

Scottish Children's Reporter Administration

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Children's Reporter Administration and the Auditor General
for Scotland

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Key messages

2021/22 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 Scottish Children's Reporter Administration's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 3 Expenditure and income were incurred in accordance with applicable enactments and guidance.
- 4 The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Financial sustainability

- 5 Scottish Children's Reporter Administration (SCRA) operated within its Departmental Expenditure Limit for 2021/22.
- 6 Scottish Children's Reporter Administration has a 5-year strategic financial plan. This includes a number of significant financial risks which will require close monitoring and review going forward.
- 7 The annual accounts record a net liabilities position. The position improved significantly during 2021/22 due to movements in the IAS 19 pension liability which decreased from £61 million in 2020/21 to £39 million in 2021/22.

Governance

- 8 The Governance Statement has been prepared in accordance with the relevant statutory guidance.
- 9 Scottish Children's Reporter Administration's governance and transparency arrangements are appropriate. Board and Governance Committees continued to meet on a remote basis throughout 2021/22 due to the ongoing Covid-19 pandemic.
- 10 The performance report included in the annual report and accounts meets the requirements of the FReM. There is scope for further development to better communicate directly with stakeholders.

Introduction

1. This report summarises the findings from our 2021/22 audit of the Scottish Children's Reporter Administration (SCRA).
2. The scope of our audit was set out in our Annual Audit Plan presented to the May 2022 meeting of the Audit and Risk Committee. This report comprises the findings from:
 - an audit of the SCRA's annual report and accounts
 - consideration of disclosures in the governance statement and the financial sustainability of SCRA.
3. Covid-19 continued to impact on SCRA during 2021/22. Initial ad-hoc solutions were replaced with longer term business operations with the development of digital architecture, remote working and virtual hearings becoming embedded.

Adding value through the audit

4. We add value to the SCRA through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance and financial sustainability.
5. We aim to help SCRA promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. The SCRA has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers.
7. The SCRA is responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.
8. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), and supplementary guidance and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual report and accounts. In addition, as part of our wider scope work, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position, and arrangements for securing financial sustainability.

10. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. As highlighted in our 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2021/22 audit.

11. This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve SCRA from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

13. Auditors appointed by the Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

14. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2021/22 audit fee of £34,330 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

Audit appointment from 2022/23

16. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

17. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Audit Scotland will continue to be the appointed auditor for SCRA.

18. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

19. We would like to thank Board and committee members, Executive Management Team and other staff, particularly those in finance for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts are unmodified.

SCRA's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Expenditure and income were incurred in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Our audit opinions on the annual report and accounts are unmodified

20. The annual report and accounts for the year ended 31 March 2022 were approved by the board on 21 September 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The annual audit report and accounts were signed off in line with the agreed timetable

21. The unaudited annual report and accounts were received in line with our agreed audit timetable on 31 May 2022. The unaudited annual report and accounts were incomplete due to a delay in the provision of IAS19 information

from SCRA's actuary. The accounts provided on 31 May were of a good standard which allowed us to commence our audit work. A revised version of the accounts which included all IAS19 updates together with a number of audit adjustments was received on 4 July 2022. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Overall materiality is £0.668 million

22. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and we concluded that our audit approach remained appropriate. Materiality levels are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£0.668 million
Performance materiality	£0.501 million
Reporting threshold	£0.033 million

Source: Audit Scotland

23. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks. We also we considered the low risk and level of error identified in previous years.

24. The overall scope of the audit was adapted to incorporate the significant assessed risks of material misstatement included within [Exhibit 3](#), to ensure each risk is addressed.

We have significant findings to report on the annual report and accounts

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have reported several issues from the work done on the identified risks of material misstatement. These relate to non current assets and the pension liability valuation and are included in the action plan at Appendix 1. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2**Significant findings from the audit of financial statements**

Issue	Resolution
<p>1. Property revaluation</p> <p>In response to a comment made by the professional valuer in 2020/21 about the potential impact of Covid-19 on the property market, SCRA requested that its three largest properties should be independently valued in order to obtain assurance that asset values had not changed materially.</p> <p>The external valuer confirmed that the value had not changed for the 3 assets reviewed. On the basis of this, SCRA depreciated all properties and then processed a revaluation adjustment (£232,000) to bring the value back to the prior year net book value.</p> <p>We accepted that the valuation of the three largest properties was sufficient to confirm there had been no material change in value across all properties. However we did not agree with the application of the revaluation adjustment across all properties. The valuer did not provide any specific confirmation that this was appropriate.</p> <p>We discussed the matter with SCRA who agreed to amend the non-current assets note.</p>	<p>The depreciation on revaluation totalling £232,000 was reversed in the revised accounts.</p> <p>We reviewed the revised depreciation calculation and assessed it as being reasonable in the revised accounts.</p>
<p>2. Property depreciation</p> <p>The remaining useful lives recorded in the asset register and used to calculate property depreciation were incorrect as the asset register had not been updated to reflect the asset lives provided by the valuer in the most recent valuation exercise (March 2021).</p> <p>SCRA agreed to review and revise the depreciation charged.</p>	<p>Depreciation was recalculated based on the most recent remaining useful life information and an adjustment of £104,000 was made to reflect the correct depreciation charge in the revised accounts.</p> <p>We agreed with the revised calculation which was applied and updated in the revised accounts received on 4 July 2022.</p>
<p>3. CSAS development</p> <p>Core Systems and Applications (CSAS) is the new case management system which is being developed jointly between SCRA and Children's Hearings Scotland (CHS).</p> <p>As at 31 March 2022, all development costs for CSAS have been charged to SCRA, including some CHS-specific development requested by CHS. The total expenditure on development costs</p>	<p>SCRA and CHS should formally agree how the operation, maintenance and development of the CSAS system should be taken forward.</p> <p>Recommendation 1 (Refer Appendix 1, action plan point 1)</p>

Issue	Resolution
<p>for the CSAS system in 2021/22 was £641,000. This was funded by SCRA using capital grant in aid funding (GIA) (£524,000) and capital GIA transferred from the CHS budget (£117,000), as approved by the Scottish Government at the Spring Budget Revision.</p> <p>Now that the asset is operational, SCRA and CHS should formally agree the approach in relation to:</p> <ul style="list-style-type: none"> the system as currently developed including for example respective responsibilities around performance and changes any further developments together with the related funding and accounting for the asset. This will be of particular importance as each organisation seeks to introduce its own specific developments. 	
<p>4. Bank balances</p> <p>We were unable to receive independent, third party confirmation of one of the bank balances included within the Statement of Financial Position. We were able to confirm to bank statements held by SCRA.</p> <p>We asked for confirmation from the accountable officer that the amounts recorded in the 2021/22 annual accounts were fully and properly recorded.</p>	<p>The accountable officer confirmed in the letter of representation that the bank balances were fully and properly recorded in the 2021/22 Statement of Financial Position.</p>

Source: Audit Scotland

26. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK)</p>	<p>Enquired about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p>	<p>We did not identify any issues as a result of our audit work that would indicate management override of controls</p>

Audit risk	Assurance procedure	Results and conclusions
<p>240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise are operating effectively.</p>	<p>Tested journals at the year-end and post-closing entries and focussed on significant risk areas.</p> <p>Performed detailed testing of journals.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantively tested transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Performed focussed testing of accounting accruals and prepayments.</p>	<p>affecting the year-end position.</p>

Other areas of audit focus

27. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The areas of specific audit focus were:

- Estimates and judgement in the valuation of the pension liability: There is a large degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.
- Estimation and judgement in the valuation of land and buildings. There is large degree of subjectivity in the valuation of land and buildings which may have been affected by the impact of Covid-19.

We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, we have reported an issue in relation to the valuation of land and buildings which is summarised in [Exhibit 2](#).

Identified misstatements of £0.425 million were adjusted in the accounts: these were less than our performance materiality and we did not need to revise our audit approach

28. Total misstatements identified were £0.425 million. These related to the property valuation adjustment (£232,000) and depreciation adjustment (£104,000) detailed in [Exhibit 2](#). In addition, there were adjustments to the annual leave accrual calculation (£73,000) and the provision for unfunded pensions due to a typographical error in the actuary's report (£16,000).

29. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. We concluded that it was not necessary to review our audit approach in relation to these.

30. All identified misstatements above the reporting threshold were adjusted by management. Adjustments made in the audited accounts decreased net expenditure in the Statement of Comprehensive Net Expenditure by £47,000 and increased net assets in the Statement of Financial Position by the same amount.

31. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold; there are no unadjusted errors to report.

Good progress was made on prior year recommendations

32. SCRA has made good progress in implementing our prior year audit recommendations. We followed up on actions agreed in our 2020/21 Annual Audit Report, to assess what progress on implementation had been made. Revised responses and timescales have been agreed with management and are set out in in [Appendix 1](#).

2. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

Main judgements

Scottish Children's Reporter Administration operated within its Departmental Expenditure Limit for 2021/22.

SCRA has a 5-year strategic financial plan. This includes a number of significant financial risks which will require close monitoring and review going forward.

The annual accounts record a net liabilities position. The position improved significantly during 2021/22 due to movements in the IAS 19 pension liability which decreased from £61 million in 2020/21 to £39 million in 2021/22.

SCRA operated within its Departmental Expenditure Limit for 2021/22

33. The main financial objective for SCRA is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government.

34. After adjusting for unfunded pension benefits and expenditure not chargeable against the resource Departmental Expenditure Limit (DEL), SCRA has reported an outturn of £28.371 million against its overall budget for 2021/22 of £28.377 million. The financial performance against its DEL is shown in [Exhibit 4](#).

Exhibit 4 Performance against DEL in 2021/22

Performance	Initial budget £000s	Final budget £000s	Outturn £000s	Over/(under) spend £000s
Net expenditure			34,198	
Unfunded pension benefits			165	
Less: Depreciation			(1,422)	
Pension finance cost			(1,268)	
IAS 19 adjustment			(5,121)	
Resource DEL	25,160	26,260	26,552	292
Capital DEL	1,900	2,117	1,819	(298)
Total DEL	27,060	28,377	28,371	(6)

Source: Scottish Children's Reporter Administration 2021/22 Annual Report and Accounts

35. During the 2021/22 autumn and spring budget revisions the Scottish Government increased the initial budget by £1.2 million in response to pressures related to COVID-19 and delivery of the Hearings Recovery Plan. Capital DEL of £0.117 million was transferred to SCRA (from CHS) to fund CSAS system developments.

36. SCRA have advised that the Scottish Government were kept up to date with the resource DEL overspend position and have agreed that it will be managed going forwards.

SCRA's 5-year strategic financial plan includes a number of financial risks which will require close monitoring and review going forward

37. We reviewed the financial planning process and assessed its effectiveness at identifying and addressing risks to financial sustainability in the medium and long term.

38. In September 2021, the SCRA board approved a revised financial strategy covering the period 2022-2027. The strategy highlights the ongoing financial risk in relation to Covid-19 and legislative changes that will impact on SCRA including the Children (Scotland) Act 2020. It also highlights the significant

changes made to SCRA's operating model, including an Agile Working Policy, introduction of a Virtual Hearings Platform and changes to the staffing profile as a result of the recruitment of temporary Reporters and Assistant Reporters.

39. The strategy includes a savings target of 1.5% in each of the five years and forecasts required Grant in Aid increases of 6% in 2022/23 and 4% in each of the following four years. The strategy also considers different funding scenarios and the impact of different levels of pay awards.

40. The strategy notes that SCRA's financial sustainability will require continued support from the Scottish Government and the discussions with the Sponsor Team are underway. The strategy highlights that SCRA will see a transition from pandemic recovery to business as usual at the same time as preparing the organisation and wider hearings system for the significant changes in policy and legislation that will take place over the course of the five-year Financial Plan.

41. We consider that SCRA has adequate financial planning arrangements in place which reflect the potential impact of the pandemic of the provision of future services. The challenge will be to balance the requirements of the service with an ever tightening budget envelope as outlined in the Scottish Government Recent resource spending review.

SCRA records net liabilities in the statement of financial position

42. The Statement of Financial Position summarises what is owned and owed by SCRA. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit.

43. The financial statements show that SCRA had net liabilities of £29.051 million (2020/21: £51.398 million). This improved position arises as a result of the pension reserve deficit (£16.131 million), decreasing from the 2020/21 pension reserve deficit of £44.299 million. The change in value arose as a result of the actuarial gain on pensions impacted by market volatility and changes in the financial assumptions used in its measurement.

44. The net liabilities position is also impacted by the movement in the general fund deficit (2021/22: £15.398 million; 2020/21: £9.577 million). The increase is largely due to two areas of non-cash expenditure: depreciation and amortisation and pension scheme costs. These amounts are not funded through grant in aid but have a direct impact on the general fund balance each year.

45. The net liabilities position is not considered an issue in relation to the going concern of SCRA as all funding is received from the Scottish Government on an ongoing basis with 2022/23 funding in place.

National performance audit reports

46. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 2](#) highlights a number of the reports published in 2021/22.

3. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

Main judgements

The Governance Statement has been prepared in accordance with the relevant statutory guidance.

SCRA's governance and transparency arrangements are appropriate. Board and Governance Committees continued to meet on a remote basis throughout 2021/22 due to the ongoing Covid-19 pandemic.

The performance report included in the annual report and accounts meets the requirements of the FReM. There is scope for further development to better communicate directly with stakeholders.

The Governance Statement has been prepared in accordance with the relevant statutory guidance

47. HM Treasury's Financial Reporting Manual (the FReM) states that SCRA must prepare an annual governance statement within the annual report and accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the governance statement and provides assurances around the achievement of the organisation's strategic objectives. The SPFM does not provide a format for the annual governance statement but sets out minimum requirements for central government bodies.

48. We reviewed the content of the Governance Statement and concluded that the information disclosed complies with the guidance issued by the Scottish Ministers. Based on our knowledge and work performed, it presents an appropriate picture of the governance arrangements in place.

SCRA's governance and transparency arrangements are appropriate

49. SCRA's Board is made up of members who are appointed by, and accountable to, the Scottish Government and have corporate responsibility for ensuring that SCRA fulfils its aims and objectives, including delivery of its strategic objectives. The Board is supported by the Audit and Risk Committee, Remuneration Committee and other groups including the National Partnership Forum.

50. During 2021/22 Board and committee meetings were held remotely using Microsoft Teams (or equivalent). We are aware that there are plans to move to a hybrid form of working with members attending meetings in person.

51. We reviewed the minutes and papers submitted to the Board throughout the year. The papers are detailed and comprehensive to allow for effective decision making and scrutiny of performance. The Board papers are readily accessible on the SCRA website.

52. We attend the Audit and Risk Committee meetings and papers are circulated to members in a timely manner in advance of meetings for review. Also, from our attendance at Committee we observed and concluded that members are engaged during meetings and provide effective scrutiny and challenge.

53. In addition, from a review of the committee structure including composition and frequency of meetings, we have concluded that governance arrangements are appropriate.

Updating of some governance policies is delayed

54. As part of our work, we undertook a high-level review of the governance arrangements in place within SCRA. We reviewed a range of policies including members' and staff codes of conduct. We noted that while the content of these was reasonable, neither had been updated nor recently reviewed by management, contrary to SCRA's own planned review dates. Management have subsequently confirmed that the members' code of conduct has been reviewed and the staff code of conduct is due to be reviewed by December 2022.

There is scope for enhancing some internal controls

55. We undertook a high-level review of the controls in place within the key financial systems as part of our initial planning work. We noted the following areas where there is scope for improvement to the operation of certain internal controls:

- the evidence of the annual review of the eFinancials user log for appropriateness could be improved, for example, through maintaining a signed review log or retaining email confirmation of review
- new user forms should be completed and reviewed by separate individuals to ensure segregation of duties
- the monthly payroll validation process should be carried out timeously for all business areas
- payroll reconciliations could be improved by checking ledger balances to original source payroll system rather than ledger upload reports, and by including a reconciliation of the net salary payable to actual payments made through the bank account

Recommendation 2

SCRA should review the controls around their key financial systems in order to ensure minimal opportunity for fraud and irregularity.

([Appendix 1](#), action plan point 2)

There is scope for improving the performance report

56. In addition to the opinion on the performance report covered in Part 1 of our Annual Audit Report, we also consider the qualitative aspects of the performance report. The purpose of a performance report is to provide information on the main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and understandable analysis of performance and is essential in helping stakeholders understand the financial statements. The performance report is an opportunity for the organisation to ‘tell its story’ about what it has achieved with the funding made available to it.

57. We discussed some amendments to the narrative and concluded that SCRA’s performance report met the requirements of the FReM.

58. From our review of the annual report presented for audit, we concluded that there was scope to provide a more informative and more easily understandable picture of performance in 2021/22. Chapter 3 of the FReM gives additional guidance for narrative reporting. It refers to the role of narrative reporting and provides some best practice guidance for developing narrative. It includes:

- balance in narrative reporting
- context and trends
- design choices and graphics
- using clear English

59. Further information can also be found in Audit Scotland’s 2019 report: [Good practice note on improving the quality of central government annual report and accounts](#). HM Treasury published a [Best Practice Report 2020-2021](#) which outlines examples of best practice taken from 2020-21 annual reports and accounts. The best practice examples outlined display a range of characteristics, including enhanced transparency and accountability, good accessibility and clear presentation of information, for example, through the use of formatting/graphics to help the understanding of users of the accounts.

Recommendation 3

SCRA should review the content and presentation of its performance report to ensure it takes full advantage of the opportunity to communicate directly to stakeholders about its activities.

(refer [Appendix 1](#), action plan point 3)

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Development of CSAS System</p> <p>There is no formal agreement between SCRA and CHS in relation to the CSAS system. Responsibilities around the current operation, maintenance and any future developments should be considered to ensure clarity around each party's role.</p> <p>Risk: There is a risk that the lack of formalised arrangements could lead to misunderstandings in responsibilities and accountability over future systems development.</p>	<p>SCRA and CHS should formally agree on how the operation, maintenance and development of the CSAS system should be taken forward.</p> <p>Exhibit 2, point 3</p>	<p>Agreed. SCRA and CHS will seek to reach a formal agreement on how the operation, maintenance and development of the CSAS system should be taken forward.</p> <p>Principal Reporter/Chief Executive Officer</p> <p>31 December 2022</p>
<p>2. Internal Control improvements</p> <p>We noted some areas where there is scope for improvement to the operation of certain internal controls. This included controls around eFinancials and payroll reconciliations.</p> <p>Risk: There is a risk that internal controls do not operate effectively resulting in increased opportunity for fraud and irregularity to occur.</p>	<p>SCRA should review the controls around their key financial systems in order to ensure minimal opportunity for fraud and irregularity.</p> <p>Paragraph 55</p>	<p>Agreed. The areas identified by Audit Scotland will be reviewed in order to ensure minimal opportunity for fraud and irregularity.</p> <p>Finance Manager</p> <p>31 December 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Performance Report</p> <p>There is scope to provide a more informative and more easily understandable picture of performance.</p> <p>Risk: There is a risk that the information provided in the performance report is unclear or misstated leading to a lack of clarity.</p>	<p>SCRA should review the content and presentation of its performance report to ensure it takes full advantage of the opportunity to communicate directly to stakeholders about its activities.</p> <p>Paragraphs 56-59</p>	<p>Agreed. The content and presentation of the performance report will be reviewed to ensure it takes full advantage of the opportunity to communicate directly to stakeholders about its activities.</p> <p>Head of Finance and Resources</p> <p>30 November 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Impact of Covid19 on the valuation of land and buildings</p> <p>The SCRA's land and buildings undergo a full external revaluation every 5 years. The full estate was valued on an open market basis at 31 March 2020 by independent Royal Institution of Chartered Surveyors (RICS) registered valuers Rydens LLP. At that time the Valuer reported that there may be a reduced level of certainty that can be attached to the valuation due to inconsistency; the absence of empirical data; or the valuer being faced with an unprecedented set of circumstances on which to base judgement. This was as a result of the COVID-19 pandemic.</p> <p>On the advice of the valuer a further valuation exercise was undertaken to determine property values at 31 March 2021. Due to Covid-19</p>	<p>The SCRA should review the advice of the valuer and consider requesting a further valuation of land and buildings as 31 March 2022.</p>	<p>The valuer reviewed 3 higher value buildings as at 31 March 2022 which provided confirmation that the valuation was appropriate.</p> <p>See Exhibit 2, point 1 above</p> <p>Complete</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>restrictions this was undertaken as a desktop review. The review did not indicate a material variation in values from those of the prior year. However, the valuer has again highlighted that there may be a reduced level of certainty that can be attached to the valuation and recommended that a review of the valuation is undertaken in the next 12 months.</p> <p>Risk – The valuation of the SCRA’s estate is susceptible to change due to the ongoing impact of Covid-19. There is consequently a risk that the valuation of property is inaccurate.</p>		
<p>5. Reconciliations between key financial systems and the general ledger</p> <p>We found that reconciliations between key financial systems and the general ledger were not prepared and reviewed consistently or regularly during the year.</p> <p>Risk: The absence of regular and timely reconciliations increases the risk of unresolved error and/or undetected fraud.</p>	<p>The SCRA should ensure that reconciliations between key financial systems and the general ledger are prepared and reviewed in a regular and timely manner.</p>	<p>The recommendation was addressed. However, we reviewed the key controls and identified a number of enhancements to improve the control environment.</p> <p>Refer to para 55 above</p> <p>Completed</p>
<p>6. The impact of Covid-19 on the SCRA Financial Strategy</p> <p>The Financial Strategy was approved by the Board in June 2020 and underpins the Corporate Plan 2020-23. Since that time the impact of the on-going Covid-19 pandemic and the resulting restrictions have been significant for the SCRA.</p>	<p>The assumptions and projections within the financial strategy should be reviewed to ensure that they continue to support delivery of the Corporate Plan 2020-2023 in the post Covid-19 environment</p>	<p>The assumptions and projects with the financial strategy will be reviewed to ensure that they continue to support delivery of the Corporate Plan 2020-2023 in the post Covid-19 environment.</p> <p>Complete</p> <p>Refer to paras 37-41 above</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The Scottish Government provided additional resource funding of £0.6m in 2020/21 to support Covid-19 recovery plans. The availability of these additional funds in future years cannot be guaranteed.</p> <p>Risk: There is a risk that, as the SCRA enters the business recovery stage the impact of Covid-19 may adversely affect the Financial Strategy</p>		

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Scottish Children's Reporter Administration 2021/22 Annual Audit Report

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