

# Report to those charged with governance on the 2013/14 audit

<b>Audited Body :</b>	<b>The Care Inspectorate</b>
<b>Committee:</b>	<b>Audit Committee</b>
<b>Date:</b>	<b>23 September 2014</b>

## Background

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. This report sets out for the Audit Committee consideration the matters arising from the audit of the financial statements for 2013/14 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. It should be noted that the audit opinion reflects recent discussions with management and is subject to satisfactory conclusion of any outstanding matters.
3. We also present for your consideration our annual report on the 2013/14 audit which identifies significant findings from the financial statements audit. This report is attached at [Appendix C](#) and will be issued in final format after the financial statements have been certified.

## Status of the work

4. We received the unaudited financial statements on 27 June 2014, in accordance with the agreed timetable. The working papers were of a high standard and officers provided excellent support to the audit team which enabled us to complete our fieldwork by the planned target date of 14 August 2014.
5. Our work on the financial statements is now substantially complete. The issues arising from the financial statements audit were included in a matters arising schedule issued to the Senior Accountant on 14 August 2014. The more significant issues arising were discussed with the Head of Finance and Corporate Governance and Senior Accountant at a meeting on 15 August 2014.

## Fraud

6. We have concluded that the Care Inspectorate's arrangements for the prevention and detection of fraud were adequate during 2013/14. However, we seek confirmation from those charged with governance of any instances of fraud that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

## Audit opinion and representations

7. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 24 October 2014 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
8. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £1,000. We have no unadjusted misstatements to bring to your attention.
9. A small number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with the Head of Finance and Corporate Governance who agreed to amend the unaudited financial statements.
10. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

## Significant findings

11. In our view, there are no issues which require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

## Outstanding matters

12. There are no outstanding issues.

# APPENDIX A: Proposed Independent Auditor's Report

## **Independent auditor's report to the members of the Care Inspectorate, the Auditor General for Scotland and the Scottish Parliament**

I have audited the financial statements of the Care Inspectorate for the year ended 31 March 2014 under the Public Services Reform (Scotland) Act 2010. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material

inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2014 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 FReM; and
- have been prepared in accordance with the requirements of the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

### **Opinion on regularity**

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### **Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

David McConnell, MA, CPFA

Assistant Director of Audit

Audit Scotland

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The Athenaeum Building

8 Nelson Mandela Place

GLASGOW

G2 1BT

# Appendix B: ISA 580 - Letter of Representation

David McConnell

24 October 2014

Assistant Director

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8 Nelson Mandela Place

Glasgow

G2 1BT

Dear David

Care Inspectorate

## **Annual Accounts 2013/14**

13. This representation letter is provided in connection with your audit of the financial statements of the Care Inspectorate for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Care Inspectorate, as at 31 March 2014 and its Statement of net comprehensive expenditure for the year then ended.
14. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Executive Management Team and the Board, the following representations given to you in connection with your audit of the Care Inspectorate for the year ended 31 March 2014.

## **General**

15. I acknowledge my responsibility and that of the Care Inspectorate for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the Care Inspectorate have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
16. The information given in the Annual Report to the financial statements, including the Remuneration Report, presents a balanced picture of the Care Inspectorate and is consistent with the financial statements.

17. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

### **Regularity of Financial Transactions**

18. The financial transactions of the Care Inspectorate are in accordance with the relevant legislation and regulations governing its activities and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

### **Financial Reporting Framework**

19. The financial statements have been prepared in accordance with 2013/14 Government Financial Reporting Manual, and in accordance with the requirements of the Public Services Reform (Scotland) Act 2010, and the Public Finance and Accountability (Scotland) Act 2000 including all relevant presentation and disclosure requirements.
20. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of the Care Inspectorate for the year ended 31 March 2014.

### **Accounting Policies & Estimates**

21. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the 2013/14 Government Financial Reporting Manual.
22. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

### **Going Concern**

23. The Board has assessed the Care Inspectorate's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

### **Related Party Transactions**

24. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the 2013/14 Government Financial Reporting Manual.

**Events Subsequent to the Date of the Statement of Financial Position**

25. There have been no material events since the date of the Statement of Financial Position which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
26. Since the date of the Statement of Financial Position no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

**Corporate Governance**

27. I acknowledge as Accountable Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
28. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the 2013/14 Government Financial Reporting Manual. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2014, which require disclosure.

**Fraud**

29. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

**Assets**

30. The assets shown in the Statement of Financial Position at 31 March 2014 were owned by the Care Inspectorate, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

**Liabilities**

31. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2014.

**Carrying Value of Assets and Liabilities**

32. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with 2013/14 Government Financial Reporting Manual. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.



## Provisions

33. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2014 and of which the Care Inspectorate could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2014.

Yours sincerely

Accountable Officer

# Appendix C:

# Care Inspectorate

## Annual report on the 2013/14 audit



Prepared for Members of the Care Inspectorate's Audit Committee and the Auditor General for  
Scotland  
September 2014

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**Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.**

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# Key Messages

## 2013/14

We have given an unqualified opinion on the financial statements of the Care Inspectorate for 2013/14. We have also concluded that in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

The Care Inspectorate's 2013/14 operating budget was £35.278 million (£35.024 million resource expenditure and £0.254 million capital expenditure)

At 31 March 2014, the Care Inspectorate reported a surplus of £0.110 million with a total operating expenditure for the period of £35.100 million against the annual total funding of £35.210 million.

Overall the Care Inspectorate's arrangements for the prevention and detection of fraud were satisfactory during 2013/14. From our review of the key controls within the main financial systems, we concluded that the Care Inspectorate's systems of internal control are operating effectively and therefore we are able to place reliance on them.

## Outlook

The Scottish public sector continues to experience significant financial challenges in providing services within the agreed financial framework. The financial position and sustainability of the Care Inspectorate appear stable on the basis of its financial outturn and projected three-year financial summary. The financial position going forward is however becoming more challenging than previous years with limited increases in funding coupled with increasing cost pressures. This represents a challenge for the Care Inspectorate and expenditure during the current year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage. The significant financial challenges will make maintaining or improving on the performance targets set by the Scottish Government even more demanding.

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# Introduction

34. This report is the summary of our findings arising from the 2013/14 audit of the Care Inspectorate. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
35. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the Care Inspectorate and no responsibility to any third party is accepted.
36. Appendix D sets out the key audit risks identified at the planning stage and details how we addressed each risk in arriving at our opinion on the financial statements.
37. Appendix E is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Care Inspectorate understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
38. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Audit Committee and after the annual report and accounts have been laid before parliament.

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# Financial statements

## Conduct and scope of the audit

39. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Audit Committee on 18 March 2014, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
40. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2013/14 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require carrying out any additional work outwith our planned audit activity this fee remains unchanged.

## Audit opinion & accounting issues

41. We have given an unqualified opinion that the financial statements of the Care Inspectorate for 2013/14 give a true and fair view of the state of the body's affairs and of its net operating costs for the year. The financial statements were signed by the Chief Executive, as accountable officer, on 24 October 2014 and the audit opinion was formally issued and signed on 27 October 2014.
42. We received the unaudited financial statements on 27 June 2014 in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team. We completed our fieldwork on 14 August 2014 and matters arising were discussed on a regular basis with the Care Inspectorate's Head of Finance and Corporate Governance and Senior Accountant. We recommended a number of changes to the presentation of the management commentary and remuneration report of the financial statements due to changes with the FReM and requirements of the Employee Pension Notice 380. The recommended changes have been processed by management and there are no unadjusted misstatements to report.

### Refer action plan No. 1

43. The opening Statement of Financial Position and comparative information in the financial statements have been amended for the change in pensions accounting standards. The provisions in IAS 19 - Employee Benefits have now been adopted in full resulting in a change in the prior year net expenditure of £0.048 million with no associated impact on the retirement benefit obligation within the Statement of Financial Position.
44. The final clearance meeting was held on 15 August 2014 with our ISA 260 report being presented to the Audit Committee on 23 September 2014. The Care Inspectorate is required to follow the 2013/14 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

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45. We also reviewed the Governance Statement and concluded that it complied with Scottish Government guidance.

## Significant findings and key judgements (ISA 260)

46. There were no significant issues that we are required to communicate in accordance with ISA 260.

## Financial position

### 2013/14 Outturn

47. The main financial objective for the Care Inspectorate is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers.
48. The Care Inspectorate's 2013/14 operating budget was £35.278 million (£35.024 million resource expenditure and £0.254 million capital expenditure). During 2013/14, the Care Inspectorate reported a surplus of £0.110 million with the total operating expenditure for the period of £35.100 million against the annual total funding of £35.210 million.
49. The sponsor department does not explicitly set out the delegated expenditure limit (DEL) split between capital and resource and between cash and non-cash, so the overall underspend of £0.110 million cannot be allocated to these elements.
50. The target level of efficiencies to be achieved by the Care Inspectorate in 2013/14 was approximately £1 million which was the notified budget reduction from Scottish Government. This was a challenging target when set against an existing background of extensive use of shared services and a high uptake of collaborative procurement opportunities over the years. For the year 2013/14, the Care Inspectorate has internally reported efficiency savings totalling £1.6 million (which includes the £1 million notified budget reduction) which can be regarded as a positive outcome for the year. Savings have mainly arisen from one-off staff savings, collaborative procurement, ICT and Estates efficiencies.

### Reconciliation of net expenditure in the accounts to DEL

51. The Annual Report and Accounts reconciles the deficit shown on the Statement of Comprehensive Net Expenditure to the surplus recognised for budgeting and funding purposes. A summary is shown below.



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**Table 1: Reconciliation of Net Expenditure to Outturn 2013/14**

	£m
Total Comprehensive Net expenditure	38.680
Reversal of IAS19 Pension accounting adjustments	(16.917)
Funding from grants and grant in aid	(21.640)
Funding from grants and grant in aid to fund depreciation	(0.233)
<b>(Surplus) on funding and budgeting basis</b>	<b>(0.110)</b>

Source: Care Inspectorate Annual Report and Accounts 2013/14

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## 2013/14 Financial position

52. The Statement of Financial Position shows the Care Inspectorate had net assets of £5.396 million at 31 March 2014, compared with net assets of £5.153 million as at 31 March 2013. The movement is largely due to an increase in cash and cash equivalents.
53. We reported in 2012/13 that the Care Inspectorate had not formally developed a medium to long-term financial strategy that takes account of planned changes, setting out how financial resources will be matched to strategic goals and provides assurance that the organisation will continue to be financially sustainable. The Care Inspectorate planned to have this in place by the end of 2013/14. There has been a delay in developing the strategy and the Care Inspectorate plan to have this in place by end of 2014/15.

**Refer action plan No. 2**

## Outlook - 2014/15 budget

54. The 2014/15 revenue budget was approved by the Board in January 2014 which showed Grant in Aid of £22.158 million, fee income of £11.876 million and gross expenditure of £34.034 million. The Scottish Government's financial planning assumptions up to 2014/15, which show modest increases in cash terms of 1.5% per annum.
55. As the Care Inspectorate, like many other public bodies, faces a range of budgetary challenges, it is continually seeking to identify and implement efficiencies to help sustain or improve overall services to their stakeholders.
56. The financial sustainability of the Care Inspectorate appears stable on the basis of its financial position and projected three-year financial summary.

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## Corporate governance and systems of internal control

### Overall governance arrangements

57. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found that the Care Inspectorate had sound governance arrangements in place which included a number of standing committees overseeing key aspects of governance.
58. One area of good practice demonstrated by the Care Inspectorate relates to its practice whereby staff and board members complete Register of Interest forms which highlight where there may be a potential conflict of interest.

### Accounting and internal control systems

59. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
60. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
61. Internal audit is an important element of the Care Inspectorate's governance structure. Our review established that the work of internal audit (Scott-Moncrieff) is of a high quality allowing us to place reliance on a number of areas including payments and creditors, financial ledger, budget monitoring, governance arrangements and risk management. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.
62. In the interests of an efficient audit approach we also rely on assurances received from the auditor of the Scottish Government on work performed on the Scottish Government Central systems that are used by the Care Inspectorate. This approach ensures we are delivering an efficient co-ordinated audit that avoids unnecessary duplication and expense.
63. The central systems assurance letter provided by the auditor of the Scottish Government provided unqualified audit opinions on the financial services assurance reports.
64. The project to implement Pulse, the Care Inspectorate's new fully managed payroll service and human resources information system, is behind schedule but there is a project plan in place to address this. There have been unexpected issues associated with implementing Pulse although the Care Inspectorate is of the view that BT (the supplier of Pulse) is committed to delivering a high quality service and system. Management are of the view that the Pulse system will in due course provide the benefits envisaged when the service and system was procured.

**Refer action plan No. 3**

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## **Prevention and detection of fraud and irregularity**

65. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the Care Inspectorate's overall arrangements for the prevention of fraud are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

## **Standards of conduct and arrangements for the prevention and detection of corruption**

66. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

## **Acknowledgements**

67. We would like to express our thanks to the staff of the Care Inspectorate for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# Appendix D: Key Audit Risks

## Key Audit Risks and Associated Audit Work

Audit Risk	Overview of the scope of audit work to address the risks
<p>No medium to long-term financial strategy has been formally developed.</p> <p>The Care Inspectorate may not be able to fully demonstrate planned changes, how financial resources will be matched to strategic goals and provide assurance that they will continue to be financially sustainable.</p>	<p>We had ongoing discussions with the Director of Corporate Services and the Head of Finance and Corporate Governance. There has been a delay in developing the financial strategy and this is now planned for 2014/15.</p> <p>We plan to discuss further with the Care Inspectorate regarding the development and approval of the strategy, including key timescales during 2014/15.</p>
<p>A new Payroll managed service was implemented in May 2013 which should also enable staff to obtain more in-depth management information.</p> <p>There is a risk that the system processes are not fully implemented resulting in control weaknesses highlighting instances where users' requirements were not met and/ or benefits failed to materialise.</p>	<p>We had ongoing discussions with the Head of Finance and Corporate Governance and the Senior Accountant on whether the system had now been implemented and the benefits were now being realised. There have been system development issues that are being managed by the project team and BT (supplier).</p> <p>Internal Audit (Scott-Moncrieff) plan to undertake a review of the new payroll - human resources system during 2014/15. We plan to meet with Internal Audit to discuss the review conclusions.</p>
<p>A delay in recruiting specialist staff has resulted in a staffing budget underspend of approximately £0.6 million. There are also a number of agency ICT support staff who are crucial to projects being progressed and delivered in 2014.</p> <p>Without effective workforce management arrangements, the Care Inspectorate may not achieve its strategic or operational objectives.</p>	<p>We had ongoing discussions with the Head of Finance and Corporate Governance on whether there was ongoing issue with recruiting staff.</p> <p>Specialist staff have now been recruited for the new structure and workforce models are continually being refined. No significant issues have been identified going forward.</p>

Audit Risk	Overview of the scope of audit work to address the risks
<p>No business continuity and disaster recovery plans formally developed. Failure to develop comprehensive plans could lead to disruption to business processing, loss of data and services or loss of public/staff confidence.</p>	<p>We had ongoing discussions with the Head of IT regarding the development and testing of plans. A business continuity plan has been developed, however, no physical or desktop testing has been carried out. We plan to review the business continuity plan test results with management during 2014/15.</p>

# Appendix E: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	42	<p>We identified formatting and consistency issues during our review of the management commentary and remuneration report due to changes with the FReM and requirements of the Employee Pension Notice 380.</p> <p><b>Risk - Ongoing issues with the financial statements provided for audit may require additional resource and effort from both the Audit and Care Inspectorate staff.</b></p>	<p>The issues identified mainly resulted from changes to the guidance on the format and content of the management commentary and remuneration report.</p> <p>Now that the format and content is consistent with the audit recommendations similar issues are not expected to recur in future years.</p> <p>Considerable effort is made to ensure the draft Annual Report and Accounts submitted for audit are complete, correctly formatted and proof read. This effort will be maintained in future years.</p>	Head of Finance & Corporate Governance	June 2015

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
2	53	<p>A medium to long-term financial strategy was planned to be formally approved during 2013/14. However, the development of the strategy has not been achieved.</p> <p><b>Risk - The Care Inspectorate may not be able to fully demonstrate how financial resources will be matched to strategic goals and provide assurance that their financial position will continue to be sustainable.</b></p>	<p>The Care Inspectorate is a relatively new organisation which has meant resources and attention being mainly directed to shorter term funding issues and to developing an understanding of the cost drivers and pressures of the new organisation.</p> <p>Going forward there are now several drivers and opportunities that make the development of a 3 – 5 year financial strategy more of an imperative.</p> <p>A financial strategy and a three year budget will be prepared for 2015/18.</p>	Head of Finance & Corporate Governance	31 March 2015

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	64	<p>The new Payroll managed service (Pulse) was implemented in May 2013 which should enable staff to obtain more in-depth management information. However, there have been ongoing system development issues affecting the implementation of certain human resource modules.</p> <p><b>Risk - There is a risk that the users' requirements are not met and benefits are not materialised.</b></p>	<p>The fully managed payroll service is fully and successfully implemented.</p> <p>There is some outstanding functionality either to be delivered by BT or which needs to be taken forward internally.</p> <p>It has been agreed that the Corporate Services Management Team (CSMT) will oversee the implementation of the outstanding developments and ensure that the benefits of Pulse are fully realised.</p>	Director of Corporate Services (as Chair of CSMT)	31 March 2015