and completeness of recording of expenditure as there is an incentive for management to either over or under accrue expenditure at the year-end, depending on the forecast position, in order to meet the allocation.



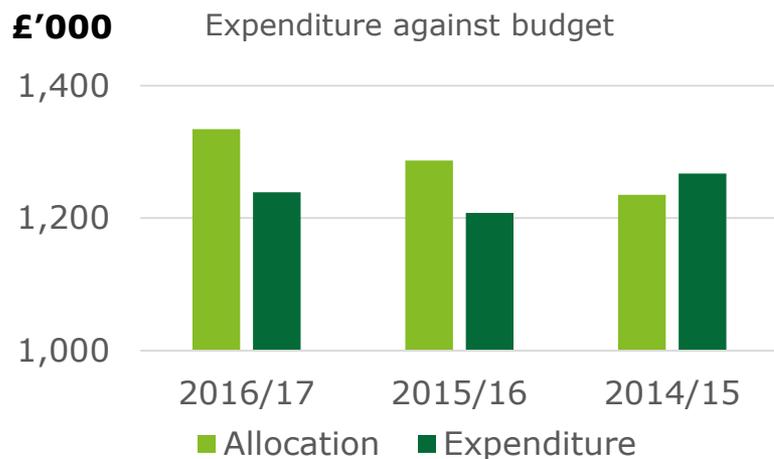
Key judgements and our challenge of them

We must provide an opinion on regularity, to the effect that expenditure and receipts were incurred or applied in line with guidance. We have evaluated the results of our audit testing in the context of the achievement of the targets set by the Scottish Government.



Deloitte response

- We performed focused cut-off testing;
- Assessed whether expenditure is correctly classified between revenue and capital and is incurred with Scottish Government guidance
- We reviewed and challenged the assumptions made in estimating accruals to assess completeness of recorded expenditure; and
- We obtained independent confirmation of the resource limits allocated to the Children and Young People’s Commissioner Scotland by the Scottish Government.



Deloitte view

- We have concluded through the performance of our year end procedures that the expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers and the expenditure is valid and correctly classified between revenue and capital.
- We confirm that Children and Young People’s Commissioner Scotland has performed within the limits set by the Scottish Ministers and therefore in compliance with the financial targets in the year.

Significant risks (continued)

Management override of controls

Risk identified

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.



Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- the Commissioner's results throughout the year were projecting to meet budget, this was closely monitored by the Management Team so the Commissioner would be able to meet its overall financial targets.
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Deloitte view

- We have not identified any significant bias in the key judgements made by management.
- The control environment is appropriate for the size and complexity of the Commissioner.

Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

Accounting estimates

In addition to our work on key accounting estimates discussed above, our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements completed with no issues noted.

Significant transactions

We did not identify any significant transactions outside the normal course of business or transactions where the business rationale was not clear.

Your annual report

We welcome this opportunity to set out for the Audit Advisory Board our observations on the annual report. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the performance report are consistent with the disclosures in the accounts.

	Management response	Deloitte response
The Performance Report	This reports the Commissioner's performance, both financial and non-financial. It outlines its duties and a review of performance in the year.	<p>We have assessed whether the performance report has been prepared in accordance with the Acts and the accounts direction. No exceptions noted.</p> <p>We have also read the performance report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the governance statement is consistent with the financial statements and has been prepared in accordance with the Acts and the accounts direction. No exceptions noted. Our more detailed consideration of the governance statement is provided on page 13 of this report.</p> <p>We have also read the accountability report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We have completed our testing on the auditable parts of the remuneration and staff report and confirm that it is prepared in accordance with the accounts direction.</p>
Going Concern	Management has made appropriate disclosure relating to Going Concern matters.	We have confirmed that the 2017/18 funding was approved by the SPCB on 28 February 2017. We have concluded that the plan is sufficiently robust to demonstrate that the Commissioner will be a Going Concern for 12 months from signing the accounts.

Wider scope requirements

Governance statement disclosures

Audit dimension

As part of our wider scope responsibilities, we have considered the appropriateness of the disclosures in the governance statement.

Areas considered



- The completeness of the disclosures in meeting the requirements of the essential features, as specified in the SPFM.
- Inconsistencies between the disclosures or between the disclosures and audit knowledge.

Deloitte response



In May 2017 Tam Baillie's role as Commissioner came to an end after 8 years. Bruce Adamson has taken his place

This key change have been appropriately disclosed within the financial statements.

As part of his review of the effectiveness of the systems of internal control and risk management arrangements, the Accountable Officer has been informed by the work of the AAB, reports and comments from Deloitte as external auditors, the work of the management team, review of the Commissioner's objectives as set out in the strategic and operational plans and review of the systems and procedures in place.

Deloitte view

The Governance Statement meets the requirements of the SPFM and no inconsistencies noted between the disclosures and our knowledge gained during the audit.

Wider scope requirements

Financial sustainability

Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the use of the going concern basis of accounting. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year. Financial sustainability interprets the requirements and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Areas considered



- The financial planning systems in place across the shorter and longer terms
- The arrangements to address any identified funding gaps
- The affordability and effectiveness of funding and investment decisions made

Deloitte response



We have monitored the Commissioner's actions in respect of its short term financial plans to assess whether short term financial balance can be achieved.

There are no long-term financial plans in place, due to the uncertainty of future funding which will be received.

Deloitte view

Deloitte considers that the Commissioner can achieve financial balance in the short-term and recommends the Strategic Plan is completed to assist with its long-term planning, see page 18 for our recommendation

Short Term

Financial balance was achieved in the year. Funding of £1,263,500 was agreed for 2016/17, this is a slight increase compared to 2015/16 which was £1,287k. The Commissioner operated within its cash allocation, drawing down £1,242k of the allocation.

At the start of the year there were unanticipated expenditure on staff costs as there was long-term staff sickness, however this additional expense, was covered by underspends elsewhere in the year. If unbudgeted expenditure occurs CYPCS can request contingency funding from SPCB. CYPCS has never had to request contingency funding.

Medium-Long Term

CYPCS had a 5 year Strategic Plan in place, however with a new Commissioner starting in May 2017, the Strategic Plan is currently going through a process of being updated and should be approved by the Scottish Ministers in October. This will detail the Commissioner's objectives over the next 5 years and how these fit with the Scottish Government national outcomes. From this an Operational Plan is created each year. Budgets are created on an annual basis as there is uncertainty around the funding that will be received.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Advisory Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters" circulated to you on 24 January 2017.

This report has been prepared for the Audit Advisory Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.



Deloitte LLP

Glasgow

Appendices



Audit adjustments

Corrected misstatements

- No corrected misstatements have been identified from our audit work.

Uncorrected misstatements

- No uncorrected misstatements have been identified from our audit work.

Disclosure misstatements

- Auditing standards require us to highlight significant disclosure misstatements to enable the AAB to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work.

Action plan

Recommendations for improvement

Area	Recommendation	Responsible person	Target Date	Priority
Strategic Plan	The Strategic Plan is created and approved promptly to assist with the long-term planning of the Commissioner	Commissioner	31 October 2017	

Key:

Priority  High Priority  Medium Priority  Low

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Commissioner to confirm in writing that they have disclosed to us the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud and that they are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the Commissioner to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in complying with expenditure resource limits and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements

We have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

We have identified no cause for concerns from the work noted above and our audit procedures.



Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), the Listing Rules and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit fee for 2016/17 is £12,120 as detailed in our Audit Plan.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>





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