

Scottish Social Services Council

Report on the 2009/10 Audit to the Scottish Social Services Council and the Auditor General for Scotland

October 2010



 AUDIT SCOTLAND



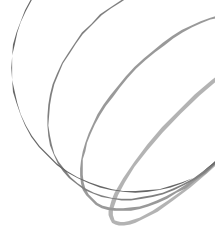
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Contents

Key messages	1	Governance and	
Introduction	3	Accountability	11
Financial Statements	5	Performance	13
Use of Resources	7	Looking Forward	17



Key messages

In 2009/10 we looked at the key strategic and financial risks being faced by the Scottish Social Services Council (SSSC). We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

Financial statements

We have given an unqualified opinion on the financial statements of the SSSC for 2009/10. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

Financial position and use of resources

Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight. It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known. Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available. In the current economic climate difficult decisions will have to be made across the public sector about priority spending programmes

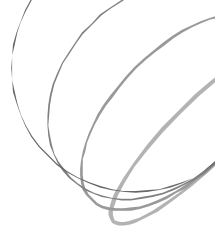
The SSSC recorded a surplus of £0.3 million in 2009/10. This is the difference between the net operating costs for the year of £9.3 million and total funding of £9.6 million (£9.4 million received from the Scottish Government and £0.2 million transferred from the legal reserve). The SSSC operated within the budget limits set by the Scottish Government.

Scottish Ministers have agreed a resource budget of £13.4 million for 2010/11, with £9.3 million of this funded by Grant in Aid from the Scottish Government and the remaining £4.1 million funded from other Government grants, fees and other income. The SSSC is predicting a balanced budget 2010/11.

Governance and accountability

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

We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.



Performance

The corporate plan for 2009 - 12 set out five outcomes to enable the SSSC to contribute towards the Scottish Government's strategic objectives and included 33 performance measures to evaluate the success of the SSSC in achieving these. The corporate plan also outlined a number of performance indicators for setting baselines for monitoring future performance.

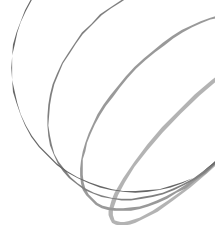
During the year the SSSC achieved most of its performance measures.

Looking forward

The final part of our report notes some key risk areas and issues for the SSSC going forward, including a number of national issues which affect all public sector bodies. These include the need for continuing efficiencies in the face of future funding constraints.

The assistance and co-operation given to us by Council members and staff during our audit is gratefully acknowledged.

Audit Scotland
October 2010



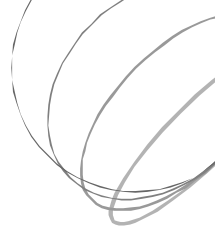
Introduction

1. This report summarises the findings from our 2009/10 audit of the SSSC. The scope of the audit was set out in our Audit Plan in accordance with the Code of Audit Practice, which was presented to the Audit Committee on 22 February 2010. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. Our audit work for this year has been completed with no significant issues arising.
3. Best value duties apply across the public sector and are a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and this has been further developed during 2009/10 with the completion of its bank of best value Toolkits which, although primarily designed for audit use, are available to all public bodies for reference.

Exhibit 1: Framework for a best value audit of a public body

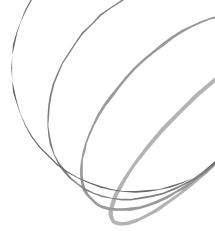


4. A linked development here has been the Scottish Government's work to refresh its 2006 best value Guidance for Public Bodies. This latter initiative, due for issue later in 2010, will result in clearer guidance to public bodies, and particularly those in the Central Government and Health sectors, on



securing continuous improvement in performance, with due regard to the balance between cost and quality.

5. Throughout this report we comment on aspects of the SSSC's arrangements in this area. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not yet have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report represents a further step towards that goal.
6. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. Where these have a bearing on the activities, risks or performance of the SSSC, we make reference to these reports in this document. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
7. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and Council members of the SSSC during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



Financial Statements

8. In this section we summarise key outcomes from our audit of the SSSC's financial statements for 2009/10 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

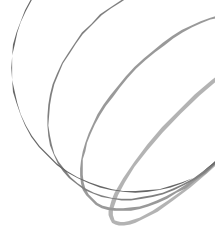
9. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of the SSSC and its expenditure and income for the period in question
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - the consistency of the information which comprises About the SSSC, A Responsive and Responsible Organisation and Financial Review, included within the financial statements
 - the regularity of the expenditure and receipts.
10. 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
 - assessing whether disclosures in the statement are consistent with our knowledge of the SSSC.

Overall conclusion

11. We have given an unqualified opinion on the financial statements of the SSSC for 2009/10.
12. As agreed the unaudited accounts were provided to us on 30 July 2010, supported by a comprehensive working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 15 October 2010 as timetabled.

Issues arising from the audit

13. As required by auditing standards we reported to the audit committee on 15 October 2010 the main issues arising from our audit of the financial statements. There were no issues which needed to be highlighted, and the Audit Committee recommended the accounts for approval.

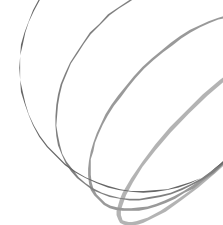


Regularity

14. 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 were 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.

International financial reporting standards (IFRS)

15. UK Government departments and other public sector bodies prepared their accounts in accordance with International Financial Reporting Standards (IFRS) for the first time in financial year 2009/10. The transition arrangements to IFRS required bodies to prepare IFRS shadow accounts for 2008/09, including revised opening balances as at 1 April 2008.
16. During 2009/10 we were required to review the shadow accounts and report on them to the SSSC by 28 February 2010. The purpose of this exercise was to consider whether the shadow accounts had been properly prepared and report any matters that might prevent them forming a reliable basis for the first set of IFRS based accounts in 2009/10.
17. The shadow accounts and supporting documentation for the 2008/09 financial year were submitted by the SSSC for review by the deadline date of 28 February 2010. There were no significant issues arising from our review of the shadow accounts for 2008/09.



Use of Resources

18. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of the SSSC's

- financial position
- financial management.

Financial Position

Outturn 2009/10

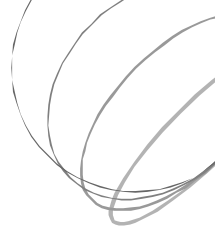
19. In 2009/10 the SSSC's net operating costs were £9.3 million against funding from the Scottish Government of £9.4 million (£8.8 million grant in aid and £0.6 million other grants), resulting in an underspend of £0.1 million. A transfer of £0.2 million was made from the legal reserve giving a total underspend of £0.3 million. The sponsor branch has agreed that this balance can be carried forward in 2010/11 to fund a number of OSCAR development projects.

20. The SSSC is required to work within the resource budget set by the Scottish Government. For 2009/10 the budget allocated to the SSSC from the Scottish Government was £12.8 million, comprising £8.8 million from grant in aid and £4.0 million from other income and Government grants, including Practice Learning Fees. The SSSC's expenditure for the year totalled £12.8 million which comprised staff costs of £4.5 million, operating expenditure of £3.3 million and payments of grants, awards and bursaries of £5.0 million.

21. During 2009/10 the SSSC received grant in aid of £8.8 million and income from fees, other income and Government grants of £4.0 million enabling the SSSC to operate within the budget limits set by the Scottish Government – see exhibit 2 below:

Exhibit 2 – Performance against resource budget 2009/10 (£ million)

Limits	Budget	Actual Outturn	Difference
Operating	12.8	12.8	nil
Capital	nil	nil	nil
Total	12.8	12.8	nil



Scotland's public finances

22. The Auditor General's report on *Scotland's public finances, published in November 2009*, contained an overview of the financial environment in Scotland and the pressures and challenges facing the public sector. The aim of this report was to help to inform the debate on the future of public finances in Scotland. The key messages from this report were:

Extract from Auditor General's report *Scotland's public finances*

The public sector is coming under the greatest financial pressure since devolution.

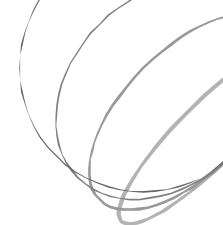
- Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight.
- The Scottish Government and the wider public sector need to work together to develop better activity, cost and performance information. This information is needed to enable informed choices to be made between competing priorities, and to encourage greater efficiency and productivity.

The Scottish Government faces significant challenges in balancing the budget while also delivering on its commitments and meeting increasing demands for public services.

- It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known.
- In many cases, the public sector uses income from various sources to pay for services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.
- The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Changes in Scotland's population and rising unemployment rates will increase demand for public services.
- Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available.

In the current economic climate difficult decisions will have to be made about priority spending programmes.

- The Scottish Government's annual budget is largely developed on an incremental basis which involves making adjustments at the margin to existing budgets. This approach is not suitable for budgeting in a financial downturn because it does not easily allow informed choices to be made about priorities, based on robust information about activity, costs and performance.
- The Scottish Parliament has an important role in scrutinising the government's spending plans. Better information linking spending to costs, activities and service performance, and a rolling programme of performance reviews, would support the Scottish Parliament in fulfilling this role.



23. The SSSC is a growing organisation and has the same financial constraints as other public sector bodies at the present time. However, it is only through a commitment to efficiency that it will be able to inspire the confidence of the Scottish Government to secure the future levels of funding required. SSSC has costing models in place to demonstrate that it can effectively plan to ensure the increased level of registrations results in the minimum increase in expenditure.

Financial sustainability and the 2010/11 budget

24. Scottish Ministers have agreed a resource budget for the SSSC of £13.362 million for 2010/11, as set out below:

Exhibit 3 – 2010/11 Resource Plan (£ million)

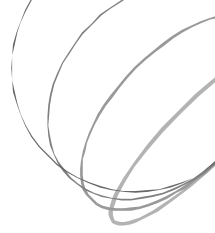
Limits	Budget
	£million
Grant in Aid	9.299
Other Income (including Practice Learning Fees)	4.063
Total	13.362

25. Current projections forecast expenditure to be within budget in 2010/11. The SSSC is expected to achieve 2% of efficiency savings in 2010/11 and grant in aid will not be uplifted for general inflation as this is expected to be met from the SSSC's efficiency savings. The budget represents a 10% increase from the previous year reflecting a projected rise in numbers of registrants following the Scottish Government's requirement for three main groups of social service workers to be registered in accordance with a set timetable.

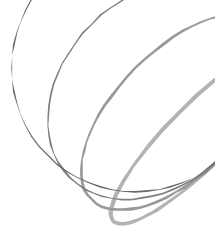
National Studies

26. Audit Scotland are currently developing a more flexible approach to its national performance audit programme. Our focus continues to be on value for money, economy, efficiency, effectiveness and on governance and accountability. We have developed the following five key themes to help underpin our programme:

- **Managing reductions in public sector budgets:** in recognition of the cost pressures facing public services, and building on and developing issues arising from our reports on Scotland's public finances and Improving public sector efficiency.
- **Investment:** looking at accountability for the use of public funds; examining the scope for reducing cost overruns and improving project management; and assessing whether investing in services with early intervention leads to better outcomes and savings in the longer term.



- **Partnership working:** examining the value for money of partnership working and whether this way of planning and delivering services is making a real difference.
- **User focus and personalisation:** looking across organisational boundaries and identifying cost-effective ways of delivering services which better suit people's needs at the same time as delivering savings.
- **Environmental auditing:** reviewing how Scotland is responding to the challenges of reducing carbon emissions and adapting to climate change.



Governance and Accountability

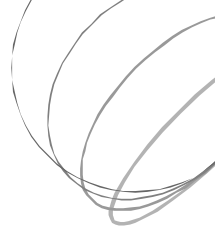
27. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of the SSSC's arrangements.
28. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

Overview of arrangements

29. This year we reviewed:
 - key systems of internal control
 - internal audit
 - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
30. Our overall conclusion is that arrangements within the SSSC are sound and have operated through 2009/10.

Systems of internal control

31. 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 2009/10 Scott-Moncrieff, the internal auditors, provided their opinion that based on the internal audit work undertaken during the year, the SSSC has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the Commission's objectives and the management of risks.
32. As part of our audit we reviewed the high level controls in a number of the SSSC's systems that impact on the financial statements. This audit work covered a number of areas including
 - main accounting system
 - accounts receivable
 - accounts payable



- cash and cash equivalents
- payroll.

33. Our overall conclusion was that key controls were operating effectively and that the SSSC has adequate systems of internal control in place.

Statement on Internal Control

34. The Statement on Internal Control provided by the SSSC'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 SSSC's approach to this.

Internal Audit

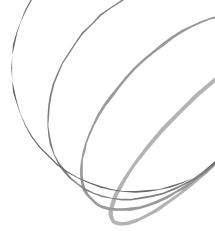
35. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2009/10 audit we assessed whether we could place reliance on the SSSC's internal audit function. We concluded that Scott-Moncrieff operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2009/10, as we anticipated in our annual audit plan. This included reliance on aspects of internal audit's systems work to avoid duplication of effort.

Prevention and detection of fraud and irregularities

36. The SSSC has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members covering gifts and hospitality.

National Studies

37. In September 2010 Audit Scotland published a national study on *The Role of Boards* which will be relevant to the SSSC. Boards play a crucial role in ensuring that governance standards are maintained in public sector organisations. Feedback relating to the SSSC will be provided in due course where appropriate.

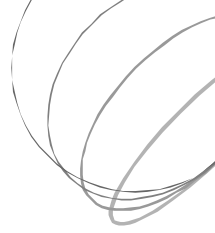


Performance

38. 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. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery
 - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
39. In this section we comment on:
- the SSSC's corporate plan
 - performance against targets
 - performance management arrangements.

Vision and strategic direction

40. SSSC published its corporate plan for 2010-2013 in June 2010. The corporate plan sets out three main aims for the SSSC as follows:
- to protect people who use services
 - to raise standards of practice
 - to strengthen and support the professionalism of the workforce.
41. The ageing population and the complex needs of many children and families will mean an increased demand for social services. The SSSC must engage with those who will use and deliver social services in the next 10 to 20 years and continue to work with its partners to address the challenges the future will bring. Workforce development and workforce planning are critical to this. Equally, the SSSC must deliver high quality social services to those who need them now.
42. The work of the SSSC, with its roles of protecting people who use services, workforce planning and development and promoting the value of social work enables it to make a significant contribution to delivering the Scottish Government's strategic priorities and its related national outcomes and indicators. The corporate plan contains a range of measures and key performance indicators to assess the success of the SSSC in delivering both national and SSSC specific outcomes.



Performance overview

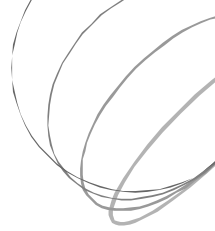
43. The corporate plan for 2009 - 2012 set out five outcomes for the SSSC to contribute towards the Scottish Government's strategic objectives. The plan also included 33 performance measures to evaluate the success of the SSSC in achieving its outcomes as well as a number of performance indicators. One of the priorities in this period was to establish baselines for the future to measure continuous improvement.
44. Performance against outcomes and performance indicators is analysed in the Annual Report accompanying the SSSC's accounts. During the year the SSSC achieved most of its performance measures. A number of significant achievements in 2009-10 included the development of new online systems including the workforce solutions portal, a range of tools and resources to help plan deliver workforce development; the roll-out of the Scottish Credit Qualifications Framework across all sectors; supported 112 organisations to use the Continuous Learning Framework in their workplace and launched SSSCtv on You Tube.

Performance management

45. The Council regularly reviews performance against the corporate plan through quarterly performance reports. The reports are discussed in Council meetings and action taken to resolve any issues.

Risk management

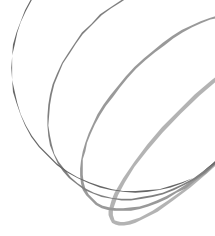
46. The Council has put in place robust systems for the identification and management of risk with the adoption of a strategic risk register, a corporate risk management policy and procedures for addressing risks that are identified. An annual risk management workshop is held to review the top strategic risks. This involves Audit Committee members and a cross-section of SSSC managers.
47. Some of the main risks affecting the SSSC include:
 - the ability to operate in the current economic climate. The SSSC is required to register an increasing number of social service workers and, as a growing organisation, must respond to the public sector expenditure pressures by seeking efficiency savings
 - the impact on shared services of the formation of Social Care and Social Work Improvement Scotland (SCSWIS) is still difficult to assess and may lead to delays in finding new areas of co-operation
 - policy changes in relation to registration of new recruits may adversely affect employers' ability to support their staff to achieve required registration. This could undermine service delivery and create significant operational challenges for the SSSC



- EU requirements to assess the equivalence of qualifications from other member states could provide additional financial pressures as the full costs are difficult to assess.

Improving public sector efficiency

48. The Audit Scotland report *Improving public sector efficiency* was published on 25 February 2010. It provides a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gave an update on how the Scottish Government and public bodies have addressed the recommendations made in the 2006 report about the previous efficiency programme.
49. The report found that Scottish public bodies reported more efficiency savings than the Government's two per cent target. But there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult.
50. The report recommended that to deal with reduced future funding and increase savings public bodies need to consider fresh approaches to improving efficiency and productivity. They must take a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working.
51. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It requires strong leadership and engagement from the very top of public bodies. Leaders and senior decision-makers within an organisation have a responsibility to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The report's recommendations highlighted areas that public bodies' key decision makers should look at to assess their organisation's development and to challenge existing arrangements (see below).

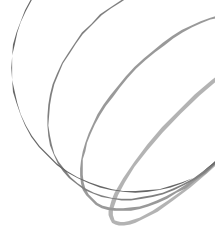


Extract from Audit Scotland report *Improving public sector efficiency*

In order to improve the delivery of efficiency savings public bodies should:

- ensure they have a priority-based approach to budgeting and spending
- continue to improve collaboration and joint working, overcoming traditional service boundaries
- consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services
- improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against
- give greater urgency to developing benchmarking programmes
- maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services
- ensure there is a joined-up approach to efficiency savings across the public sector, avoiding duplication
- ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured
- strengthen the involvement of front-line staff, service providers and users in redesigning public services
- reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer term strategy
- report efficiency savings consistently.

52. To support these high-level recommendations, Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on their combined experience to develop a detailed good practice checklist. The checklist is intended to promote detailed review and reflection and, if necessary, a basis for improvement. We recommend that those responsible for leading efficiency and improvement work should consider assessing themselves against each question, and recording the results.
53. The SSSC is expected to achieve 2% efficiency savings in 2010/11 as part of the overall funding settlement agreed by the Scottish Government. In the past SSSC have exceeded their targets and been permitted to hold reserves to cover future legal costs and development of the OSCAR computer system. There is no guarantee this will continue and there may be significant legal fees in future if the numbers of conduct cases increase in line with the number of registrations. These will be challenging targets for the SSSC to achieve.
54. The SSSC has highlighted the following risks to achieving financial balance:
- there is an ongoing problem with the accuracy of practice learning fee forecasts and any significant variance would have a major impact
 - as the cost of assessing the equivalency of other EU qualifications is difficult to determine accurately the fee charged may not be sufficient to cover costs
 - the increase in registrations may lead to a corresponding increase in conducted cases and legal reserves may not be sufficient to cover future costs.
55. We will continue to monitor the financial position and the actions taken by the SSSC to manage these risks.



Looking Forward

56. The SSSC faces a number of challenges in 2010/11, which include:

- **Efficiencies and future funding** - Scottish public bodies reported more efficiency savings than the Government's two per cent target in 2008/09, but there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult. To deal with reduced future funding and increase savings fresh approaches to improving efficiency and productivity must be considered, taking a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working. The SSSC is required to achieve efficiency savings of 2% in 2010/11 as part of the overall funding settlement agreed by the Scottish Government.
- **Registration** - the Scottish Government's introduction of required registration for social services by a set timetable means the number of new registrations is increasing each year as new sectors are required to register. Achieving increased levels of registration will present challenges to the SSSC in terms of workload, resources and projection of income generation. In addition, increased registration may also lead to increased conduct and legal costs.