



# Scotland's Commissioner for Children and Young People

Report on the 2007-08 Audit

**16th September 2008**

<b>Contents</b>		<b>Page</b>
<b>1</b>	<b>Executive Summary</b>	<b>1</b>
<b>2</b>	<b>Financial Statements</b>	<b>3</b>
<b>3</b>	<b>Governance</b>	<b>5</b>
<b>4</b>	<b>Performance</b>	<b>7</b>
<b>Appendices</b>		
	<b>Appendix A - Action plan</b>	<b>9</b>
	<b>Appendix B - Communication of audit matters to those charge with governance</b>	<b>11</b>

# 1 Executive Summary

## Introduction

We have audited the financial statements of the Commissioner for Children and Young People in Scotland (the Commissioner) for the 2007-08 financial year and examined aspects of the Commissioner's performance and governance arrangements. This report sets out our key findings.

## Financial Statements

We intend to give an unqualified opinion on both the financial statements of the Commissioner for 2007-08 and on the regularity of transactions undertaken during the financial year. During the year, the Commissioner incurred resource expenditure of £1.317 million. The Commissioner manages her budget on a cash basis, however, and cash spending (which includes expenditure on capital) of £1.244 million during the year was below the £1.275 million cash funding received from the Scottish Parliamentary Corporate Body (SPCB).

Staff costs are the main area of the Commissioner's expenditure and accounted for 49% of total costs during the year. Savings were made in staff costs as a result of a restructuring exercise in 2007. Other areas of expenditure are property costs (8%), participation and research costs (12%), promotion and reporting the office's activities (9%), depreciation (5%) and other costs (17%).

The Commissioner incurred unplanned capital expenditure of £4,000 during the year related to the acquisition of IT equipment for new staff members.

The Commissioner's draft financial statements and supporting working papers were presented for audit in accordance with the agreed timetable and were of a high standard. This has meant that few audit adjustments were required to be made to the accounts.

## Governance

Overall, we found that the Commissioner's governance arrangements continue to operate well. The Advisory Audit Committee and management team meetings are used to monitor the organisational risk register, financial and operational performance.

Our review of the internal audit function confirmed that it complied with Government Internal Audit Standards and, as a result, we have been able to place reliance on their work for the purposes of our audit. The Commissioner is conducting a tendering exercise to select internal auditors for 2008/09. This exercise should be completed as quickly as possible to allow the new internal auditors to provide assurance on internal controls for the full 2008/09 financial year.

## Performance

We noted that good progress has been made to foster the Commissioner's objectives regarding increasing awareness of children's rights and participation in decision-making. As 2008/09 is the final year of the Commissioner's business plan, we would encourage the Commissioner to assess progress and outcomes against each of her objectives. This may involve the development of a performance management framework.

The Commissioner's office is relatively small, with limited management capacity. In line with the size of her operations, the Commissioner does not yet have a formal process in place for Best Value, although steps have been taken to integrate the principles of Best Value within the running of the office. We will

continue to monitor the Commissioner's progress in developing Best Value arrangements for her organisation.

### Looking Forward

In September 2008, the Commissioner announced her intention to stand down in April 2009. The Commissioner is a Crown appointment made on the recommendation of Parliament. We note that the Commissioner operates in her role in a personal capacity and, as a result, all contracts for the Commissioner's office are made personally by the Commissioner. The management of these contractual matters will require careful consideration during the 2008-09 financial year to ensure the operations of the Commissioner's office are not interrupted.

### The Way Forward

Our findings and recommendations are summarised in an Action Plan (Appendix A) that accompanies this report. The Action Plan has been agreed with the Commissioner and incorporates the Executive Board's response to audit recommendations.

The report includes some specific recommendations to strengthen internal controls. It is the responsibility of the Commissioner to decide the extent of the internal control system appropriate to the organisation.

### Acknowledgements

We would like to take this opportunity to thank the Commissioner and her staff for their assistance and co-operation during the audit process.

This report is part of a continuing dialogue between the Commissioner and Grant Thornton and is not, therefore, intended to cover every matter which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in the Commissioner's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it. The report will be submitted to the Auditor General for Scotland and will be published on Audit Scotland's website at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**Grant Thornton UK LLP**

**September 2008**

## 2 Financial Statements

### Our Responsibilities

We audit the financial statements and give an opinion on whether:

- they give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, on the state of affairs of the Commissioner as at 31 March 2008 and of the net expenditure, recognised gains and losses and cash flows for the year then ended;
- they, and the part of the Remuneration Report to be audited, have been properly prepared in accordance with the Government Financial Reporting Manual (FRoM) and directions made thereunder by the Scottish Ministers; and
- in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

We also review the Statement on Internal Control by:

- considering compliance with Scottish Government guidance;
- considering the adequacy of the process put in place by the Accountable Officer to obtain assurances on systems of internal control; and
- assessing whether disclosures in the Statement are consistent with the information emerging from our normal audit work.

### Overall Conclusion

We are able to conclude that the Commissioner's financial statements give a true and fair view of the financial position for the period from 1 April 2007 to 31 March 2008 and that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and relevant guidance.

### Standard of accounts and supporting papers

The Commissioner's draft financial statements and supporting working papers were presented for audit in accordance with the agreed timetable and were of a high standard. This meant that few audit adjustments were required to be made to the accounts.

### Financial Results

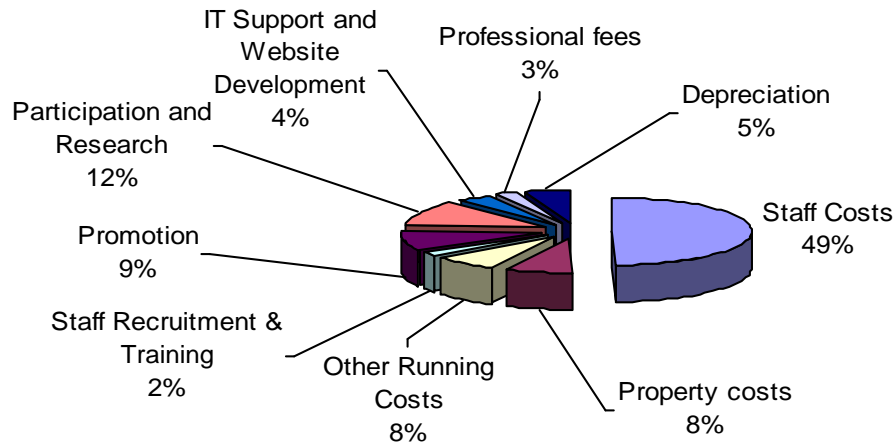
We intend to give an unqualified opinion on both the financial statements of the Commissioner for 2007-08 and on the regularity of transactions undertaken during the financial year. During the year, the Commissioner incurred resource expenditure of £1.317 million. The Commissioner manages her budget on a cash basis, however, and cash spending (which includes expenditure on capital) of £1.244 million during the year was below the £1.275 million cash funding received from the Scottish Parliamentary Corporate Body (SPCB).

Staff costs are the main area of the Commissioner's expenditure and account for 49% of total costs during the year. Savings were made in staff costs as a result of a restructuring exercise in 2007. Other

areas of expenditure are property costs (8%), participation and research costs (12%), promotion and reporting the office's activities (9%), depreciation (5%) and other costs (17%).

The Commissioner incurred unplanned capital expenditure of £4,000 during the year. This overspend related to acquiring IT equipment for additional members of staff. A more detailed analysis of the Commissioner's 2007-08 expenditure is shown in Figure 1 below:

**Figure 1 - Analysis of the Commissioner's expenditure**



**Source:** SCCYP 2007-08 Annual Accounts

### Statement on Internal Control

The Statement on Internal Control sets out the arrangements established and operated for risk identification and management, proposed future development of arrangements, and review of effectiveness of the system of internal control.

We are satisfied that the Statement complies with Scottish Government guidance, that the processes put in place by the Accountable Officer (the Commissioner) to obtain assurances on systems of internal control are adequate and that the contents of the Statement are consistent with the information emerging from our normal audit work.

### ISA 260: Communication of Audit Matters to Those Charged with Governance

Our responsibilities in relation to the communication of audit matters to those charged with governance are covered in the International Standard on Auditing 260. There are no material misstatements in the accounts that we are required to draw to the attention of the Commissioner, however, some minor adjustments were made to presentation and disclosure within the accounts during the audit. Outcomes against the requirements of the Standard are reported in Appendix C to this report.

## 3 Governance

### Introduction

Sound corporate governance is central to demonstrating Best Value, and incorporates the way in which an organisation manages its business, determines strategy and objectives and goes about achieving those objectives. It is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. Good governance means:

- focusing on the organisation's purpose and on outcomes for citizens and service users;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the governing body to be effective; and
- engaging stakeholders and making accountability real.

As part of our 2007-08 audit we reviewed the Commissioner's corporate governance arrangements against best practice within the Scottish Public Finance Manual.

### Overall Conclusion from our 2007-08 audit

Overall, we found that the Commissioner's governance arrangements generally operate well. The Advisory Audit Committee and team meetings are used to monitor organisational risk, financial and operational performance.

### Internal audit

The internal audit function is a key component of the internal control framework. Each year, we review the work of internal audit to assess whether the scope of the work was sufficient and whether it was conducted in accordance with approved internal audit standards. Our review concluded that we were able to place reliance on the work of the Commissioner's internal audit function. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work on financial controls.

This was the last year that Scottish Enterprise will be able to provide internal audit services to the Commissioner. A tendering exercise has therefore begun to select a new internal audit provider and a timetable has been established. It is important that the new internal auditors are in place as soon as possible to allow them to provide assurance to the Commissioner on internal controls for the full financial year.

**Action Plan Point 1**

### Personal liability

The Commissioner, together with a number of other Commissioner bodies, sought legal advice during the financial year in relation to the legal status of officeholders, and their personal liability status.

The advice received confirms that there is no distinction in law between the person who holds the office of Commissioner and the role of the officeholder (in this case the Commissioner). The Commissioner, therefore, enters into contracts (such as those associated with the building lease or the employment of staff) on a personal basis and bears personal liability for the operation of those contracts.

In September 2008, the Commissioner announced her intention to stand down in April 2009. The Commissioner is a Crown appointment made on the nomination of the Scottish Parliament. The appointment process for the new Commissioner will be administered by the Scottish Parliamentary Corporate Body (SPCB).

The management of these contractual matters will require careful consideration during the 2008-09 financial year to ensure the operations of the Commissioner's office are not interrupted when the existing Commissioner leaves office.

### **Action Plan Point 2**

We also note that the Commissioner will be the Accountable Officer for the whole period of the 2008-09 financial year, but will not be in office at the time the financial statements require to be signed. This may impact on the approval process for the 2008-09 accounts.

### **Action Plan Point 3**



## 4 Performance

### Introduction

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 annual 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.

As Accountable Officer, the Commissioner has a duty to ensure public resources are used economically, efficiently and effectively. Since April 2002 there has also been a duty on Accountable Officers to ensure arrangements are in place to secure Best Value.

### Performance Management

The Commissioner's Business Plan for 2006-09 identifies four objectives for her organisation:

- To increase awareness of Children and Young People (CYP) about their rights and the office of the Commissioner;
- To increase the incidence of a children's rights perspective shaping law, policy and practice in all matters affecting CYP, but with particular reference to the selected policy priority areas;
- To increase the incidence of CYP participating in decision making on matters of law, policy and practice which affect them, but with particular reference to the selected policy areas; and
- To successfully implement the Safe, Active, Happy Action Plan.

As a new organisation, the Commissioner's office has made good progress on promoting itself, promoting the rights of CYP and increasing participation by CYP in decision-making and reference groups. The Commissioner's 2007/08 Annual Report highlights a number of key achievements in they year including:

- The Participation team has worked across Scotland, presenting interactive workshops on children's rights.
- The second Children's Choice Award was organised again with support from Children in Scotland. This was a tremendous "feel good" event that presented a positive picture of children and young people and those who care for and work with them.
- Research was commissioned from external bodies and other research undertaken in-house. External reports addressed:
  - Adult Attitudes to Contact with Children and Young People;
  - Outdoor Activities for Children and Young People in Residential Care;
  - Disabled young people's perceptions; and
  - Police checks and "disclosure" systems in other countries;
  - An analysis of child abuse inquiries in Scotland from 1960 to 2007 in order to inform our approach to "proportionate" child protection.

- SCCYP staff undertook two major pieces of research associated with “Safe, Active, Happy”:
  - “Handle with Care” analysed law, policy and practice relating to the moving and handling of children and young people with disabilities; and
  - “Sweet 16? The Age of Leaving Care in Scotland” was laid before Parliament on 25th March 2008 and celebrated by a launch event in Glasgow.
- In June 2007, SCCYP organised a major conference on physical punishment, entitled, “Respecting Children, Supporting Parents: Working towards a violence free childhood. This was co-chaired by a member of the Reference Group.

In 2008/09, the Commissioner should seek evaluate how effective the work undertaken by her office has been in delivering against her objectives. There is scope to develop performance indicators that would demonstrate progress in time, for example by reporting on awareness of children's rights and the level of participation of children in decision-making.

#### **Action Plan Point 4**

##### **Best value**

The Commissioner's office is relatively small, with limited management capacity and Best Value arrangements should be proportionate to the size and scale of the Commissioner's operations. The Commissioner's current approach to Best Value is restricted to monitoring efficiency in operations, for example by tendering for the provision of services such as banking and stationery supplies.

In our 2006-07 report, we recommended that the Commissioner should set out a more formal framework for monitoring and reporting on the achievement of Best Value. The Commissioner has been considering how best to do this during the year, but has not yet fully set out a framework for applying Best Value principles within the organisation.

#### **Action Plan Point 5**

**Grant Thornton UK LLP**  
**September 2008**

No	Finding	Risk	Recommendation	Management Response	Implementation date
<b>Governance</b>					
1	2007/08 was the last year that Scottish Enterprise will be able to provide internal audit services to the Commissioner. It is important that new internal auditors are in place as soon as possible to allow them to provide assurance to the Commissioner on internal controls for the full financial year.	Low	The Commissioner should ensure that internal auditors are selected and plan their work as soon as possible.	A tender exercise has recently been undertaken for the provision of internal audit services and 3 bids received. Once these have been assessed it is intended to award a 2 year contract.	3 November 2008
2	The management of contracts made personally by the Commissioner will require careful consideration during the 2008-09 financial year to ensure the operations of the Commissioner's office are not interrupted when the Commissioner leaves office.	High	The Commissioner, working with the SPCB, should ensure adequate arrangements are in place for the continued operation of her office in the event of her departure.	The Commissioner will continue to seek advice from SPCB, the AAB and Law at Work to ensure the operations of the Commissioner's Office are not interrupted when she leaves office. SPCB have indicated that this matter is under active consideration and have given the Commissioner some indication of their current thinking on how it may be resolved.	31 January 2009
3	The Commissioner will be the Accountable Officer for the whole period of the 2008-09 financial year, but will not be in office at the time the financial statements require to be signed.	Medium	The Commissioner, working with the SPCB, should ensure adequate arrangements are in place for signing the 2008-09 financial statements.	The Commissioner will seek advice from SPCB, the AAB and the external auditor to ensure adequate arrangements are in place for signing the 2008-09 financial statements.	By 31 March 2009

No	Finding	Risk	Recommendation	Management Response	Implementation date
<b>Performance</b>					
4	The Commissioner has not yet developed a performance management framework, which would allow her to report on the achievement of her objectives.	Medium	The Commissioner should consider ways to measure and report on the achievement of the objectives outlined in the 2006-09 business plan.	During 2008 – 09, the Commissioner will evaluate how effective the work undertaken by her office has been in delivering against the objectives in the 2006 -09 business plan. This will include performance indicators to demonstrate progress in time by reporting on awareness of children's rights and the level of participation of children in decision-making. This will build upon some evaluation already conducted and feedback from stakeholders.	By 31 March 2009
5	The Commissioner has not yet established a formal approach to Best Value although steps have been taken to integrate the principles of Best Value within the 2007-08 Business Plan.	Medium	The Commissioner should set out a more formal framework covering how she intends to measure, monitor and report on the achievement of Best Value and efficiency in the management her office going forward.	The Commissioner will seek advice from the new internal auditor, external auditor and SPCB to develop a more formal framework. The framework will be included in the next Business Plan and SCCYP's own delegation scheme, "SCCYP Governance and Decision-Making" will be amended accordingly.	By 31 March 2009

## Appendix B- Communication of audit matters to those charged with governance

### ISA 260 – Communication of audit matters to those charged with governance

Under ISA 260, we are required to consider matters of governance interest that arise from the audit of the financial statements and communicate them with those charged with governance. The areas considered are as follows:

- a) Relationships that may bear on Grant Thornton's independence and the integrity and objectivity of the audit engagement lead and audit staff;
- b) The overall approach to the audit including any limitations thereon, or any additional requirements;
- c) The selection of, or changes in, significant accounting policies and practices that have, or could have a material effect on the entity's financial statements;
- d) The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements;
- e) Audit adjustments, whether recorded or not by the entity that have, or could have a material impact on the entity's financial statements; and
- f) Those uncorrected misstatements aggregated by the auditor during the audit that were determined by management to be immaterial both individually and in aggregate to the financial statements as a whole.

### Key Findings

We summarise our key audit findings in relation to the above areas.

Ref	Area	Key Messages
a	Independence	<p>We are able to confirm our independence and objectivity as auditors and note the following:</p> <ul style="list-style-type: none"> <li>• we are independently appointed by Audit Scotland;</li> <li>• we comply with the Auditing Practices Board's Ethical Standards; and</li> <li>• we have not performed any non Code of Audit Practice (the Code) or advisory work during the year.</li> </ul>

## Appendix B- Communication of audit matters to those charged with governance

Ref	Area	Key Messages
b	Approach to the audit	<p>Our approach to the audit was set out in our 2007-08 audit plan. We have planned our audit in accordance with International Auditing Standards and the Code. Other key factors to highlight include:</p> <ul style="list-style-type: none"> <li>• we consider the materiality of items in the financial statements both in determining the approach to audit them and in determining the impact of any errors;</li> <li>• we have been able to place appropriate reliance on the key accounting systems operating at the Commissioner's office for final accounts audit purposes only; and</li> <li>• we have been able to place reliance on the work of internal audit in respect of the key accounting systems.</li> </ul>
c	Accounting policies and practices	<p>We consider that the Commissioner has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies adopted were in accordance with the Government Financial Reporting Manual (FRM).</p> <p>The Commissioner has considered and confirmed her office remains a going concern. The Commissioner is asked to confirm this through the Letter of Representation.</p>
d	Material risks and exposures	<p>The Commissioner has considered and confirmed that her office has no material risks and exposures which should be reflected in the financial statements. The Commissioner is asked to confirm this in the Letter of Representation.</p>
e	Audit adjustments and unadjusted errors	<p>We identified several minor disclosure amendments and reclassifications to improve the presentation of the accounts. These are outlined below. There were no material errors that were not adjusted in the accounts.</p>

## Appendix B- Communication of audit matters to those charged with governance

### Standard of accounts and supporting papers

SCCYP's draft financial statements were presented for audit on 27 May 2008; however, a number of supporting disclosures had not been updated from 2006-07. These disclosures included the management commentary and the Statement on Internal Control. Following audit request, a revised set of accounts was submitted on 8 August 2008, which incorporated the updated disclosures.

### Summary of adjusted and unadjusted audit differences

There are no material adjusted or unadjusted differences to report.