

Children and Young People's Commissioner Scotland

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Children and Young People's Commissioner Scotland and the Auditor
General for Scotland

October 2023

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Key messages

2022/23 annual report and accounts

- 1** Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2** Key risks arising from the audit of the Children and Young People's Commissioner Scotland (also referred to as 'CYPCS' or 'the Commissioner') were detailed in our Annual Audit Plan issued in March 2023. There are two significant matters arising from our audit relating to the Performance report and Remuneration report, which were brought to the attention of management and have been resolved.
- 3** There were no material adjustments to the unaudited financial statements.

Wider-scope

- 4** The CYPCS operated above its revised budget for 2022/23 with a £48,000 (3%) overspend.
- 5** There are effective and appropriate arrangements in place to continue to deliver services.
- 6** The Commissioner is yet to develop a medium-term financial plan and a formalised workforce plan.
- 7** Disclosures in the governance statements are consistent with the financial statements and they have been prepared in accordance with relevant statutory guidance.

Introduction

1. This report summarises the findings from the 2022/23 audit of the Children and Young People's Commissioner Scotland (CYPCS). The scope of the audit was set out in our Annual Audit Plan issued in March 2023. This Annual Audit Report comprises:

- significant matters arising from our audit of CYPCS's annual report and accounts
- wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability

2. This report is addressed to the CYPCS 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

3. Asif A Haseeb OBE, has been appointed by the Auditor General as auditor of the CYPCS for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of his five-year appointment. The appointment coincides with the new [Code of Audit Practice](#) (the Code) which was introduced for financial years commencing on or after 1 April 2022.

4. We would like to thank everyone involved in the audit for their cooperation and assistance this year and look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The CYPCS 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. The CYPCS is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.

7. The weaknesses or risks identified in this report 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 management from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

9. 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 therefore the 2022/23 audit fee of £22,510 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to the CYPCS by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

Part 1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Key risks arising from the audit of the CYPCS were detailed in our Annual Audit Plan. There were two significant matters from our work which were resolved.

There were no material adjustments to the unaudited financial statements.

Audit opinions on the annual report and are unmodified

11. The Advisory Audit Board (AAB) recommended approval of the 2022/23 annual report and accounts to the Commissioner on 27 October 2023. 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 are 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.

Overall materiality was assessed on receipt of the annual report and accounts as £29,000

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. 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 is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£29,000
Performance materiality	£22,000
Reporting threshold	£1,500

14. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a low occurrence of errors identified from the previous audit.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to the AAB including our view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

19. The significant findings and key audit matters are summarised in Exhibit 2.

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. The Performance Report</p> <p>Our work identified areas within the performance report which could benefit from additional disclosure to ensure compliance with the Government Financial Reporting Manual (FreM).</p> <p>Suggested areas of improvement included the performance overview section, summary performance appraisal, a summary of the principal risks, and an explanation of the adoption of the going concern basis.</p>	<p>Following updates made by management, disclosures were prepared in accordance with FreM requirements.</p>
<p>2. Remuneration Report – Fair pay disclosure</p> <p>Our work identified a lack of narrative in respect of fair pay disclosures which are required by the FReM (6.5).</p> <p>Specifically, a lack of explanation on the reasons for any movement in the disclosed ratios, trends in the median pay ratio, and whether the body believes that the median pay ratio reflects the pay, rewards and progression policy for employees as a whole.</p>	<p>Following updates made by management, disclosures were prepared in accordance with FreM requirements.</p>

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also 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

Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK)</p>	<ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about 	<p>We have reviewed the CYPCS's accounting records and obtained evidence to ensure that transactions outside normal processes were accounted for correctly.</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 appear to be operating effectively.</p>	<p>inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments. 	<p>We have also reviewed management estimates and the journal entries posted in the period and around the year end. We did not identify any areas of bias in key judgements made by management.</p> <p>We have not identified any indication of management override in the year leading to material misstatement or significant concern.</p>

21. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be other risks of material misstatement to the financial statements. The areas of specific audit focus were:

- IT risks – Under the revised ISA (International Standards on Auditing) 315 we are required to have a greater understanding of the systems and risk arising from the use of IT systems. We have nothing to report in respect of our audit work in this area.

22. We kept this area under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

There were no identified misstatements identified within the financial statements

23. Our audit identified no misstatements above our reporting threshold.

The unaudited annual report and accounts were received in line with the agreed timetable

24. The unaudited annual report and accounts were received in line with our agreed audit timetable on 01 August 2023.

Some progress was made on prior year recommendations

25. Some progress has been made in implementing the audit recommendations identified by the previous external auditors. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term

Conclusion

The CYPCCS operated above its revised budget for 2022/23 with a £48,000 (3%) overspend.

There are effective and appropriate arrangements in place to continue to deliver services.

The Commissioner is yet to develop a medium-term financial plan and formalised workforce plan.

Disclosures in the Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.

The CYPCCS operated above its revised budget for 2022/23 with a £48,000 (3%) variance

26. The CYPCCS receives its budget on a cash basis from the Scottish Parliamentary Corporate Body (SPCB) and is their only source of income.

27. The core cash budget for 2022/23 was £1,457,000 and £65,000 was surrendered resulting in a total of £1,392,000. The main financial objective for the CYPCCS is to ensure that the financial outturn for the year is within the budget agreed with the SPCB.

28. The CYPCCS has reported total net expenditure of £1,440,000 against its revised budget for 2022/23 of £1,392,000, resulting in a £48,000 (3%) overspend.

Financial Planning

29. The CYPCCS has a Strategic Plan covering 2020-2024. The plan includes a high-level budget, showing spend in each of the financial years concerned up until 2023/24. A new strategic plan is due to be finalised in April 2024.

30. There is a Delivery Plan for the two years 2022 – 2024. The plan details desired actions for the corporate and service delivery.

31. The Scottish Parliament Corporate Body (SPCB) approved the Commissioner's 2023/24 budget totalling £1,474,000 in February 2023.

Some progress has been made against prior year audit recommendations to support financial sustainability

32. The CYPCCS's previous external auditors identified that while there is some financial information in the in the 2020-24 Strategic Plan, there remains a risk that robust medium-to-long-term planning arrangements are not in place. The Commissioner has not quantified any funding gaps which need to be addressed over the medium-term. They recommended that the Commissioner should develop a Medium-Term Financial Plan. We have repeated this recommendation. See [Appendix 1](#).

33. The previous auditors also identified that the Commissioner did not have a formalised workforce plan. They recommended that the CYPCCS should develop a develop a formalised Workforce Plan. We note that work is currently ongoing to develop this plan as part of strategic planning. See [Appendix 1](#).

Governance

34. Our audit opinion considers whether the Governance Statement has been prepared in accordance with the Ethical Standards in Public Life etc. (Scotland) Act 2000 and directions made by Scottish Ministers.

35. We are satisfied that the Governance Statement for the year to 31 March 2023 has been prepared in line with applicable acts and accounts directions and is consistent with other disclosures in the financial statements.

36. We have reviewed the Senior Management (SMT) minutes throughout the year. The minutes were of varying quality due to resource constraints, but allowed for effective decision-making and scrutiny of performance. We also identified some delays in the availability and publication of minutes. It is important that minutes are published in a timely manner.

37. Our review of governance documents noted that the current financial memorandum manual (revised April 2020) was not available on the CYPCCS website. We also identified that the manual is beyond its required review period of at least every 3 years.

Recommendation 1

The Commissioner should seek to ensure that the Financial Memorandum Manual is formally reviewed as required at least every 3 years

38. CYPCCS have recently appointed an Internal auditor for a three year period. We will review internal audit reports as these become available to inform our planning of future audits.

39. We note that the AAB currently meet annually prior to the signing and publication of the annual report and accounts. The board should consider

meeting more often in future to consider both internal and external audit plans and reports.

Recommendation 2

The Commissioner and Advisory Audit Board should consider meeting more often in future to consider both internal and external audit plans and reports.

Cyber Security

40. There continues to be a significant risk of cyber-attacks to public bodies and a number of recent incidents have demonstrated the significant impact they can have on both the finances and operation of an organisation. In 2022/23, we considered the CYPSC's arrangements for managing and mitigating cyber security risks.

41. The CYPSC's IT environment is provided by an external supplier who have been the IT provider since 2015. The contract was extended in 2020 and runs to December 2023. Management have advised that the service will be put out to tender. The Commissioner should ensure that they continue to receive ongoing IT and cyber security training and support.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Financial Memorandum Manual review</p> <p>We noted that the current financial memorandum manual (revised April 2020) was not available on the CYPSC website. Furthermore, the manual is beyond its required review period of at least every 3 years.</p> <p>Risk – That the Commissioner is not compliant with the Scottish Public Finance Manual.</p>	<p>The Commissioner should seek to ensure that the Financial Memorandum Manual is formally reviewed as required at least every 3 years.</p>	<p>Action: Update Website with 2020 Financial Memorandum and continue to revise.</p> <p>Responsible officer: Head of Corporate Services</p> <p>Date: December 2023</p>
<p>2. Advisory Audit Board (AAB) meetings</p> <p>We note that the Commissioner and AAB currently meet annually prior to the signing and publication of the annual report and accounts.</p> <p>Risk – That the Commissioner does not receive sufficient advice in relation to audit matters.</p>	<p>The Commissioner and the AAB should consider meeting more often in future to consider both internal and external audit plans and reports.</p>	<p>Action: Agree further meeting March/April</p> <p>Responsible officer: Head of Corporate Services</p> <p>Date: April 2024</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Financial Planning</p> <p>While there is some financial information in the in the 2020-24 Strategic Plan, there remains a risk that robust medium-to-long-term planning arrangements are not in place and that the Commissioner has not quantified any funding gaps which need to be addressed over the medium-term. This is especially important given the ongoing effects of the COVID-19 pandemic.</p> <p>Risk – There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the Commissioner can manage its finances sustainably and deliver services effectively, reducing the Commissioner’s ability to identify issues early and respond to these promptly.</p>	<p>The Commissioner should develop a Medium-Term Financial Plan, to ensure that they can manage resources sustainably and deliver services effectively.</p>	<p>Outstanding</p> <p>Revised action: Management to commence report April 2024 after laying of Strategic Plan 2024-28</p> <p>Responsible officer: Head of Corporate Services</p> <p>Revised date: April 2024</p>
<p>4. Workforce Planning</p> <p>The Commissioner currently does not have a formalised workforce plan. Given that staff costs account for 71% of expenditure it is critical that the Commissioner can plan for any changes in the staff mix, talent pool and perform succession planning (particularly at the SMT level). The Commissioner discusses HR matters within an un-minuted section of the monthly SMT meetings. We encourage the Commissioner to develop this data further into a Workforce Plan as noted in previous years.</p>	<p>The Commissioner should continue to develop a formalised Workforce Plan. Workforce planning should outline the current workforce, the future workforce and how the organisation can achieve its required future workforce.</p>	<p>In Progress</p> <p>Revised action: Management to commence report April 2024 after laying of Strategic Plan 2024-28</p> <p>Responsible officer: Head of Corporate Services</p> <p>Revised date: April 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk – There is a risk that robust medium-to-long-term planning arrangements are not in place to ensure that the Commissioner can manage its finances sustainably and deliver services effectively, reducing the Commissioner’s ability to identify issues early and respond to these promptly.</p>		

Children and Young People's Commissioner Scotland

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www.audit-scotland.gov.uk/accessibility



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