

Scottish Social Services Council

Report on the 2006/07 audit

 AUDIT SCOTLAND

November 2007



Scottish Social Services Council

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Executive Summary

Introduction

In 2006/07 we audited the financial statements of the Scottish Social Services Council and we looked at aspects of performance management and governance. This report sets out our key findings.

Financial Position

We have given an unqualified opinion on the financial statements of the Scottish Social Services Council for 2006/07.

The new FReM requirement to account for Grant in Aid as a credit to reserves has resulted in an excess of expenditure over income for the year of £8.9 million in 2006/07 (2005/06 result restated to reflect the change in accounting policy: £8.2 million excess expenditure). The Grant in Aid and other government grant income credited to reserves for the year was £8.5 million (2005/06: £8.9 million), this was fully drawn down in the year.

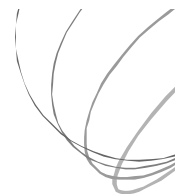
Monies received from the Scottish Executive for Practice Learning Fees income have been accounted for within the Income and Expenditure account as these are not classed as grants.

Performance

The Scottish Social Services Council publish an annual corporate plan which covers the objectives for the following three years. As part of the development of the corporate plan each year, a set of Key Performance Indicators (KPIs) are approved by the Council for inclusion in the corporate plan. These KPIs provide the Council with information on how well the Scottish Social Services Council is meeting the objectives set out in the corporate plan. Quarterly performance monitoring reports are presented to the Council providing a summary of actual performance against each of the KPIs.

Governance

Corporate Governance is concerned with the structures and processes for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for the Scottish Social Services Council operated satisfactorily during the year, as reflected in the Statement on Internal Control.



Looking forward

Negotiations are ongoing with both the Scottish Executive and the appropriate staff side representatives on the current proposals for the Scottish Social Services Council's revised pay and grading structure. It is anticipated that final agreement will be reached sometime in 2007/08

As part of the 2007/08 audit we will be reviewing the progress that the Scottish Social Services Council has made in strengthening their arrangements for securing Best Value.

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Introduction

1. This report summarises the findings from our 2006/07 audit of the Scottish Social Services Council. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 19th March 2007. This plan described the work we planned to carry out on financial statements, performance and governance.
2. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. This is the first year of a five year audit appointment. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Scottish Social Services Council during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, www.audit-scotland.gov.uk.

Financial Statements

4. In this section we summarise key outcomes from our audit of the Scottish Social Services Council's financial statements for 2006/07, and comment on the key financial management and accounting issues faced.

Our Responsibilities

5. We audit the financial statements and give an opinion on whether:
 - they give a true and fair view of the financial position of the Scottish Social Services Council and its expenditure and income for the period in question;
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
 - the regularity of the expenditure and receipts.
6. We also review the statement on internal control by:
 - considering the adequacy of the process put in place by the chief executive as accountable officer to obtain assurances on systems of internal control; and
 - assessing whether disclosures in the statement are consistent with our knowledge of the Scottish Social Services Council.

Overall Conclusion

7. We have given an unqualified opinion on the financial statements of the Scottish Social Services Council for 2006/07.

Financial Position

2006/07 outturn

8. The new FReM requirement to account for grant-in-aid as a credit to reserves has resulted in an excess of expenditure over income for the year of £8.9 million in 2006/07 (2005/06 result restated to reflect the change in accounting policy: £8.2 million excess expenditure). The total grant-in-aid, government grants and other government income credited to reserves for the year was £8.5 million (2005/06: £8.9 million).

9. Grant-in-aid allocated to the Scottish Social Services Council for 2006/07 totalled £7.8 million (2005/06: £7.1 million). This was fully drawn down in cash during the year with £7.7 million being allocated to revenue expenditure and the remaining £0.1 million being used to fund capital expenditure. In addition the Scottish Social Services Council received government grants and other government income totalling £0.6 million (2005/06: £1.809 million).
10. The Scottish Social Services Council received Operating Income of £2.5m during 2006/07(2005/06: £2.1m). Operating Income is mainly derived from income from Practice Learning Fees of £1.9m (2005/06: £1.6m) received from the Scottish Executive to fund practice learning opportunities and £0.3m received for registration fees (2005/06: £0.2m).
11. Total Operating Costs of £11.4m (2005/06: £10.4m) were mainly attributable to staff costs of £3m (2005/06: £2.7m); grants, awards and bursaries totalling £6.0m (2005/06: £5.7m) and the remainder of £2.4m representing other operating costs such as property, supplies and services and administration costs (2005/06: £2.0m).
12. The Scottish Social Services Council's balance sheet as at 31st March showed net liabilities of £0.7m (2005/06: £0.9m). The impact of the deficit on the pension scheme (£1.2m), a reduction of £0.6m from last year's liability was partly offset by a technical overdraft at the bank of £0.5m.

2007/08 Budget

13. The Finance and Resources Committee approved the Scottish Social Services Council's Revenue Budget for 2007/08 on 13 March 2007. Total Grant in Aid has been agreed with the Scottish Executive at £9m with other government grants and Practice Learning Fee income set at £3.1m. Income from other sources is estimated to be £0.6m.
14. The total budgeted expenditure for 200708/ has been set at £12.7m. This comprises staff costs of £3.9m; Practice Learning Fees, bursaries and disbursements of £6.7m; with other expenditure making up the remaining £2.1m. The overall budget has been set as a balanced budget.

Issues Arising from the Audit

15. We reported the following issues to the Audit Committee on 23 October 2007:

Technical Overdraft: The Scottish Social Services Council is not permitted to make use of overdraft facilities or to borrow. However, the balance sheet shows the cash and bank position as a liability of £0.5m. Although not physically overdrawn at the bank, as the liability takes account of £1.314m of cheque payments processed at the end of March but not actually paid until April when the cash funding was received in the bank, the Scottish Social Services Council should review their procedures for drawing down cash funding.

Refer Action Plan No. 1

Grant in Aid: The final request for drawdown of grant in aid of £0.5m was submitted to the department on 27 March 2007 and the funds were transferred by the Department on 28 March, although not received into the Scottish Social Services Council's bank account until the 3rd April. As Grant in aid is accounted for on a cash basis there was a risk that this was not processed by the department in the 2006/07 financial year due to timing.

Refer Action Plan No. 2

Fixed Asset valuation: an error was noted in the calculation of indexation on Information Technology assets. The indexation factor for March 2007 should have been used in the calculation not an average index for 2006/07 which was used in error. This resulted in the net book value of IT assets being overstated by £4k. This error was adjusted in the final version of the accounts.

Letter of Representation: a response to the letter of representation was received on 24 October 2007.

Statement on Internal Control

16. The Statement on Internal Control provided by the Scottish Social Services Council's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out the Scottish Social Services Council's approach to this.

Regularity Assertion

17. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts was incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance. No significant issues were identified for disclosure.

Performance

18. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
19. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

Performance

20. The Scottish Social Services Council publish an annual corporate plan which covers the objectives for the following three years. The corporate plan is approved by Scottish Ministers. The Corporate Plan for 2006/07 set the Scottish Social Services Council 13 key objectives, or targets.
21. As part of the development of the corporate plan each year, a set of Key Performance Indicators (KPIs) are approved by the Council for inclusion in the corporate plan. These KPIs provide the Council with information on how well the Scottish Social Services Council is performing against the objectives set out in the corporate plan.
22. We note that quarterly performance monitoring reports are presented to the Council. These reports provide the Council with a summary of actual performance against each of the KPIs. The reports highlight trends in performance and also provide details of any corrective action required to ensure targets are met.
23. The Scottish Social Services Council's Annual Report provides a summary of achievement against each of the KPIs. Of the 13 KPI's set, 11 have been completed, 1 is on target within the agreed timescale and 1 is not yet due for completion.

Best value

24. As part of the 2007/08 audit we will be reviewing the progress that the Scottish Social Services Council has made in strengthening their arrangements for securing Best Value. Over the next year we will also be developing and refining our approach to the audit of public bodies' arrangements to secure economy, efficiency and effectiveness in the use of resources, as this is one of our key objectives as auditors, set out within the new Code of Audit Practice approved by the Auditor General. This will inform our ongoing work to develop an approach to the audit of Best Value across the Scottish public sector. We intend to consult with both clients and stakeholders at key stages of these initiatives.

Governance

Overview of arrangements

25. This section sets out our main findings arising from our review of the Scottish Social Services Council's governance arrangements. This year we reviewed:
- key systems of internal control; and
 - internal audit; and
26. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 8-12). Our overall conclusion is that arrangements within the Scottish Social Services Council are sound and have been operating satisfactorily throughout the year.

Systems of internal control

27. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2006/07 Chiene and Tait, the internal auditors, provided an opinion that, based on the internal audit work undertaken during the year, the Scottish Social Services Council's internal controls and governance framework are sufficient to ensure the efficient and effective operation and that the strategic and operational risks to which the Scottish Social Services Council are exposed are being managed.
28. As part of our audit we reviewed the high level controls in a number of the Scottish Social Services Council's systems that impact on the financial statements. Our overall conclusion was that key controls were operating effectively and there were no issues from our work which merited disclosure within the Statement on Internal Control in the 2006/07 accounts.

Internal audit

29. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2006/07 audit we assessed whether we could place reliance on the Scottish Social Services Council's internal audit function. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on a number of internal audit reviews as outlined in our audit plan.

30. We note that the current contract for Internal Audit services is due for retendering in 2008/09. The Council will need to ensure that the process is carried out timeously to avoid the risk of a period where there is no internal audit coverage.

Follow up of 2005/06 reports

31. As part of our audit work we conducted a follow up review on the progress made by the Scottish Social Services Council in implementing the recommendations made in our 2005/06 Annual Report.
32. We are pleased to note that progress has been made in implementing the majority of our recommendations. The following actions are outstanding:
- review of payroll starters forms indicated that for the starters forms 4 of the 5 reviewed have not been signed by the authorised signatory;
 - a review of 5 leavers in year indicated that no leavers forms were on the employees files; and
 - it is noted that the ICT disaster recovery plan has not been formally approved by council.
33. We will continue to monitor the progress made by the Scottish Social Services Council in implementing these actions in 2007/08.

Looking Forward

34. The Scottish Social Services Council faces a number of challenges in 2007/08, which include:

- **Registration** – The number of registrations continues to increase but in the absence of mandatory registration, the timing of and rate at which social service workers register with the Scottish Social Services Council is unpredictable. This presents several challenges in terms of planning the Scottish Social Services Council's workload, resource requirements, income generation and the calculation and projection of registration and conduct costs.
- **Registration** – As the number of workers registering continues to rise the Scottish Social Services Council faces increasing pressures with regard to the costs of conduct cases, particularly as legal and committee costs cannot be accurately predicted as they depend on the number and complexity of cases.
- **Revised Pay and Grading Structure** – negotiations are ongoing with both the Scottish Executive and the appropriate staff side representatives on the current proposals for the Scottish Social Services Council's revised pay and grading structure. It is expected that final agreement will be reached sometime in 2007/08.
- **Internal Audit retendering** - the current contract for Internal Audit services is due for retendering in 2008/09. The Scottish Social Services Council will need to ensure that the process is carried out timeously to avoid the risk of a period where there is no Internal Audit coverage.
- **Procurement review** – procurement practice and procedures are to be reviewed in 2007/08 with a view to introducing e-procurement facilities.

Appendix A: Action Plan

Key Issues and Planned Management Action

Action Point	Issue Identified	Planned Action	Responsible Officer	Target Date
1	Procedures should be introduced to ensure that monies are drawn down timeously to meet expenditure and avoid the risk of being overdrawn at the bank.	The SSSC has now moved to a position where the majority of payments are made electronically by BACS. This makes the timing of payments and the impact of un-presented cheques less of an issue. The drawdown procedures will be revised to reduce frequency and use the greater certainty over the timing of payments to ensure cash flow requirements are met.	Accountant	Implemented
2	Procedures should be reviewed for requesting the final drawdown of grant in aid at the year-end to ensure that the Department have sufficient time to process this within the financial year to which it relates.	The end of year procedures will be revised to stipulate that the final drawdown of the year will be made no later than 20 March. This will involve liaising with the Sponsor well before this date to agree the end of year flexibility arrangements, monetary levels of specific reserve, etc.	Accountant	Jan 2008