A Meeting of the Care Inspectorate Audit and Risk Committee is to take place at **10.30 am on Thursday 9 September 2021** by Teams video-link

| AGENDA | |
|---|---|
| 1. | Welcome |
| 2. | Apologies for Absence |
| 3. | Declarations of Interest |
| 4. | Minutes of Previous Meetings (papers attached)<br><br>4.1 Meeting held 20 May 2021<br>4.2 Meeting held 12 August 2021 |
| 5. | Action Record of meetings held on 20 May and 12 August 2021 (paper attached) |
| 6. | Matters Arising |
| | **Internal Audit Items** |
| 7. | Internal Audit Plan Follow-Up Report – Report No: ARC-18-2021 |
| 8. | Audit Report: Financial Sustainability – Report No: ARC-19-2021 |
| 9. | Audit Report: Compliance with Legislation – Report No: ARC-20-2021 |
| 10. | Audit Report: Shared Services 2 – Report No: ARC-21-2021 |
| | **Items for Decision** |
| 11. | Annual Report and Accounts (papers attached)<br><br>11.1 Draft Annual Report and Accounts 2020/21<br>11.2 External Audit Annual Report to the Board and the Auditor General for Scotland for the financial year ended 31 March 2021<br>11.3 Draft Letter of Representation |

| | |
|---|---|
| 12. | Draft Audit and Risk Committee Annual Report to the Board - Report No: A-22-2021 |
| | **Items for Discussion** |
| 13. | Strategic Risk Register Monitoring – Report No: ARC-23-2021 |
| 14. | Digital Programme Update - Report No: ARC-24-2021 |
| | **Items for Information** |
| 15. | Horizon Scanning<br><br>15.1 CIPFA Audit Committee Update – Issue 35 (link emailed to members) |
| | **Standing Items** |
| 16. | Audit Committee Narrative to the Board and Publication of Committee papers |
| 17. | Schedule of Committee Business 2021-22 (paper attached) |
| 18. | AOCB<br><br>18.1 Proposed Audit Committee Chairs Network Group |
| 19. | Close of Business and Date of Next Meeting: Thurs 18 November 2021 at 10.30 am. |

# Minutes

**Meeting:** Audit and Risk Committee

**Date:** 20 May 2021

**Time:** 10.30 am

**Venue:** Video-conference by Teams

**Present:** Bill Maxwell, Convener
Gavin Dayer
Paul Gray
Ronnie Johnson
Rona Fraser

**In Attendance:** Peter Macleod, Chief Executive (CE)
Gordon Mackie, interim Executive Director of IT and Digital Transformation (iEDIDT) *(from item 8 onwards)*
Jackie Mackenzie, Executive Director of Corporate and Customer Services (EDCCS)
Kenny Dick, Head of Finance and Corporate Governance (HFCG)
Fiona McKeand, Executive and Committee Support Manager (ECSM)
David Archibald, MHA Henderson-Loggie (H-L)
Rachel Mitchell, Information Governance Lead *(from item 10 onwards)*

**Apologies:** Anne Houston, Committee member
Kevin Mitchell, Executive Director of Scrutiny and Assurance

**Item** **Action**

**1.0 WELCOME**

The Convener welcomed members, officers, staff and auditors to the meeting and explained the reasons for the delay in issuing some of the internal audit papers.

**2.0 APOLOGIES FOR ABSENCE**

Apologies for absence were noted as above.

**3.0 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**ITEMS FOR DISCUSSION**

**4.0 MINUTE OF MEETING HELD ON 4 MARCH 2021**

The minute of the meeting held on 4 March 2021 was **approved** as an accurate record.

**5.0 ACTION RECORD OF MEETING HELD ON 4 MARCH 2021**

The Committee noted that all of the actions from the previous meeting had been completed.

**6.0 MATTERS ARISING**

**6.1 UPDATE FROM THE CHIEF EXECUTIVE**

The Chief Executive provided the latest information on Covid-19 rates in care homes, which had fallen to much lower levels and was now in a more stable position. The Committee was advised that the Care Inspectorate was continuing to focus its inspection activity on risk-based care homes for older people.

Members were also advised on the position regarding inspection work with Healthcare Improvement Scotland and that joint inspections had been paused whilst legal advice was obtained.

There had been an increase in the number of inspections being carried out in early learning and childcare settings as well as the number of self-evaluation returns from the sector.

The Committee was also advised that the scrutiny and assurance plan for 2021/22 would be submitted to the June meeting of the Board for approval, before submission to Scottish Government. The plan would outline a move away from a frequency- to a risk-based inspection framework, which had proved effective during the pandemic.

**INTERNAL AUDIT ITEMS**

**7.0 ANNUAL INTERNAL AUDIT REPORT 2020/21 – REPORT NO: ARC-09-2021**

The internal auditors presented the report on the audit work that had been performed during the year and which provided a positive overall opinion on the Care Inspectorate's arrangements for risk management, control and governance. The audit had not identified any significant control weaknesses and, in general, procedures were operating well in the areas selected, but a few areas for further strengthening or improvement were identified, and action plans had been agreed to address these issues.

All planned activity had been delivered, other than two reviews covering Publicity and Communications and ICT Access, both of which had been agreed with the Committee to defer.

The Committee welcomed the very positive report, noting that the audit work had been carried out during a particularly testing year. Members commented that one of the main areas for improvement, namely defined training on risk management processes, should be resolved and that the committee be provided with an evaluation of the training's value and effect.

It was agreed that the recent meeting between senior officers, internal auditors and committee members to consider audit recommendations in more detail had been very worthwhile and there would be some value in reporting to the Committee on the actions being taken as they occurred, rather than providing this information on a quarterly basis.

The Committee accepted the annual internal audit annual report 2020/21.

## 8.0 INTERNAL AUDIT PLAN FOLLOW-UP REVIEW – REPORT NO: ARC-10-2021

The internal auditors presented the report which documented the status of audit recommendations that had not been fully implemented. Information was also provided on those that were partially implemented and those that had revised dates agreed with management. The Committee was invited to approve the new dates.

The report also detailed the rationale for where progress had not been made in certain areas, a number of which were inter-related and had been impacted by the pandemic.

The members agreed it was important to note the impact of the pandemic on being able to achieve the original implementation dates.

The Committee **approved** the revised dates and would monitor progress closely.

## 9.0 AUDIT REPORT: HEALTH, SAFETY AND WELLBEING – REPORT NO: ARC-11-2021

The internal auditors presented their report of the review of health, safety and wellbeing arrangements, including business continuity arrangements, during the Covid-19 pandemic. The overall level of assurance from the review was “Good” and that the organisation’s system met control objectives.

The audit findings detailed the very positive arrangements that the Care Inspectorate had put in place to support staff and ensure business continuity. The report detailed a wide range of strengths, and also made two recommendations on some further areas for improvement.

There was some discussion on specific areas covered by the audit, including Covid age assessments and their impact, taking into account the general age profile of the workforce. The Committee was assured that specific risk assessments were carried out with staff whose Covid age had been recorded as high, with corresponding adjustments made to working arrangements, where necessary.

The Committee welcomed the very positive report and the management response to taking forward the recommendations, and recorded its thanks to all staff involved.

## 10.0 AUDIT REPORT: FREEDOM OF INFORMATION (SCOTLAND) ACT (FOISA) – REPORT NO: ARC-12-2021

The internal auditors presented their report of the review of the arrangements in place to deal with requests under the Freedom of Information (Scotland) Act 2002 (FOISA).

Although there were no specific risks shown on the strategic risk register in relation to Freedom of Information requests, the Covid-19 pandemic had resulted in a significant change to the workload of the staff who dealt with these requests and their ability to manage competing priorities.

The review found the overall level of assurance to be “Good” and no further recommendations were required. It was noted that the position would be monitored closely to ensure that there was sufficient resource to maintain an appropriate and sustainable balance across all of the team’s three work streams.

The Committee were reassured by the very positive report and recorded its thanks to the staff involved.

## 11.0 AUDIT REPORT: JOINT REVIEW OF SHARED SERVICE - REPORT NO: ARC-13-2021

The internal auditors presented the report of the review which had been carried out at the request of management within the Care Inspectorate and the Scottish Social Services Council. The review had focussed on the shared service arrangements in order to provide positive assurance on those arrangements which had been developed through joint working across both organisations. The Committee was invited to accept the report.

The review provided a level of assurance of “Satisfactory” with three recommendations, two of which had been completed and a further action in relation to an additional strategic risk would be submitted for Board approval in June.

It was noted that a Shared Service Member Officer Working Group had been overseeing the development and implementation of the shared service from a Care Inspectorate perspective. The group would meet again in August, in the lead up to the annual review cycle being conducted by both Chief Executives during the second quarter.

The Committee accepted the report and management response, with thanks to all concerned.

**EXTERNAL AUDIT ITEMS**

**12.0 EXTERNAL AUDIT UPDATE**

The Head of Finance and Corporate Governance advised the Committee that work was underway in the production of the annual report and accounts. Further engagement with the external auditors would be taking place from the middle of June.

**ITEMS FOR DISCUSSION AND/OR DECISION**

**13.0 STRATEGIC RISK REVIEW – REPORT NO: ARC-14-2021**

The Head of Finance and Corporate Governance presented the report, which set out the process for agreeing a revised Strategic Risk Register for 2021/22. A draft revised risk appetite statement was presented for the Committee to consider with a view to recommending this for Board to approve at the Board meeting of 17 June 2021.

The report also provided an update on the current strategic risk monitoring position.

The Committee firstly discussed the draft risk appetite statement, which had been revised to incorporate the new appetite definitions, as agreed at the Board Development Event in March 2021. These were:

- Averse
- Minimalist
- Cautious
- Receptive
- Eager

As agreed with the Board, the statement had also been revised to adopt the risk categories set out in the Treasury Orange Book, which broke the five broad categories down to more specific areas.

There was some discussion on the legal and property risk categories, whose appetite descriptors were currently set as "Minimalist". It was agreed that further reflection should be made in certain contexts where the organisation might be willing to take more legal risks in order to enable it to meet overall objectives.

Similarly, within the property risk category, the Committee agreed that a contextual approach should be taken, particularly with regard to returning to office-based working and staff wellbeing,

The Committee was assured that management would be looking at the categories through a number of lenses to ensure a balanced risk appetite. It was agreed that these areas in the risk appetite statement would be reviewed.

The Committee noted the current risk monitoring position and **agreed**, subject to comments noted, the revised risk appetite statement for submission to the Board.

## 14.0 DRAFT AUDIT COMMITTEE ANNUAL REPORT TO THE BOARD – REPORT NO: ARC-15-2021

The Head of Finance and Corporate Governance presented the first draft of the Audit and Risk Committee's Annual Report to the Board and invited comments on specific areas, including the timetable for the agreement of the report prior to its submission to the Board along with the 2020/21 Annual Report and Accounts on 23 September 2021.

The Committee's comments were also invited on the draft Governance Statement which had to be sent on behalf of the Convener to the Scottish Government by the end of June.

The Committee agreed that the draft report to the Board should be modified as follows: **HoFCG**

- That reference be made to the impact of the pandemic in being able to meet some of the internal audit recommendations, but specifically on the digital programme.
- That under section 10, the date of the Committee's self-assessment be amended to read March 2021.
- That the Committee's discussions on staff capacity, workforce development and issues around recruitment be added as an item under section 9.

The Committee also agreed the content of the Governance Statement for submission to Scottish Government.

**15.0 DIGITAL PROGRAMME UPDATE – REPORT NO: ARC-16-2021**

The Executive Director of ICT, Transformation and Digital presented the Committee with an update on recent progress of the Digital Programme. The report focussed on Stage 1, which covered Complaints and Registrations and The Register. It also outlined the latest programme finances and overall progress including the impact of the COVID-19 response.

The Committee was advised that the digital team was working with colleagues to ensure that operational issues were being identified and resolved. In addition, the member/officer oversight group was making progress in addressing issues and was supportive and assured of the work being done.

The Committee noted the update report and the extent of the transformation work that had been carried out.

**16.0 SENIOR INFORMATION RISK OFFICER ANNUAL REPORT – REPORT NO: ARC-17-2021**

As the Senior Information Risk Office, the Information Governance (IG) Lead presented report which outlined the work completed to date by the IG team to deliver the transformation required to make the Care Inspectorate's data 'Safer and More Secure'.

The Committee noted the good progress that had been made in establishing and implementing the new information governance tool (OneTrust), which would save a good deal of time in terms of processing information requests.

**ITEMS FOR INFORMATION**

**17.0 HORIZON SCANNING**

The Committee had been provided with links to a new information source, namely the regular briefings published and made available to Board members of organisations that subscribe to CIPFA's Better Governance Forum.

**STANDING ITEMS**

**18.0 AUDIT COMMITTEE NARRATIVE TO THE BOARD AND PUBLICATION OF COMMITTEE PAPERS**

A new webpage for the Committee papers had been created and members agreed that all documents for the May meeting should be published. **ECSM**

It was agreed that the narrative to the Board should cover:

- The very positive internal audit reports
- The Committee's discussion and comments on the risk appetite statement
- The position in relation to the digital programme
- The progress being made with the annual report and accounts
- The new IG tool

## 19.0 SCHEDULE OF COMMITTEE BUSINESS 2021/22

The Committee noted the schedule of business for 2021/2022. **ECSM**

## 20.0 AOCB

There was no other competent business.

## 21.0 DATE OF NEXT MEETING

The date of the next meeting was noted as Thursday 12 August 2021 at 10.30 am, the venue to be confirmed.

Signed:

Bill Maxwell, Convener

care inspectorate

# Minutes

**Meeting:** Audit and Risk Committee

**Date:** 12 August 2021

**Time:** 10.30 am

**Venue:** Held by Teams Video-conference

**Present:** Bill Maxwell, Convener
Gavin Dayer
Paul Gray
Anne Houston
Ronnie Johnson
Keith Redpath

**In Attendance:** Paul Edie, Chair
Naghat Ahmed, Board member
Sandra Campbell, Board member
Rona Fraser, Board member
Kevin Mitchell, Executive Director of Scrutiny and Assurance
Jackie Mackenzie, Executive Director of Corporate and Customer Services
Kenny Dick, Head of Finance and Corporate Governance (HFCG)
Fiona McKeand, Executive and Committee Support Manager (ECSM)
Kenny McClure, Head of Legal Services (HLS)
Graeme Muir, Barnett-Waddingham – presenting at item 4

**Apologies:** Peter Macleod, Chief Executive (CE)
Edith Macintosh, Executive Director of Strategy and Improvement (EDSI)
Gordon Mackie, Executive Director of IT and Digital Transformation (iEDIDT)

**Item** **Action**

**1.0 WELCOME**

The Convener welcomed everyone to the meeting, which was opened to all members of the Board.

## 2.0 APOLOGIES FOR ABSECE

Apologies were received as noted above.

## 3.0 DECLARATION OF INTERESTS

There were no declarations of interest.

## 4.0 PRESENTATION: PENSION SCHEME VALUATION

Graeme Muir of Barnett-Waddingham, gave a presentation to members which provided an overview of the role of actuaries and the valuation of pension schemes.

Members welcomed the further discussion on key aspects of the presentation; notably around risks and the role of the external auditors, and the acceptable level of accounting errors in percentage terms.

The presentation was well received and a copy of the slides would be circulated to all members post-meeting. **ECSM**

## 5.0 EXTERNAL AUDIT PROGRESS ON THE AUDIT OF FINANCIAL STATEMENTS

The Head of Finance and Corporate Governance updated the Committee on the good progress being made on the audit of financial statements.

The Committee noted:

- that John Boyd of Grant-Thornton was the new lead external auditor;
- that the Care Inspectorate was in discussion with the Sponsor department regarding budget implications in respect of implementation of IFRS 16 “leases” and delapidations, although it was noted that there was no undue budget pressure currently; and
- that there would be an adjustment made in respect of pre-payments, as requested by the auditors.

## 6.0 DRAFT AUDIT COMMITTEE ANNUAL REPORT TO THE BOARD 2020-21 – REPORT NO: ARC-18-2021

The Head of Finance and Corporate Governance presented the second draft of the Audit and Risk Committee Annual Report to the Board, which had been modified following the Committee’s recommendations on the first draft at its meeting on 20 May 2021. The Committee was invited to provide any further comments.

It was agreed that the report should refer to the Assurance and Advisory Working Group on digital, which reported regularly to the Committee. **HFCG**

A final iteration of the Committee's draft annual report would be presented to the meeting on 9 September 2021.

**7.0 DRAFT ANNUAL REPORT AND ACCOUNTS – REPORT NO: ARC-19-2021**

The Convener opened the discussion on the first draft of the 2020/21 annual report and accounts and invited feedback from all members of the Board.

Members commented and recommended changes as follows: **HFCG and colleagues**

**GENERAL**

Ensure the report is balanced in such a way that expresses recognition of the distress and trauma experienced by people and families and by staff both in services and those working for the Care Inspectorate. This could sit at the beginning within the Chair's Foreword. Refer to the opening statement that CE made to Health and Sport Committee and use this as a foundation for the annual report.

**Foreword**
To be edited in light of extension of Chair's term of office.

**Section 1 – Performance Overview**
- Consider saying a bit more about lessons learned during pandemic, and how the CI has reflected and adjusted in line with new evidence as it has emerged. Keep the tone "non-defensive".
- Similar to be considered in respect of complaints activity – especially in light of recent media coverage
- Table on **Page 16** (Scrutiny and Improvement Interventions) – add some contextual narrative to the reasons for the drop in numbers, which currently "jumps out" to the reader. Also, consider adding wording to the narrative above the table (where it refers to Covid-19) to explain if these were positive outcomes.
- **Page 16** – consider adding information on the additional activity/re-purposing work that was undertaken, to demonstrate/counterbalance the reduction in some activity. Things like Near Me. Cross-link to other published evidence/reports. Also, the work that's been done on the COPFS/Police Scotland investigations into care homes deaths.
- **Page 19** – red/amber/green needs a bit more explanation.
- **Page 20** – simple explanation of what "Granicus" is.
- Graphics overall – change the "tombstone" shape of some. Also, need to review the gender outline in the graphics

- Appears to be some repetition in summarising. Consider removing **section 2.4** as the CE has given overall summary at the beginning. Last para of 2.4 refers to "Section 2 below" and is therefore out of sync.
- Sustainability – consider adding comment around the CI's commitment to this going forward.
- General comment – more detail is needed on how performance has been impacted by Covid-19, and this message needs to be consistent throughout the report. Example – childminding services were closed down during pandemic and therefore we could not inspect.
- Consider adding wording to convey the emotional impact of pandemic on CI staff – possibly in CE section – and how organisation has provided support.

**Section 3 – Corporate Governance Report**

- **Page 35** – Members' attendance. Add in note against those who were members for part of the year (Rona Fraser). Add sub-columns to the final column "TOTAL - Attended -(Possible/Actual)".

**Section 4 - Remuneration and Staff**

No comments.

**Section 5 – Parliamentary Accountability**

No comments.

**Section 7 – Annual Accounts**

Factual – no comments.

Members noted that a further draft of the annual report and accounts would be presented to the next Committee meeting on 9 September 2021.

## 9.0 DATE OF NEXT MEETING

The date of the next meeting was noted as Thursday 9 September 2021 at 10.30 am by Teams video-conference.

Signed:

Bill Maxwell, Convener

**Agenda item 5**

# Audit and Risk Committee
## Action Record - Rolling

| Item No | Item Title/ Report No | Action | Responsibility | Timescale | Status/ Comments |
|---|---|---|---|---|---|
| **20 May 2021 2021** | | | | | |
| **14.0** | **Draft Audit Committee Annual Report To The Board – Report No: ARC-15-2021** | Modifications to be made to draft committee annual report, as outlined in the minute. | HFCG | For Committee meeting 12.08.21 | **Completed** |
| **18.0** | **Audit Committee Narrative To The Board And Publication Of Committee Papers** | Narrative to the Board to cover the points outlined in the minute.<br>All committee papers to be published to the CI website immediately following meeting. | ECSM | Immediate | **Completed** |
| **12 August 2021** | | | | | |
| **4.0** | **PRESENTATION: PENSION SCHEME VALUATION** | Circulate copy of presentation to all Board members | ECSM | Immediate | **Completed** |

**Agenda item 5**

| Item No | Item Title/ Report No | Action | Responsibility | Timescale | Status/ Comments |
|---|---|---|---|---|---|
| **6.0** | **DRAFT AUDIT COMMITTEE ANNUAL REPORT TO THE BOARD 2019-20 – REPORT NO: ARC-08-2020** | Comments/feedback noted at the meeting to be considered for next draft. | HFCG | For Committee meeting on 9/9/21 | **Completed** |
| **7.0** | **DRAFT ANNUAL REPORT AND ACCOUNTS** | Comments/feedback noted at the meeting to be considered for next draft. | HFCG (and other officers) | For Committee meeting on 9/9/21 | **Completed** |

| | | | |
|---|---|---|---|
| CE | Chief Executive | | |
| EDCCS | Executive Director of Corporate and Customer Services | G-T | Grant-Thornton |
| EDSA | Executive Director of Scrutiny and Assurance | H-L | Henderson-Loggie |
| EDSI | Executive Director of Strategy and Improvement | | |
| IEDITD | Interim Executive Director IT, Transformation & Digital | HFCG | Head of Finance and Corporate Governance |
| HLS | Head of Legal Services | ECSM | Executive and Committee Support Manager |

**AUDIT AND RISK COMMITTEE MEETING 9 SEPTEMBER 2021**

**Agenda item 7**
**Report No: ARC-18-2021**

| | |
|---|---|
| **Title:** | **COVER REPORT: INTERNAL AUDIT ON FOLLOW UP REVIEWS** |
| **Author:** | *David Archibald, Partner in Henderson Loggie* |
| **Appendices:** | 1. Internal Audit Report: Follow Up Reviews - August 2021 |
| **Consultation:** | **n/a** |
| **Resource Implications:** | **None** |

**Executive Summary:**

The internal audit report on Follow Up reviews is attached as Appendix A.

This is a recurring review which sets out the progress made since the previous Follow Up reviews conducted in April 2021 and reported to the Audit and Risk Committee in May 2021.

This report examines the status of all internal audit recommendations which have not been formally evaluated as fully implemented. Where a recommendation has been categorised as fully implemented then evidence has been obtained from management to demonstrate that all aspects of the original recommendation have been implemented.

Any recommendations categorised as 'Partially Implemented' or 'Little or no progress' will be carried forward and will be evaluated as part of future follow up reviews. Where the previous implementation date has elapsed then a revised implementation date has been agreed with management.

**The Committee is invited to:**

| | |
|---|---|
| 1. | Accept the Internal Audit report on Follow Up Reviews as at August 2021. |
| 2. | Approve any further revisions to implementation dates put forward by management. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Links:** | Corporate Plan Outcome | | | Risk Register Number | | EIA Y/N | N |
| **For Noting** | | **For Discussion** | | **For Assurance** | x | **For Decision** | x |

**AUDIT AND RISK COMMITTEE MEETING 9 SEPTEMBER 2021**

**Agenda item 7**
**Report No: ARC-18-2021**

**If the report is marked Private/Confidential please complete section below to comply with the Data Protection Act 2018 and General Data Protection Regulation 2016/679.**

| |
|---|
| **Reason for Confidentiality/Private Report: N/A**<br>*(see Reasons for Exclusion)* |
| **Disclosure after:** |

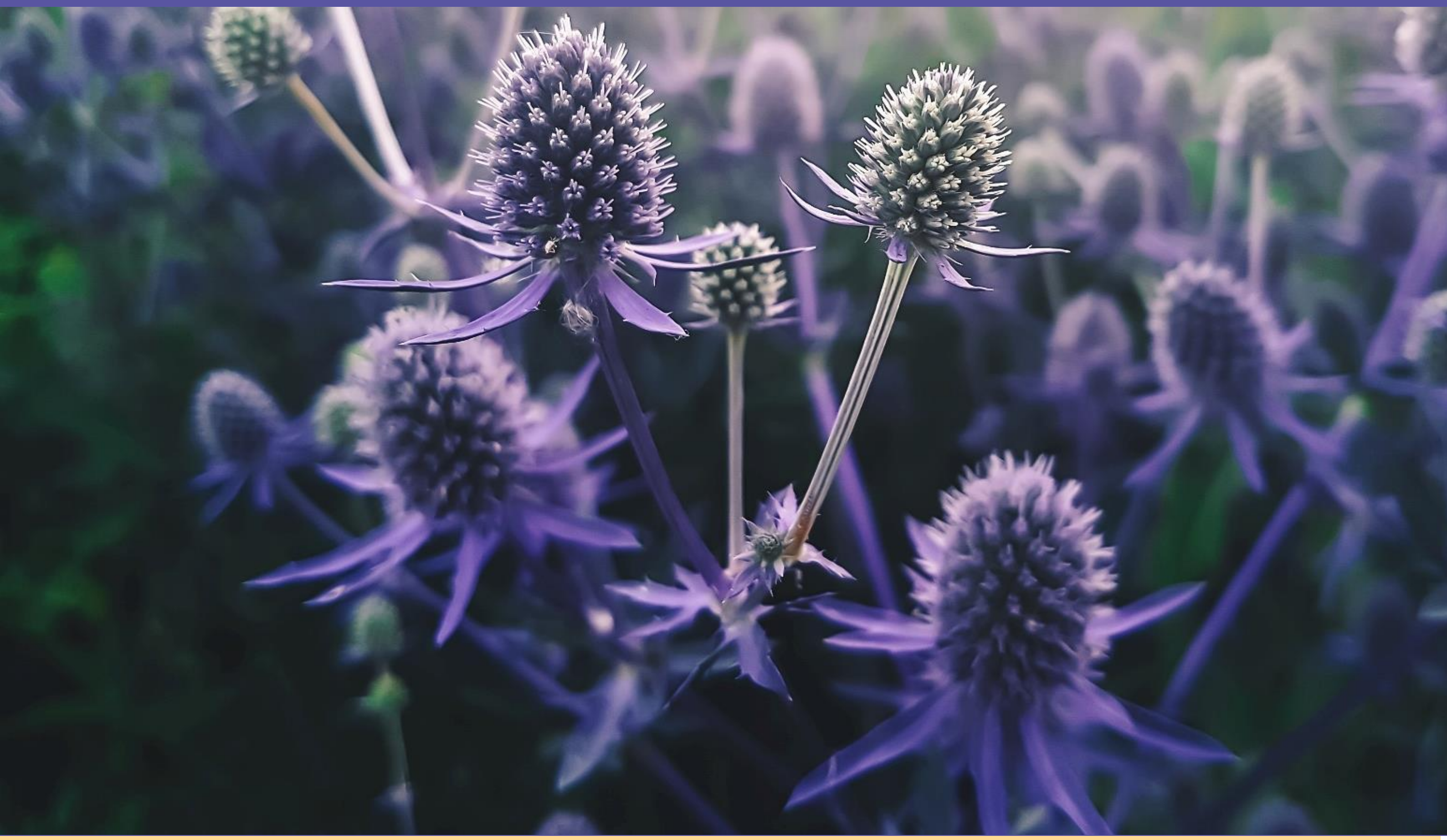
| **Reasons for Exclusion** | |
|---|---|
| a) | Matters relating to named care service providers or local authorities. |
| b) | Matters relating to named persons which were they to be discussed in public session, may give rise to a breach of the Data Protection Act 2018 or General Data Protection Regulation 2016/679. |
| c) | Matters relating to terms and conditions of employment; grievance; or disciplinary procedures relating to identified members of staff. |
| d) | Matters involving commercial confidentiality. |
| e) | Matters involving issues of financial sensitivity or confidentiality. |
| f) | Matters relating to policy or the internal business of the Care Inspectorate for discussion with the Scottish Government or other regulatory or public bodies, prior to final approval by the Board. |
| g) | Issues relating to potential or actual legal or statutory appeal proceedings which have not been finally determined by the courts. |

Agenda item 7
Appendix 1

# Care Inspectorate

## Follow Up Reviews

| | |
|---|---|
| Internal Audit report No: | 2022/04 |
| Draft issued: | 1 September 2021 |
| Final issued: | 1 September 2021 |



Henderson Loggie

# Contents

# Management Summary

## Introduction and Background

We have been appointed as Internal Auditors of the Care Inspectorate for the period from 1 April 2020 to 31 March 2023, with the option to extend for a further two 12-month periods. At the request of management we have included time in the 2021/22 audit programme to conduct follow-up work to assess the progress made in taking forward the recommendations made in Internal Audit reports issued during 200/21, 2019/20, 2020/21 and in reports from earlier years where the previous follow-up exercise, conducted by the previous internal auditors in February 2020, identified recommendations as outstanding.

This report builds on the last formal Follow Up review report issued in May 2021. We have reviewed all of the recommendations which were not closed off as completed in relation to the following reports:

- IT Healthcheck (issued in May 2018)
- Business Continuity Planning (issued in April 2019)
- Complaints (issued in April 2019)
- Payroll (issued in April 2019)
- Financial Sustainability (issued in October 2019)
- Recruitment and Retention (issued in December 2019)
- Risk Management (issued in August 2020)
- Health, Safety and Wellbeing during the COVID-19 Pandemic (issued in May 2021)

## Objectives of the Audit

The objective of each of our follow-up reviews is to assess whether recommendations made in previous internal audit reports have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

## Audit Approach

For the recommendations made in each of the reports listed above we ascertained by enquiry or sample testing, as appropriate, whether they had been completed or what stage they had reached in terms of completion and whether the due date needed to be revised. Action plans from the original reports, updated to include a column for progress made to date, are appended to this report.

At the request of the Audit and Risk Committee a RAG rating system has been introduced to provide a visual indicator of the status of the recommendation in relation to the original agreed implementation date. In the appendices shown from page 4 onwards, recommendations which are completed or are less than six months past the original agreed implementation date are shown as green, with recommendations which are more than six months but less than 12 months past their original agreed implementation date shown as amber. Any recommendation which is more than 12 months over the original agreed implementation date is shown as red.

## Overall Conclusion

The Care Inspectorate has made limited progress in implementing the recommendations followed-up as part of this review. Overall, two (20%) of the 10 recommendations followed-up, which had reached their original agreed completion date, were assessed as 'fully implemented', with seven (70%) classified as 'partially implemented' and one (10%) classified as 'little or no progress'.

Any recommendations categorised as 'partially implemented', 'little or no progress' or 'Not past original agreed completion date' will be subject to further follow-up at a later date.

Our findings from each of the follow-up reviews has been summarised below:

| *From Original Reports* | | | *From Follow-Up Work Performed* | | | | |
|---|---|---|---|---|---|---|---|
| **Area** | **Rec. Priority** | **Number Agreed** | **Fully Implem-ented** | **Partially Implem-ented** | **Little or No Progress Made** | **Not Past Agreed Completion Date** | **Considered But Not Implemented** |
| Follow Up Review 2019/20 | 1 | - | - | - | - | - | - |
| | 2 | 2 | - | 2 | - | - | - |
| | 3 | 2 | 1 | 1 | - | - | |
| **Total** | | **4** | **1** | **3** | **-** | **-** | **-** |
| Recruitment and Retention 2019/20 | 1 | - | - | - | - | - | - |
| | 2 | 1 | 1 | - | - | - | - |
| | 3 | 1 | - | 1 | - | - | - |
| **Total** | | **2** | **1** | **1** | **-** | **-** | **-** |
| Risk Management (report 2021/01) | 1 | - | - | - | - | - | - |
| | 2 | - | - | - | - | - | - |
| | 3 | 3 | - | 3 | - | - | - |
| **Total** | | **3** | **-** | **3** | **-** | **-** | **-** |
| Health, Safety and Wellbeing | 1 | - | - | - | - | - | - |
| | 2 | - | - | - | - | - | - |
| | 3 | 1 | - | - | 1 | - | - |
| **Total** | | **1** | **-** | **-** | **1** | **-** | **-** |
| **Grand Totals** | | **10** | **2** | **7** | **1** | **-** | **-** |

## Overall Conclusion (continued)

The grades, as detailed below, denote the level of importance that should have been given to each recommendation within the internal audit reports.

Gradings for recommendations from Scott Moncrieff internal audit reports are as follows:

| | |
|---|---|
| **Grade 4** | Very high risk exposure major concerns requiring immediate senior attention that create fundamental risks within the organisation. |
| **Grade 2** | High risk exposure absence / failure of key controls that create significant risks within the organisation. |
| **Grade 2** | Moderate risk exposure controls are not working effectively and efficiently and may create moderate risks within the organisation |
| **Grade 1** | Limited risk exposure controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house keeping issues. |

Gradings for recommendations from Henderson Loggie internal audit reports are as follows:

| | |
|---|---|
| **Priority 1** | Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee. |
| **Priority 2** | Issue subjecting the organisation to significant risk and which should be addressed by management. |
| **Priority 3** | Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness. |

## Acknowledgements

We would like to thank all staff for the co-operation and assistance we received during the course of our reviews.

# Appendix I - Updated Action Plan
## Internal Audit Report – Follow Up Review 2019/20 (Scott Moncrieff)

| Original Recommendation | Grade | Responsible Officer for Actions | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|
| **IT Healthcheck (Continued)**<br><br>**3.1 ICT Disaster recovery and business continuity plans**<br><br>We recommend that the Care Inspectorate develops and implements a risk-based programme of testing for UT disaster recovery and business continuity plans. The outcomes of these tests should be formally documented and identify lessons learned. Plans should be updated as appropriate following completion of tests. We recommend that IT disaster recovery and business continuity plans are subject to review on at least an annual basis. We also recommend that business impact analyses are revisited. This should be used as the basis of agreeing a priority restart order for the network and business applications. | 3 | Senior Service Delivery Manager and Head of Finance & Corporate Governance | (a) 31 December 2018<br>(b) 30 September 2019<br>(c) 31 March 2019 | **Update at May 2021:**<br><br>A DR capability and readiness assessment is planned, using an independent agency to provide assurance to the Audit and Risk Committee that the approach is comprehensive. The output of this review will determine the plans that are required to align with BCP priorities. This exercise will complete by the end of Q1 and will lead on to the development of a DR schedule.<br><br>**Revised Implementation date:**<br><br>DR capability and readiness assessment to be completed by 30 June 2021<br><br>Development of a DR schedule – Date to be confirmed once the DR capability and readiness assessment is finalised. | **Update at August 2021**<br><br>A Disaster Recovery (DR) capability and readiness assessment was conducted in Q1, as planned. This exercise identified a need to upgrade specific technology components, prior to exercising DR tests. Taking a risk based approach, a project has been established to replace infrastructure components, with DR built-in by design.<br><br>This programme will include the DR testing of remote access to systems and is expected to complete by the end of Q3 (31 December 2021). In parallel, a 3rd party organisation has been engaged to assist the Care Inspectorate IT team to identify modern alternative recovery options. This will support an investment proposal for new technologies to support DR plans that align with BCP recovery objectives. This exercise will complete by the end of Q2. A DR test schedule for cloud-based business applications is expected to complete by the end of Q4.<br><br>**Revised Implementation date:**<br><br>b) 31 December 2021<br><br>c) 31 March 2022<br><br>**Partially Implemented** | **a) Complete**<br><br>**b) 23 months over original completion date**<br><br>**c) 29 months over original completion date** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Complaints**<br><br>**2.1 Resource Requirements**<br><br>Work should be undertaken to update the resourcing model based on more realistic data through, for example, the use of daily recorded hours over a period. | **2** | Systems / Development Accountant (Capacity Tool)<br><br>Head of Finance & Corporate Governance | a) 30 September 2019 (Capacity Tool)<br><br>b) 31 Jan 2020 (update Resource Model) | **Update at May 2021*:***<br><br>a) **Capacity tool**: HoFCG to meet with the Service Manager Complaints to discuss revised requirements for a capacity tool now that the new Complaints App has been running for more than a year with new manager dashboard functionality. This meeting to be arranged prior to 30 June 2021.<br><br>**Revised Implementation date:** 30 September 2021<br><br>b) **Resource Model**: This work has been delayed due to pandemic but has now been prioritised with a revised implementation date of 30 June 2021.<br><br>**Revised Implementation date:** 30 June 2021 | **Update at August 2021:**<br><br>a) **Capacity tool:** Meeting is now arranged for September 21. Implementation date for capacity tool to be aligned to resource model work below so 31 October 2021 is recommended.<br><br>**Revised Implementation date:** 31 October 2021<br><br>b) **Resource Model:** No further work has been possible on this at this stage. Revised date of 31 October 2021 recommended. This will still permit consideration as part of the budget setting process.<br><br>**Revised Implementation date:** 31 October 2021<br><br>**Partially Implemented** | **a) 23 months over original completion date**<br><br>**b) 19 months over original completion date** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Complaints (Continued)**<br><br>**2.2 Resource Capacity**<br><br>The new digital solution to replace PMS is currently under development. The complaints team should use the review to investigate options to improve the reliability of time recording and reporting for complaints work. This would allow improved planning and highlight any anomalies. The current resourcing model for complaints management may need to be reviewed to manage workload pressures for staff and to ensure key performance indicators can be achieved. | **2** | Systems / Development Accountant (Capacity Tool)<br><br>Head of Finance & Corporate Governance | a) 30 September 2019 (Capacity Tool)<br><br>b) 31 January 2020 (update Resource Model) | **Update at May 2021*:***<br><br>a) **Capacity tool**: HoFCG to meet with the Service Manager Complaints to discuss revised requirements for a capacity tool now that the new Complaints App has been running for more than a year with new manager dashboard functionality. This meeting to be arranged prior to 30 June 2021.<br><br>**Revised Implementation date:** 30 September 2021<br><br>b) **Resource Model**: This work has been delayed due to pandemic but has now been prioritised with a revised implementation date of 30 June 2021.<br><br>**Revised Implementation date:** 30 June 2021 | **Update at August 2021:**<br><br>a) **Capacity tool:** Meeting is now arranged for September 21. Implementation date for capacity tool to be aligned to resource model work below so 31 October 2021 is recommended.<br><br>**Revised Implementation date:** 31 October 2021<br><br>b) **Resource Model:** No further work has been possible on this at this stage. Revised date of 31 October 2021 recommended. This will still permit consideration as part of the budget setting process.<br><br>**Revised Implementation date:** 31 October 2021<br><br>**Partially Implemented** | **a) 23 months over original completion date**<br><br>**b) 19 months over original completion date** |

## Follow Up Reviews

| Original Recommendation | Grade | Responsible Officer for Actions | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|
| **Payroll**<br><br>**1.1 Policies and Procedures**<br>We recommend that relevant policies and procedures are created for the new payroll system together with related guidance and instruction where necessary. A timetable for embedding new policy and procedures should be agreed and management should seek to ensure that key control issues have been considered and are addressed fully. This should include clear guidance, written procedures and documented controls in respect of key Payroll processes, covering, for example: Payroll access and authorised usage; Control over starters, leavers and amendments; Rules for changing standing data; Levels of authority; Details of any reconciliations, checks and sign-offs to be undertaken.<br><br>The policy, procedures and any associated guidance and desk instruction should be formally approved, reviewed on an annual basis to ensure they remain relevant and be readily accessible to staff. | **3** | Senior HR Adviser (Workforce Information) | 31 March 2020 | **Update at May 2021:**<br><br>Staff vacancies and other priorities in HR has meant limited further progress has been made since the position was last reported to Audit and Risk Committee. Revised implementation date is 30 June 2021.<br>**Revised implementation date:** 30 June 2021<br><br>**Partially Implemented** | **Update at August 2021:**<br><br>This action has been completed and a Payroll Handbook and "how to.." video clips are now available.<br><br>**Fully Implemented** | **Completed** |

# Appendix II - Updated Action Plan

## Internal Audit Report - Recruitment and Retention (Scott Moncrieff)

## Follow Up Reviews

| Original Recommendation | Grade | Responsible Officer for Actions | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|
| **1.1 Policies and Procedures**<br>A SMART action plan and relevant KPIs to underpin the Strategic Workforce Plan will be developed and shared widely across the organisation. The actions will be integrated into relevant workplans for delivery. | **3** | Head of Organisational and Workforce Development (OWD) | 30 April 2020 | **Update at November 2020:**<br>Not yet due yet.<br><br>**Revised Implementation Date:**<br>20 December 2020<br><br>**Update at May 2021:**<br><br>Remaining on track to meet revised implementation date.<br><br>**Revised Implementation Date:**<br>31 August 2021<br><br>**Partially Implemented** | **Update at August 2021:**<br><br>Progress around the SWP has slowed down due to the pandemic and during the last quarter we have picked back up on the strategic priorities and aligned those to the OWD workplan as we felt that we could now pick up on some of the strands of work now the workforce was stepping back from working in a pandemic response environment.<br><br>The Corporate Plan is being refreshed over the next 3 months and alongside that there will be a refresh of the SWP as one of the key changes mooted to the Corporate plan is the inclusion of a strategic priority around workforce. It is anticipated that there will be a stronger focus on the KPI and metrics around workforce and workforce planning. This will be picked up by the new Head of Service when they are appointed. | **12 months over original completion date** |

| Original Recommendation | Grade | Responsible Officer for Actions | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|
| **1.1 Continued** | | | | **Update at February 2021:**<br><br>In order to support our ongoing pandemic response the Senior Leadership Team have set out key priorities for delivery between now and the end of March 2021. Elements of the Strategic Workforce Plan work have paused to refocus resources into supporting the workforce through the pandemic. This has focused on;<br>a) Supporting staff health and wellbeing<br>b) Inducting new staff and staff redeployed to other roles well<br>c) Providing key learning and development support to key staff groups supporting the pandemic<br>d) Supporting managers to support their staff through good management and the LEAD process<br>The Strategic Workforce Plan’s action plan and the relevant KPIS have been reviewed during this period and will be progressed in line with our pandemic response and organisational priorities.<br><br>**Revised Implementation Date:**<br>31 August 2021 | **Update at August 2021 (Continued):**<br><br>**Revised Implementation date:** 30 November 2021<br><br>**Partially Implemented** | |

## Follow Up Reviews

| Original Recommendation | Grade | Responsible Officer for Actions | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|
| **4.1 Provision of Management Information**<br><br>As raised under MAP 1.1 and 2.1, key performance indicators should be developed for the Strategic Workforce Plan and any recruitment and retention strategies. Management information should be available to all senior management in a timely, structured and appropriate manner to support scrutiny and measure progress against strategic plans.<br><br>When data is provided as the result of a specific request, quality assurance activities should be performed by a second person to ensure the accuracy of the data. | **2** | Head of Human Resources (HR) | 30 April 2020 | **Update at February 2021:**<br>The position has been revised due to Covid. SLT have been receiving since November 2020 two key HR reports:<br><br>1. Monthly HR Overview<br>2. Monthly Key cases<br><br>Gold has been re-convened and it has been agreed the focus should be on providing weekly information on the Inspection workforce and who is available to inspect.<br><br>**Revised Implementation Date:** 31 July 2021<br><br>**Update at May 2021:**<br><br>Quarterly reporting of the agreed metrics is planned to start from Quarter 1 of 2021/22.<br><br>Remaining on track to meet revised implementation date.<br><br>**Revised Implementation Date:** 31 July 2021 | **Update at August 2021:**<br><br>Quarterly reporting of the agreed metrics has commenced.<br><br>**Fully Implemented** | **Completed** |

# Appendix III - Updated Action Plan

## Internal Audit Report - Risk Management (Henderson Loggie)

| Original Recommendation | Grade | Management Response | Responsible Officer for Action | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|---|
| **Internal audit report 2021/01 – Risk Management**<br><br>**R1** The risks identified within the Directorate risk registers should be aligned with the Corporate Plan and linked to the risks contained within the SRR, where applicable to do so. | **3** | Agreed.<br><br>This will be contained within the procedure note as per recommendation 2 below. Executive Directors will then be requested to update the directorate risk registers in line with the new procedure note. The Executive Director Corporate and Customer Services will oversee this process. | Executive Director Corporate and Customer Services | 31 January 2021 | **Update at May 2021:**<br><br>Risk management has been developed to enhance our approach to risk appetite, risk targets and risk tolerance. The strategic risk register is currently being reviewed to reflect this. The developments to our risk management approach are intended to better support and embed a consistent approach to the management of risk throughout the organisation. HoFCG is meeting all directors individually to discuss the strategic risk position and a revision of directorate risk registers. On track to achieve the revised implementation date of 31 August 2021.<br><br>**Revised Implementation Date:**<br>31 August 2021 | **Update at August 2021:**<br><br>Meeting arranged with Scrutiny and Assurance Directorate Management Team to discuss revised risk appetite approach. Linking Strategic Risk Register to Directorate Risk registers implementation date revised to 30 September 2021.<br><br>**Revised Implementation Date:** 30 September 2021<br><br>**Partially Implemented** | **7 months over original completion date** |

## Follow Up Reviews

| Original Recommendation | Grade | Management Response | Responsible Officer for Action | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|---|
| **Internal audit report 2021/01 – Risk Management (Continued)**<br><br>**R2** Consideration should be given to development of a procedure note which provides examples of the way in which risks should be articulated on the face of the relevant risk register (whether strategic, directorate or team) and demonstrates the way in which associated risk actions to mitigate risk and controls should be documented in order to achieve further consistency, transparency and alignment to the SRR. | **3** | Agreed. Procedure notes will be developed in line with this recommendation.<br><br>Procedure notes and risk identification templates were issued at directorate level in 2017. However, these are now out-of-date and there has been no follow through to check consistent application. The recommended update of procedure notes provides an opportunity to address this. | Executive Director Corporate and Customer Services | 30 November 2020 | **Update at May 2021:**<br><br>Procedure note has been delayed pending the agreement by the Board of the new risk appetite statement. This is a key element of our revised approach to risk. HoFCG is meeting all directors individually to discuss the strategic risk position and a revision of directorate risk registers and this will inform the development of the procedure note.<br><br>**Revised Implementation Date:**<br>Request a revised implementation date of 31 July 2021. | **Update at August 2021:**<br><br>Procedure note partially complete. A revised implementation date of 30 September 2021 should be achievable.<br><br>**Revised Implementation Date:** 30 September 2021<br><br>**Partially Implemented** | **9 months over original completion date** |

## Follow Up Reviews

| Original Recommendation | Grade | Management Response | Responsible Officer for Action | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|---|
| **Internal audit report 2021/01 – Risk Management (Continued)**<br><br>**R3** The Care Inspectorate should develop and implement initial and refresher training in how to apply general risk management principles and in particular applying its own risk management policy. This training should focus on the consistent application of the procedural note outlined above in **R2**. | **3** | Agreed. | Executive Director Corporate and Customer Services | 31 January 2021 | **Update at May 2021:**<br><br>This recommendation is dependent on the completion of the procedure note referred to in **R2** above.<br><br>**Revised Implementation Date:**<br>Request a revised implementation date of 31 August 2021 | **Update at August 2021:**<br><br>Reliant on completion of procedure note and getting diary time for training. 30 November 2021 is a realistic implementation date. HoFCG had attended directorate meetings and provided interim advice and support as the directorate risk registers are worked on.<br><br>**Revised Implementation Date:** 30 November 2021<br><br>**Partially Implemented** | **7 months over original completion date** |

# Appendix IV - Updated Action Plan

## Internal Audit Report 2021/09 – Health, Safety and Wellbeing during the COVID-19 Pandemic (Henderson Loggie)

| Original Recommendation | Grade | Management Response | Responsible Officer for Action | Original Agreed Completion Date | Previous Updates | Current Progress | RAG Ratings |
|---|---|---|---|---|---|---|---|
| **Internal audit report 2021/09 – Health, Safety and Wellbeing during the COVID-19 Pandemic**<br><br>**R1** Management should document the governance framework which was established for the response and recovery during the COVID-19 pandemic for future review of any lessons learned. | **3** | Agreed. This will become an element of our lessons learned work. | Head of Customer Service | 30 June 2021 | N/A | **Update at August 2021:** Due to a communications issue in the allocation of this action there has been a delay in taking this forward. A revised implementation date of 30 November will now be achievable.<br><br>**Revised implementation date:** 30 November 2021<br><br>**Little or No progress** | **2 months over original completion date** |

**AUDIT AND RISK COMMITTEE MEETING 9 SEPTEMBER 2021**

**Agenda item 8**
**Report No: ARC-19-2021**

| | | |
|---|---|---|
| **Title:** | **COVER REPORT: INTERNAL AUDIT ON FINANCIAL SUSTAINABILITY** | |
| **Author:** | *Kenny Dick, Head of Finance and Corporate Governance* | |
| **Appendices:** | 1. | Internal Audit Report: Financial Sustainability |
| **Consultation:** | **n/a** | |
| **Resource Implications:** | **None** | |

| | |
|---|---|
| **Executive Summary:** | |
| The internal audit report on Financial Sustainability is attached as Appendix 1. The overall level of assurance is "Good".<br><br>There are five control objectives all five are identified as "Good". No recommendations have been made. | |
| **The Committee is invited to:** | |
| 1. | Accept the Internal Auditor's report on Financial Sustainability. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Links:** | Corporate Plan Outcome | | | Risk Register Number | | EIA Y/N | N |
| **For Noting** | | **For Discussion** | | **For Assurance** | x | **For Decision** | |

**If the report is marked Private/Confidential please complete section below to comply with the Data Protection Act 2018 and General Data Protection Regulation 2016/679.**

| |
|---|
| **Reason for Confidentiality/Private Report: N/A**<br>*(see Reasons for Exclusion)* |
| **Disclosure after:** |

| **Reasons for Exclusion** | |
|---|---|
| a) | Matters relating to named care service providers or local authorities. |
| b) | Matters relating to named persons which were they to be discussed in public session, may give rise to a breach of the Data Protection Act 2018 or General Data Protection Regulation 2016/679. |
| c) | Matters relating to terms and conditions of employment; grievance; or disciplinary procedures relating to identified members of staff. |
| d) | Matters involving commercial confidentiality. |
| e) | Matters involving issues of financial sensitivity or confidentiality. |
| f) | Matters relating to policy or the internal business of the Care Inspectorate for discussion with the Scottish Government or other regulatory or public bodies, prior to final approval by the Board. |
| g) | Issues relating to potential or actual legal or statutory appeal proceedings which have not been finally determined by the courts. |

Agenda item 8 - Appendix 1

| LEVEL OF ASSURANCE |
| --- |
| Good |

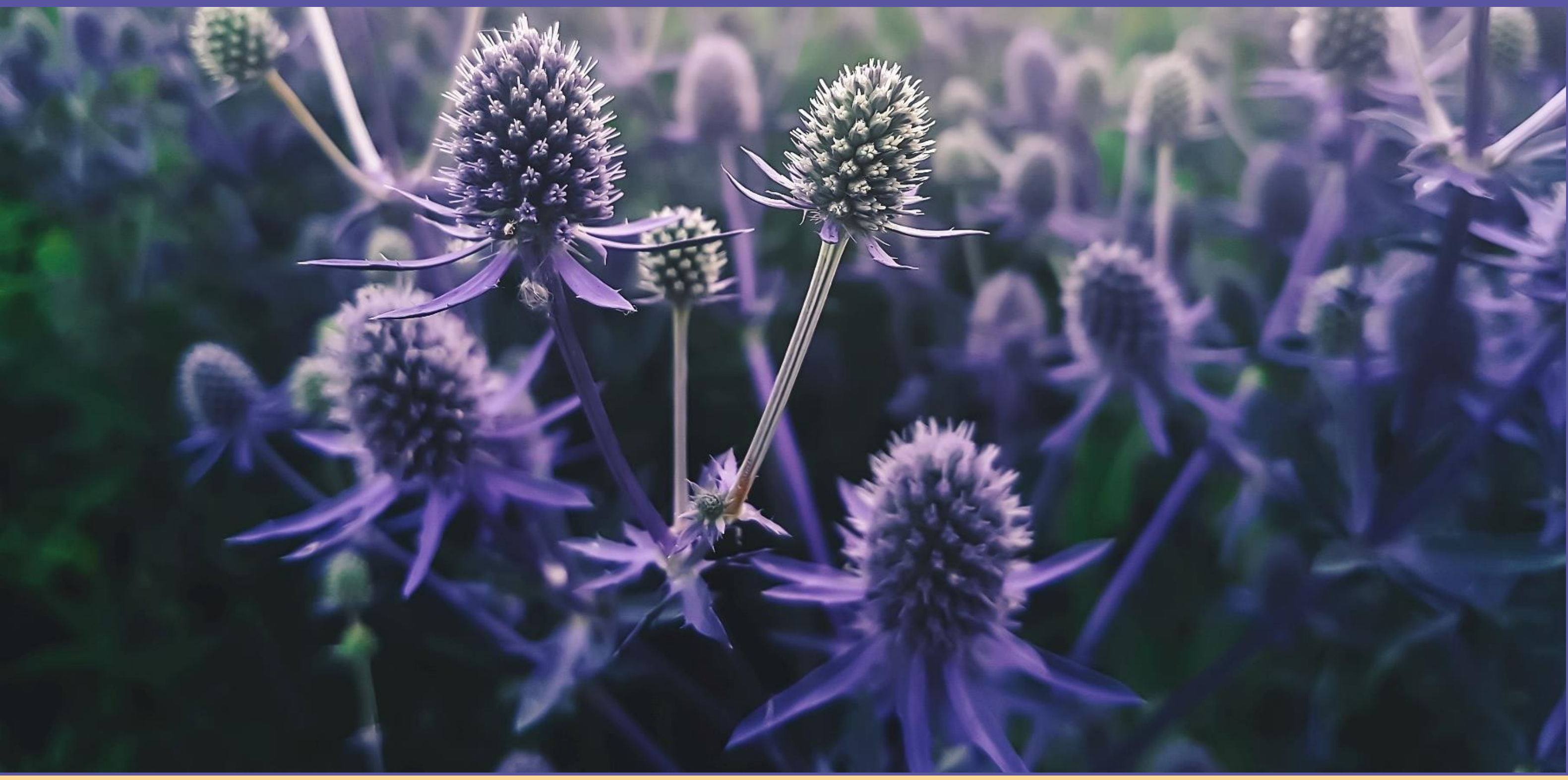
# Care Inspectorate

## Financial Sustainability

**Internal Audit report No: 2022/03**

**Draft issued: 30 August 2021**

**Final issued: 1 September 2021**



Henderson Loggie

# Contents



## Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

| | |
|---|---|
| **Good** | System meets control objectives. |
| **Satisfactory** | System meets control objectives with some weaknesses present. |
| **Requires improvement** | System has weaknesses that could prevent it achieving control objectives. |
| **Unacceptable** | System cannot meet control objectives. |

**Action Grades**

| | |
|---|---|
| **Priority 1** | Fundamental issue subjecting the organisations to material risk which requires to be addressed by management and the Audit and Risk Committee as a matter of urgency. |
| **Priority 2** | Issue subjecting the organisations to significant risk, and which should be addressed by management as a priority. |
| **Priority 3** | Matters subjecting the organisations to minor risk or which, if addressed, will enhance efficiency and effectiveness. |

# Management Summary

## Overall Level of Assurance

| | |
|---|---|
| **Good** | System meets control objectives. |

## Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Care Inspectorate Strategic Risk Registrar as at June 2021:

**Risk 1** – Delivery of Strategy - We are unable to fulfil our core purpose due to external factors (Residual Risk Grade – Medium)

**Risk 2** – Financial Sustainability - Funding level fails to increase in line with inflation, external cost pressures and additional demands (Residual Risk Grade – High)

## Background

The Care Inspectorate budget is funded through a mixture of grant in aid from the Scottish Government and fees paid by service providers. As a Non Departmental Public Body (NDPB), the Care Inspectorate operates independently from Scottish Ministers but is accountable to Ministers and are publicly funded in order to deliver the functions, duties and powers described in the Public Services Reform (Scotland) Act 2010 and associated regulations. The Care Inspectorate has no borrowing powers and is not permitted to have overdraft facilities. The maximum fee levels which the Care Inspectorate can levy on service users is set by Scottish Government and any changes to maximum fee rates require a public consultation exercise. The maximum fees charged to care service providers have not increased since the 2005/06 financial year.

The Annual Report and Accounts for 2019/20 stated that 2020/21 was the first year that the Care Inspectorate had been required to set a deficit budget by utilising available reserves to fund core operating expenditure although it was also advised that the Care Inspectorate had sufficient reserves to absorb the budgeted deficit.

The Board approved the budget for financial year 2021-22 in March 2021 and noted indicative budgets for financial years 2022-23 and 2023-24.

The 2021-22 budget includes a planned deficit of £0.739m, which will be funded by drawing on the general reserve balance. The Board have been advised that all of this deficit relates to non-recurring expenditure which is appropriate to fund from reserves.

The indicative budgets for financial years 2022-23 and 2023-24 show budgeted deficits of £1.836m and £2.139m respectively. This budgeted position is based on the explicit assumption there will be no funding increase forthcoming from Scottish Government and therefore steps will require to be taken to manage this position in order to achieve the target range set by the Board for the General Reserve balance of 1.0% to 1.5% of gross expenditure.

## Scope, Objectives and Overall Findings

The scope of this audit was to review the long-term financial planning arrangements which the Care Inspectorate has put in place to ensure financial sustainability, supporting effective planning and business decision making in the medium to long term.

In particular, the objectives of the audit were to review the current financial strategy to ensure that it is adequate and is flexible enough to address the impact of the Covid-19 pandemic to ensure that the Care Inspectorate delivers its core functions in line with the Scottish Regulators' Strategic Code of Practice and remains financially viable.

The table below notes each separate objective for this review and records the results:

| Objective | Findings | | | |
|---|---|---|---|---|
| **The objective of our audit was to ensure that:** | | **1** | **2** | **3** |
| | | **No. of Agreed Actions** | | |
| 1. The Care Inspectorate has developed a five-year financial strategy, which includes medium and long-term financial forecasts which underpin the organisation's strategic outcomes as set out in the Corporate Plan 2019 to 2022 | **Good** | - | - | - |
| 2. The organisation is engaged with the sponsor department in Scottish Government and with other key stakeholders to help shape its financial strategy | **Good** | - | - | - |
| 3. Risks to the successful achievement of the financial strategy have been identified and are being managed in line with the Care Inspectorate's risk management policy | **Good** | - | - | - |
| 4. The strategy has been updated following an assessment of the impact of Covid-19 on financial forecasts to reflect potential changes in demand around registration, inspection and the work required to improve care standards across Scotland | **Good** | - | - | - |
| 5. Robust scenario planning and forecasting has been undertaken, which includes sensitivity analysis, to fully understand the impact of Covid-19 on the Care Inspectorate financial strategy | **Good** | - | - | - |
| **Overall Level of Assurance** | **Good** | **-** | **-** | **-** |
| | | System meets control objectives. | | |

## Audit Approach

Through discussions with Head of Finance & Corporate Governance (CI), and through review of the draft financial strategy 2022-28 approved by the  Board in June 2021, we considered the extent to which the above objectives have been met.

## Financial Sustainability

## Summary of Main Findings

***Strengths***

- A draft Financial Strategy 2022-28, covering the financial years 2021/22 to 2027/28, was considered and approved by the Board in June 2021;
- The Financial Strategy 2022-28 was prepared against the backdrop of the Covid-19 pandemic and the ongoing uncertainty over the implications for the Care Inspectorate associated with the Adult Social Care Review (including the creation of a national care service) and the implications for delivering on the Scottish Government 'Promise' for early years and young people's services;
- The covering paper which accompanied the Financial Strategy 2022-28, clearly sets out the purpose of the financial strategy and specifically confirms that "The financial strategy is therefore a key enabler of the corporate plan", and also sets out the four financial strategy objectives which underpin the strategy;
- The importance of aligning the Financial Strategy with the overarching Corporate Plan is demonstrated by the focus around objective 4, with a clear recognition of the need to align the financial strategy with other key strategies such as the estates strategy, people strategy and digital strategy;
- The financial planning approach adopted aligns with the consistent messaging by Audit Scotland around the need to take a medium to long term view of the resources required to deliver core objectives;
- There is ongoing dialogue between the Care Inspectorate and the Sponsor Team and Health and Finance Business Partner through scheduled quarterly meetings;
- Maintaining an effective dialogue with the Scottish Government through ongoing liaison meetings is listed as a specific mitigating action against Risk 2 – Financial Sustainability on the strategic risk register;
- The Financial Strategy states that the financial risks will be included in strategic, directorate, department, team and project risk registers as appropriate and monitored through existing risk management processes;
- The covering report which accompanied the draft Financial Strategy at the June 2021 Board meeting set out the policy context which the strategy should be considered within. These included expectations around social care staffing models and child contact centre regulation, the impact of the introduction of a National Care Service and also the policy implications arising from the COVID-19 pandemic;
- The Financial Strategy 2022-2028 sets out in detail the assumptions which underpin the budgeted figures for each financial year; and
- Scenario planning and sensitivity analysis has been conducted to demonstrate the impact which different levels of Grant in Aid and potential revisions in fee levels could have on budgeted income levels moving forwards. In addition, analysis of potential pay awards and changes to pension contributions has also been modelled to ensure that the impact of any potential changes in these key areas are set out at the outset.

***Weaknesses***

- There were no control weaknesses identified during our review

## Acknowledgment

We would like to take this opportunity to thank the staff at the Care Inspectorate who helped us during our audit.

# Main Findings and Action Plan

**Objective 1 - The Care Inspectorate has developed a five-year financial strategy, which includes medium and long-term financial forecasts which underpin the organisation's strategic outcomes as set out in the Corporate Plan 2019 to 2022**

A draft Financial Strategy 2022-28, covering the financial years 2021/22 to 2027/28, was considered and approved by the Board in June 2021. This last iteration of the Financial Strategy updates the previous 2020/21 to 2026/27 strategy and was prepared based on the 2021-22 budget and indicative budgets for 2022-23 and 2023-24. Outline budgets (based on the indicative 2023-24 budget) for the remaining four years of the strategy have also been prepared.

The Financial Strategy 2022-28 was prepared against the backdrop of the Covid-19 pandemic and the ongoing uncertainty over the implications for the Care Inspectorate associated with the Adult Social Care Review (including the creation of a national care service) and the implications for delivering on the Scottish Government 'Promise' for early years and young people's services. In February 2020, the Scottish Government accepted the conclusions of all the reports produced by the Independent Care Review. 'The Promise' recognises that "*to become that best place in the world, we need our public services to work for, and with children, young people, and their families*".

The covering paper which accompanied the Financial Strategy 2022-28, clearly sets out the purpose of the financial strategy and specifically confirms that "*The financial strategy is therefore a key enabler of the corporate plan*". It also recognises the need for a flexible approach in adapting to the changing demands which will be placed upon the organisation during the lifetime of the strategy and the changes which may be required in the new Corporate Plan which will be launched in December 2021. This paper also set out the four financial strategy objectives which underpin the strategy and set out the parameters which the organization will operate within in order to fulfil these objectives. The four financial strategy objectives are:

- Objective 1: To achieve long-term financial security.
- Objective 2: To invest appropriately in our key resources and capabilities over the medium to long term.
- Objective 3: To plan and control the financing of developments.
- Objective 4: To integrate and harmonise financial and other strategies.

## Financial Sustainability

**Objective 1 - The Care Inspectorate has developed a five-year financial strategy, which includes medium and long-term financial forecasts which underpin the organisation's strategic outcomes as set out in the Corporate Plan 2019 to 2022 (Continued)**

The financial planning approach adopted aligns with the consistent messaging by Audit Scotland around the need to take a medium to long term view of the resources required to deliver core objectives; recognising that all publicly funded bodies are largely reliant on funding announcements in clarifying the financial envelope which they must operate within and also the need to develop a suitably flexible delivery model, which can react and adapt spending priorities to achieve a financially sustainable model which does not systematically erode general fund reserves.

This approach also recognises that the Care Inspectorate must continue to develop and adapt to meet the needs of stakeholders and therefore the need to incorporate funds for upfront investment and any associated ongoing operating costs is crucial in ensuring that the objectives set out in the Corporate Plan can be delivered in the anticipated timescales. The importance of aligning the Financial Strategy with the overarching Corporate Plan is demonstrated by the focus around objective 4, with a clear recognition of the need to align the financial strategy with other key strategies such as the estates strategy, people strategy and digital strategy.

The Financial Strategy explicitly states that the document "*(appropriately linked to other key strategies) is intended to ensure the appropriate resources are available and directed towards delivering our vision and strategic outcomes*". A specific section within the Financial Strategy sets out the linkages with the following key resource strategies of the Care Inspectorate:

- employee reward
- estates
- ICT / digital
- communication
- learning and development strategy
- strategic workforce plan
- scrutiny and improvement plan
- sustainability

Therefore, we are comfortable that the development of the Financial Strategy 2022-28 includes medium and long-term financial forecasts which underpin the organisation's strategic outcomes as set out in the Corporate Plan and have been designed in a way which will provide adequate flexibility to adapt to changing strategic and operational priorities as the key external environmental factors, which have been reflected in the Financial Strategy, become clearer and the financial risks associated with these changes begin to crystallise.

## Financial Sustainability

**Objective 2 - The organisation is engaged with the sponsor department in Scottish Government and with other key stakeholders to help shape its financial strategy**

There is ongoing dialogue between the Care Inspectorate and the Sponsor Team and Health and Finance Business Partner through scheduled quarterly meetings.

Recent discussions with the Sponsor Team and Health and Finance Business Partner have focused on the requirement built into the original additional funding agreement for Stage 1 of the Business and Digital Transformation Programme for the intended recovery of the £2.300m funding awarded by the Scottish Government. This was designed to be achieved through realisation of the anticipated cash releasing savings as described in the original business case submitted for the business and digital transformation project. A request has now been submitted to Scottish Government that the requirement to repay the additional funding is removed and the requirement to repay funding has been waived in 2020/21. As it stands, the position for 2021/22 is that the requirement to make a repayment in 2021/22 will be dependent upon affordability and therefore this has not been reflected within the 2021/22 budget position. The position beyond 2021/22 is less clear and therefore there is a need for further dialogue with the Sponsor Team as the repayment period progresses.

These discussions around the repayment of funding in relation to stage 1 of the Business and Digital Transformation Programme will require to be run concurrently with the discussions around the business case to obtain funding for stage 2 of the programme.

Discussions are also ongoing with the Care Inspectorate's appointed external auditors regarding the appropriate financial treatment of the application of IFRS16 - Leases, in relation to property dilapidation charges. Discussion have already taken place with the Sponsor Team who have advised that since this change will impact on most public sector organisations, there is an expectation that a general funding solution will be agreed and applied across affected organisations. The Financial Strategy assumed that the implications would apply to financial year 2022/23 onwards, but our understanding is that the outcome of the ongoing discussions with the external auditors may result in a financial cost being brought into the 2021/22 annual accounts which was not budgeted for. However, given the previous assurances provided by the Sponsor Team around a general funding solution there is an implied Scottish Government funding solution should this impact on the 2021/22 financial year materialise. However, we would expect that dialogue with the Sponsor Team should confirm this position in order to remove any doubt.

Maintaining an effective dialogue with the Scottish Government through ongoing liaison meetings is listed as a specific mitigating action against Risk 2 – Financial Sustainability on the strategic risk register.

## Financial Sustainability

**Objective 3 - Risks to the successful achievement of the financial strategy have been identified and are being managed in line with the Care Inspectorate's risk management policy**

Section 10 of the Financial Strategy sets out the key strategic risks to delivery of the Financial Strategy as follows:

- Future available resources less than assumed (the current difficult financial environment could be further impacted through consequences of Covid-19 and care sector review)
- Pay awards, and price inflation higher than assumed
- Increased demand for our services not matched by sufficient funding
- Future spending plans under-estimated
- Inability to align financial and other resource strategies
- Anticipated savings / efficiencies not achieved
- Stage 2 Transformation Programme funding (recurring and non-recurring) not agreed at required levels
- Stage 2 Transformation Programme costs under-estimated
- Income targets not achieved
- Budget monitoring not effective
- Exit strategies for external funding not met
- Impact of changes to government policy

The Financial Strategy states that the financial risks will be included in strategic, directorate, department, team and project risk registers as appropriate and monitored through existing risk management processes. Our review of the care inspectorate risk management arrangements in 2020/21 highlighted weaknesses in the consistent application of risk management processes at Directorate level and the need for risk management training to embed the agreed risk management processes within the Care Inspectorate. Our follow up of these recommendations confirms that some progress has been made and a meeting has been arranged with the Scrutiny and Assurance Directorate Management Team to discuss a revised risk appetite approach. The work to develop enhanced linkages between the Strategic Risk Register and the Directorate Risk registers is now scheduled to be completed by 30 September 2021. Therefore, since the work to further develop the Directorate level risk management arrangements is still ongoing we have not been able to examine the extent to which the risks described in the Financial strategy are being managed in practice.

The specific strategic risk around Financial Sustainability (Risk 2 on the Strategic Risk Register) will ensure that there is ongoing Board scrutiny of the steps taken to manage the identified risk on the financial sustainability of the organisation caused by funding levels failing to increase in line with inflation; external cost pressures; or additional demands. The strategic risk register lists a number of ways in which these risks will be managed including ongoing monitoring arrangements; dialogue with Scottish Government; and ongoing review and development of savings and income generation options. However, we note from the Financial Strategy that the scope for utilisation of savings plan activity to fill any financial gap is considered to be limited.

## Financial Sustainability

**Objective 4 - The strategy has been updated following an assessment of the impact of Covid-19 on financial forecasts to reflect potential changes in demand around registration, inspection and the work required to improve care standards across Scotland**

The covering report which accompanied the draft Financial Strategy at the June 2021 Board meeting set out the policy context which the strategy should be considered within. These included expectations around social care staffing models and child contact centre regulation, the impact of the introduction of a National Care Service and also the policy implications arising from the COVID-19 pandemic in managing the obvious ongoing impact on the social care sector but also the inevitable increase in scrutiny which will accompany any move to hold a public inquiry.

Therefore, we are comfortable that the Care Inspectorate has taken into account the known impact of these potential changes on the way that the organisation may be positioned in the future and taking into account the changes this could bring about in terms of the demands placed upon different aspects of the organisation. However, at the point that Financial Strategy was being developed we are conscious that a number of assumptions have had to be made which cannot entirely factor in all of the changes which could arise from the COVID-19 pandemic; changes to social care staffing models and child contact centre regulation; and the impact of the National Care Service because these cannot be quantified at this stage. However, recognising the challenges of developing a budget for 2021/22 in such a complex and challenging environment a Budget Development Short Life Working Group was developed with a specific remit to support the objectives of the Care Inspectorate's Financial Strategy by considering budget options and efficiency initiatives for inclusion in the 2021/22 budget and to explore medium/long term budget options for the subsequent years covered by the Financial Strategy. The terms of reference for the Group stated that progress would be reported to each meeting of the Board commencing with the Board meeting of 17 December 2020, with the last report of the Group reported to the Board meeting of 25 March 2021. This was intended to allow consideration of specific aspects of the budget as follows:

The Financial Strategy 2022-28 highlighted the significant financial challenges and risks faced by the Care Inspectorate and recommended that a short life member / officer working group be constituted to explore the options to close the future years' funding gaps and to monitor progress and external developments. This short life working group will meet in advance of every Board meeting (or more frequently if required) and will build on the work of the previous Budget Development Short Life Working Group. It will have a specific focus on financial years 2022/23 and 2023/24 and will be utilised to sense check the actions required to manage changes required to the financial strategy arising from announcements around the changing environment and will allow early discussions around the implications of these changes and the ways in which these can be managed. Given the proportion of the revenue budget which relates to pay costs the obvious way to manage expenditure is through controlling pay costs and we were advised that recruitment freezes, rather than voluntary severance schemes were seen as the viable way forward. The outcome of the ongoing dialogue with the Pay Policy Unit and trade unions may also have implications for the pay bill which will have short term cost implications which will transition into medium to longer term recurring financial savings from financial year 2025/26 onwards.

Therefore, based on our analysis of the way in which the Financial Strategy has been constructed, and the mechanisms introduced to ensure ongoing Board input which will provide the opportunity to discuss emerging issues and sense check the changes to the financial strategy required to react to these changes in years two and three of the Financial Strategy, we are comfortable that the Financial Strategy takes into account future demands on the organisation and that there are mechanisms in place to ensure ongoing dialogue around changes required to the assumptions which underpin the current Financial strategy beyond 2021/22.

## Financial Sustainability

**Objective 5 - Robust scenario planning and forecasting has been undertaken, which includes sensitivity analysis, to fully understand the impact of Covid-19 on the Care Inspectorate financial strategy**

The Financial Strategy 2022-2028 sets out in detail the assumptions which underpin the budgeted figures for each financial year. These assumptions are grouped under the following headings;

- Incremental progression
- Pay Award
- Employers' Charges
- Staff Costs
- Property Costs
- Business and Digital Transformation Programme
- ICT Costs
- Shared Service Income
- All Other Expenditure and Income
- Funding (Grant in Aid and Fee income)

From our review of the detailed appendices which sit behind the Financial Strategy 2022-28 we are comfortable that these assumptions are proportionate and reasonable given the information which was available at the time the strategy was developed. This includes the adjustments which have been applied to the indicative 2023/24 budget position to arrive at the outline budgets for 2024-25 to 2027-28.

Scenario planning and sensitivity analysis has been conducted to demonstrate the impact which different levels of Grant in Aid and potential revisions in fee levels could have on budgeted income levels moving forwards. In addition, analysis of potential pay awards and changes to pension contributions has also been modelled to ensure that the impact of any potential changes in these key areas are set out at the outset.

Therefore, rather than focusing on the impact of the COVID-19 pandemic the approach taken has been to focus on key areas of income and expenditure. We are comfortable that this is a reasonable stance given the significant proportion of the budget which relates to these elements.

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**AUDIT AND RISK COMMITTEE MEETING 9 SEPTEMBER 2021**

**Agenda item 9**
**Report No: ARC-20-2021**

| | |
|---|---|
| **Title:** | **COVER REPORT: INTERNAL AUDIT ON COMPLIANCE WITH LEGISLATION** |
| **Author:** | *Kenny Dick, Head of Finance and Corporate Governance* |
| **Appendices:** | 1. Internal Audit Report: Compliance with Legislation |
| **Consultation:** | **n/a** |
| **Resource Implications:** | **None** |

| **Executive Summary:** |
|---|
| The internal audit report on Compliance with Legislation is attached as Appendix 1. The overall level of assurance is "Satisfactory".<br><br>There are four control objectives, two are identified as "Good" and two are identified as "Satisfactory". Five "priority 3" (minor risk) recommendations are made.<br><br>There is a management response agreeing to take forward all five recommendations. |

| **The Committee is invited to:** | |
|---|---|
| 1. | Accept the Internal Auditor's report on Compliance with Legislation. |
| 2. | Agree the management response to the five recommendations made |

| **Links:** | Corporate Plan Outcome | | | Risk Register Number | | EIA Y/N | N |
|---|---|---|---|---|---|---|---|
| **For Noting** | | **For Discussion** | | **For Assurance** | x | **For Decision** | |

**If the report is marked Private/Confidential please complete section below to comply with the Data Protection Act 2018 and General Data Protection Regulation 2016/679.**

| **Reason for Confidentiality/Private Report: N/A**<br>*(see Reasons for Exclusion)* |
|---|
| **Disclosure after:** |

| **Reasons for Exclusion** | |
|---|---|
| a) | Matters relating to named care service providers or local authorities. |
| b) | Matters relating to named persons which were they to be discussed in public session, may give rise to a breach of the Data Protection Act 2018 or General Data Protection Regulation 2016/679. |
| c) | Matters relating to terms and conditions of employment; grievance; or disciplinary procedures relating to identified members of staff. |
| d) | Matters involving commercial confidentiality. |
| e) | Matters involving issues of financial sensitivity or confidentiality. |
| f) | Matters relating to policy or the internal business of the Care Inspectorate for discussion with the Scottish Government or other regulatory or public bodies, prior to final approval by the Board. |
| g) | Issues relating to potential or actual legal or statutory appeal proceedings which have not been finally determined by the courts. |

| LEVEL OF ASSURANCE |
| --- |
| Satisfactory |

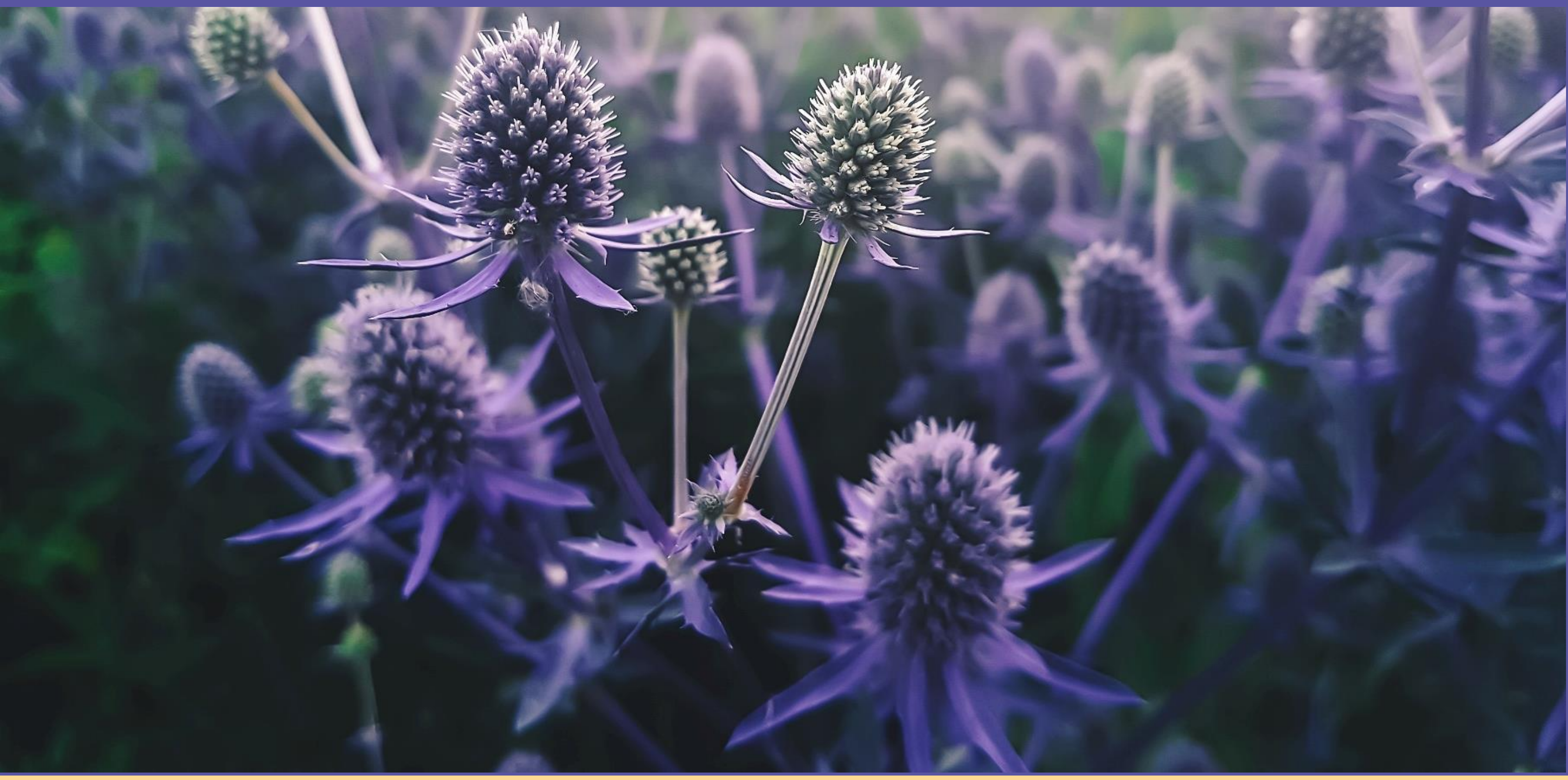
# Care Inspectorate

## Compliance with Legislation

**Internal Audit report No: 2022/02**

**Draft issued: 27 August 2021**

**Final issued: 1 September 2021**



Henderson Loggie

# Contents



## Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

| | |
|---|---|
| **Good** | System meets control objectives. |
| **Satisfactory** | System meets control objectives with some weaknesses present. |
| **Requires improvement** | System has weaknesses that could prevent it achieving control objectives. |
| **Unacceptable** | System cannot meet control objectives. |

**Action Grades**

| | |
|---|---|
| **Priority 1** | Fundamental issue subjecting the organisations to material risk which requires to be addressed by management and the Audit and Risk Committee (CI) as a matter of urgency. |
| **Priority 2** | Issue subjecting the organisations to significant risk, and which should be addressed by management as a priority. |
| **Priority 3** | Matters subjecting the organisations to minor risk or which, if addressed, will enhance efficiency and effectiveness. |

# Management Summary

## Overall Level of Assurance

| | |
|---|---|
| **Satisfactory** | System meets control objectives with some weaknesses present. |

## Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Care Inspectorate Strategic Risk Registrar as at June 2021:

**Risk 1** – Delivery of Strategy **-** We are unable to fulfil our core purpose due to external factors (Residual Risk Grade – Medium)

## Background

The Care Inspectorate, in common with all organisations, is required to work within the Scottish and UK legal framework, which includes compliance with legislation, regulations, contractual obligations and case law. As a designated Public Body the Care Inspectorate (CI) must comply with the Scottish Public Finance Manual (SPFM), which is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. A public body is defined as "*an organisation for which either the Scottish Government or Scottish Parliament is responsible and with whom they have a direct relationship*".

At the CI, horizon scanning of UK Government and Scottish Government legislation, which may impact on the CI and the wider care sector is primarily undertaken by two key teams – the Legal Team and the Policy Team. However, management across the organisation remain abreast of key legislative issues or changes through professional bodies; networking with colleagues across the care sector; cross partnership working (such as with the SSSC, NHS, and Scottish Government); and via updates produced by the Sponsor Directorships.

## Scope, Objectives and Overall Findings

The scope of this audit was to carry out a review of the arrangements in place within the Care Inspectorate (CI) to identify and monitor compliance with applicable legislation.

The table below notes each separate objective for this review and records the results:

| Objective | Findings | | | |
|---|---|---|---|---|
| **The objective of our audit was to ensure that:** | | **1** | **2** | **3** |
| | | **No. of Agreed Actions** | | |
| 1. A framework is in place to identify relevant legislation and upcoming legislation that will affect the Care Inspectorate and the wider care sector in Scotland. | **Satisfactory** | - | - | 2 |
| 2. Staff are provided with training on areas of key legislation, including refresher training where appropriate. | **Good** | - | - | 1 |
| 3. Policies, processes and systems have been put in place to ensure that legislation is being complied with. | **Satisfactory** | - | - | 2 |
| 4. There are appropriate monitoring and reporting processes to identify any areas of legislative non-compliance and to undertake appropriate action regarding these, with non-compliance being reported upwards to the Board or to a standing committee of the Board. | **Good** | - | - | - |
| **Overall Level of Assurance** | **Satisfactory** | **-** | **-** | **5** |
| | | System meets control objectives with some weaknesses present. | | |

## Audit Approach

Through discussions with relevant managers, we identified the mechanisms for identifying changes in relevant legislation, and any new upcoming legislation, and determined the training provided to staff around these legislative requirements.

We identified key areas of law relevant to the Care Inspectorate and reviewed the policies, processes, and systems in place to determine whether they are adequate to ensure compliance with the relevant legal requirements.

We aimed to identify any areas where full compliance was not currently being achieved.

## Summary of Main Findings

***Strengths***

- There is a suitable framework, and sufficient dedicated resource, established for the CI to remain up to date with new and up-coming legislation that may impact upon the organisation. This takes the form of research by the Legal team and Policy team, as well as the CI's involved in Scottish Government consultations (such as the current consultation around the National Care Service review).
- Management interviewed through sample testing of legislative areas demonstrated that they are aware of the legal obligations placed upon CI, and any associated reporting requirements in their area.
- There is an effective internal network established to communicate key requirements or new changes to management and to the Board, where necessary.
- The Legal team provide training and ongoing support for staff, which supplements the mandatory requirement to complete training on key legislative areas such as Health and Safety, Equality and Diversity, and GDPR.
- A process for updating policies has been established and governance arrangements are in place to ensure that they are reviewed by key stakeholders before publication and implementation.
- The current governance arrangements are effective in reporting on legislative requirements through the Senior Leadership Team (SLT); Board Sub-Committees and then the Board. No non-compliance has been reported to the Board during the review period.
- Management have identified the need to have a holistic view on legislative compliance arrangements and have begun to structure future arrangements in this manner through the development of a Table of Legislative Requirements.

***Weaknesses***

- We were unable to identify a resource modelling tool to provide management with a platform to identify current resource and forecast ongoing resource requirements against significant pieces of legislative change. Currently, most legislative obligatory work is subsumed into an individual or team's role. However, we noted some legislative requirements require multi-disciplinary and cross-team support, such as the Climate Change Emergency Response, which will result in increased workloads and potentially longer working hours.
- The CI's Legal Handbook, which is provided to Inspectors during training, should be version controlled in line with good practice, and should provide detail on the responsible manager for updating the document; when it was last subject to review; and when it is next due for review.
- The number of published Equality Impact Assessments (EQIAs) was limited and there is currently no dedicated website which brings together all EQIAs to demonstrate their consideration when updating new policies, published strategies, or projects. Management within OD, HR and Equalities are currently reviewing the current arrangements to strengthen controls in this area.
- There are two published policies on the CI public website that require to be updated to reflect the current version of each policy: Fraud Policy (May 2016) and Zero Tolerance Policy (May 2016). Both have been updated in 2021 and 2019, respectively.

## Acknowledgment

We would like to take this opportunity to thank the staff at the Care Inspectorate and SSSC who helped us during our audit.

# Main Findings and Action Plan

**Objective 1 - A framework is in place to identify relevant legislation and upcoming legislation that will affect the Care Inspectorate (CI) and the wider care sector in Scotland.**

Our review of arrangements within the Legal Team and Policy Team noted there is an established framework in place to identify relevant legislation and upcoming legislation that will affect the CI, and to communicate upcoming requirements or insights as necessary.

Any changes in Scottish Government (SG) legislation are identified by the Policy Team, which consists of the Senior Policy Adviser and three Analysts. Their roles are to complete external horizon scanning for legislative changes that could impact the CI, and to then distil the complex legislation into terminology that is readily understood and can be effectively disseminated.

Horizon scanning is completed as a weekly exercise, with information gathered from the following sources:

- New Direct subscription – daily news bulletins that have been tailored for the CI;
- SG Parliament bulletins (such as the business bulletin);
- Chamber debates;
- Parliamentary sessions;
- Parliamentary Committee sessions; and
- Review ‘live’ the First Minister Questions where questions relevant to the care sector may be debated.

The Policy Team review agendas and identify the information which is pertinent to the CI. If the topic is of direct relevance and has a significant impact, the information is provided to the Senior Leadership Team (SLT) and Heads of Services for review. If information is recommended by SLT to be escalated, such as recent consultation activity by the Scottish Parliament on the National Care Service, then specific update papers are developed for Board review. The Policy Team also provide the Board with a quarterly Parliament Timetable that provides a forward-plan and key dates around legislation at End Stage 2 and when Acts will be passed, and a Policy Tracker, that provides a retrospective update on changes to policy following any horizon scanning activity. Management are currently considering the amendment of the timing of communication of the Parliament Timetable and Policy Tracker to ensure Board communication six weeks in advance of the Board meeting. This is to allow sufficient time for consideration of any issues arising, in order to facilitate more effective discussion.

Non-urgent changes on topics such as Adult & Health and Children & Young People are also communicated via Weekly Newsletters using the internal email distribution list, and bulletins are published on the staff intranet and also externally via The Hub.  Procedures are documented for producing the Weekly Bulletin and the Policy Team are in the process of developing handover procedures that will summarise the current legislation and policies under review.

## Compliance with Legislation

| **Objective 1 - A framework is in place to identify relevant legislation and upcoming legislation that will affect the Care Inspectorate and the wider care sector in Scotland continued.** |
|---|
| The Legal Team consists of four staff who also complete horizon scanning through a rota basis and review of changes to legislation or new legislation and obligations using several sources, including:<br><br>• Legal Information Network for Scotland (LINETS) – CI have a subscription with LINETS that provides weekly insight bulletins and also access to a database that includes information on UK legislation; Scottish legislation; session cases; Scottish family law; Harvey's employment law; Scottish criminal case reports; and Scottish civil law reports.<br>• Legal newsletter subscriptions (Legal Matters Scotland, Scottish Legal News, and Local Government Lawyer, Scottish Parliament SPICe bulletins, as examples)<br>• Partnership engagement (such as with the Scottish Social Services Council (SSSC) Legal Team),<br>• External training,<br>• Consultations, such as on the National Care Service and Supporting Adults; and<br>• Team meetings.<br><br>Through our sampling of legislation, and the support mechanisms provided to wider teams across the CI, we noted that the controls identified are operating effectively and we were able to evidence the use of Policy Trackers and implementation of new legislative developments into local operational action plans, such as noted within Equalities, Finance and Procurement, and Health and Safety. Operationally, teams complete their own horizon scanning activity by keeping abreast of relevant regulatory updates, such as those issued by the Scottish Human Rights Commission; Health and Safety Executive (HSE); or Scottish Public Finance Manual (SPFM) updates for the external audit review of the CI's annual accounts.<br><br>Legislation that could have significant impact on the CI are prioritised, and escalated to the Head of Legal, Operational Leadership Team (where the Head of Legal is a member), and the Senior Leadership Team. A recent example provided during our review was the recent changes to the COVID-19 regulations which were escalated to the Senior Management Team as a paper on key changes and also the recommendations relating to the consultation around the National Care Service.<br><br>If there is need for wider communication to staff, or information to be highlighted on the CI intranet, the key messages are provided to the Internal Communications Team, and are communicated via the Internal Communications Bulletin, or through Occupational Development training and communications.<br><br>Any implications on resources are assessed by operational leads in the key areas which are impacted, and any changes should be considered and reflected in the development of annual operational plans. |

## Compliance with Legislation

| **Objective 1 - A framework is in place to identify relevant legislation and upcoming legislation that will affect the Care Inspectorate and the wider care sector in Scotland continued.** | | | |
|---|---|---|---|
| **Observation** | **Risk** | **Recommendation** | **Management Response** |
| Legislative work is largely subsumed within an individual's role. However, we found some legislative requirements are substantial and require multi-disciplinary working to (i) gather information and analyse outcomes and (ii) to report on requirements, such as for the CI's Climate Change emergency response.<br><br>However, we were unable to identify a tool that would capture the resource requirements and allow the proactive identification of gaps.<br><br>This has resulted in increased workloads for some staff and longer working hours to ensure timely delivery of reporting requirements. | Without modelling of the capability or capacity modelling of resource needed to implement legislation, management cannot be proactive around identifying gaps or reprioritisation needs. | **R1** – For legislative obligations that require a multidisciplinary response or require substantial additional work, resource requirements should be modelled against current capacity and capability to (i) identify any gaps or (ii) any additional or specialist support needs. The CI already have a tool to map resource for development across the Shared Services developments which could be utilised to capture resource requirements for substantial projects involved in meeting CI's legislative obligations and mapping these against available resources.<br><br>Medium to long term resource needs should also be forecasted to ensure that current delivery requirements remain sustainable. | It is recognised that principles and assumptions used in the shared service resource model can be applied more generally and we will seek to do so where appropriate. However, it cannot be transplanted elsewhere without some of the groundwork required to establish resources required for business as usual being developed. For example, Legal Services tends to be reactive to events in resource deployment. We will use the principles of the shared service and other resource models to establish the resource implications of compliance with legislation to assist with workload planning across different teams and disciplines. This will then be reflected in directorate, department and team plans.<br><br>**To be actioned by:** Head of Finance & Corporate Governance<br><br>**No later than:** As and when needed to respond to legislative changes or team/ department re-design<br><br>**Grade** 3 |

## Compliance with Legislation

**Objective 1 - A framework is in place to identify relevant legislation and upcoming legislation that will affect the Care Inspectorate and the wider care sector in Scotland continued.**

**Compliance Monitoring or Statutory Reporting Duties**

To build a holistic view of CI's legislative obligations, the Legal Team have developed a Table of Legal Requirements 2021-2022. This is a Microsoft Word document which lists 34 legal duties; the source of the legal requirement; how it is to be reported upon; delegated responsibility; the required frequency of reporting; and the "checking mechanism" (such as line management, an Executive Director, SLT, the Chair of the Board, or the Board). This document has been reviewed by individual Directors for completeness.

Compliance monitoring arrangements are still bedding in, and arrangements for the management of the Table of Legal Requirements are yet to be determined. There is currently no single person with responsibility for oversight of the regime of legislative obligations and compliance across the organisation. This is a known gap that management are actively seeking to resolve through the creation of a new Compliance Officer role. A business case has already been completed and submitted to SLT. The aim is that the new Compliance Officer role will take fulfil this overarching monitoring role once the business case has been considered and approved and the position filled. However, this is dependent on the approval of the business case and the successful recruitment of a suitable candidate.

**Framework to Identify Legislation Relevant to Services and Service Providers**

As a Scottish Regulator, the CI operate under the Scottish Regulators' Strategic Code of Practice. The Code requires regulatory functions to be exercised in accordance with the principles of better regulation and supports the outcome-based approach that forms part of the Scottish Government's National Performance framework.

People working in the care sector, and people using the care sector, should maintain awareness of developments in national policy and legislation and how they impact on care services. The Policy Team works as a central team to horizon scan any changes to policy and legislation required. They have developed a section of The Hub to provide information on policy developments, as well as relevant legislation and the Health and Social Care Standards. This can be found on the CI's National Policy and Legislation section of the website, and training of new Inspectors and Managers is completed via the Legal Team.

Within the Government Legislation page, the CI also details the primary (Acts of Parliament and Acts of The Scottish Parliament) and secondary (statutory instruments) legislation applied to services and service providers. The list is not exhaustive but highlights the key legislation. It also details the legislation governing the carry out by the CI of its functions for which are scrutinised during inspections.

While the public website acts as a repository for key information, updates are also communicated to service providers via the CI newsletters and through bulletins developed and published by the Communications Team.

## Compliance with Legislation

| Objective 1 - A framework is in place to identify relevant legislation and upcoming legislation that will affect the Care Inspectorate and the wider care sector in Scotland continued. | | | | |
|---|---|---|---|---|
| **Observation** | **Risk** | **Recommendation** | **Management Response** | |
| Arrangements for the ongoing management of the Table of Legal Requirements has yet to be determined, in the absence of the new Compliance Officer role being approved.<br><br>The version of the Table of Legal Requirements provided to us for review was not version controlled and through discussion with other teams we noted that there are three different versions in circulation.<br><br>In some instances the Table of Legal Requirements was not person specific, with individual responsibility for ensuring collective delivery on specific legislative obligations not identified. For example, responsibilities were described as "all" or were aligned to a particular team rather than describing who is accountable for making sure that relevant staff are aware of their obligations in relation to changes in legislation.<br><br>Management should consider developing the table into Excel format, which could be more effective as a monitoring tool to identify any pipeline legislation and key information that would dovetail into actions around **R1** and would allow the capture of other key information such as last review date; next review date; timetabling into management or Board review cycles; and mapping against any assurance work completed by internal or external audit. | Organisational knowledge retention on the oversight of its legislative obligations is not in good practice leading to ineffective identification of any non-compliance and timely or proactive decision making around mitigating actions. | **R2** – Arrangements to develop compliance monitoring arrangement should be determined in mitigation for the role of the new Compliance Officer not being approved by SLT.<br><br>The Table of Legislation should be version controlled so that there is only one working version, such as using SharePoint to allow multi-team input and to track additions. All responsible owners should be identified.<br><br>Management should also consider enhancing the Table of Legal Requirements into a monitoring tool using Excel, for example, and developing a process for its ongoing management. As a monitoring tool, it can then be more effectively used to track other key information such as last review date; next review date; timetabling into management or Board review; and mapping against any assurance work completed, such as by internal or external audit. Using SharePoint will ease the completion of this task across the teams involved. | Version control will be incorporated into the Table of Legal Requirements (also referred to as the Table of Legislation).<br><br>The identities of officers responsible for compliance with individual obligations will be refined so far as possible (it may not always be possible to identify the responsible officer in every case – for example the obligation to assess a new policy or procedure for impact - on, for example, island communities - lies with the author of the policy whose identity will vary).<br><br>Consideration will be given to enhancing, within the scope of the resources and skills available to the Legal Team, the enhancement of the form and role of the Table of Legal Requirements<br>**To be actioned by:** Head of Legal Services<br><br>**No later than:** 31 December 2021 | |
| | | | **Grade** | **3** |

## Compliance with Legislation

**Objective 2 – Staff are provided with training on areas of key legislation, including refresher training where appropriate.**

Training on key legislative requirements is completed through the operational framework led by the Scrutiny and Assurance teams. Management reported that there is no mandatory training earmarked as an organisation except for training in health and safety or General Data Protection Requirements (GDPR), for example. All other learning and development actions are reported to the Board as part of the CEO report.

The Legal Team also provide two half day training days on "Our Legal Framework" to all new Inspectors as part of their induction. New managers are also provided with this training by the Legal Team Staff and are provided with a copy of the Care inspectorate Legal Handbook which provides an outline of the legal framework in which the CI operates and signposts to legal resources as follows:

- Who is the CI and what are the CI powers?
- Different sources of law
- Private law and public law
- Legislation the CI enforce
- How can someone challenge a decision the CI makes?
- Going to court
- General Legal Help and Guidance

In line with the CI's Scheme of Delegation, the Chair of the Board and members of the Board also receive induction training which encompasses the development of an understanding of the reporting requirements of public sector bodies.

Where formal training cannot be provided (such as between formal training events), the Legal Team also provided one to one support to staff and support staff through key issues or scenarios requiring legal input or assurance. Legal guidance refresher training is available to inspectors, although we noted that take-up is variable. However, we received assurances that resources are available and ongoing support is provided to inspectors through Scrutiny and Assurance management and via the Legal Team.

As part of their annual goals, the Policy Team are also reviewing the mechanisms for disseminating legislative and policy requirements, such as using online lunchtime Drop-In sessions to facilitate discussion and the practical application of any changes or amendments.

Through our sample testing of legislative reporting frameworks across a variety of areas within the CI, we noted that there was a drop in the completion of mandatory training by staff during financial year 2020/21. For example, only a 46.1% completion rate was recorded on the Equality and Diversity e-Learning at the last point that this data was captured (August 2021). A paper has been submitted to the Operational Management Group to allow discussion and a decision to be taken on the prioritisation of Equalities training and consideration over the future monitoring arrangements to drive increased completion rates for Data Protection and Freedom of Information training.

## Compliance with Legislation

| Objective 2 – Staff are provided with training on areas of key legislation, including refresher training where appropriate continued. | | | | |
|---|---|---|---|---|
| **Observation** | **Risk** | **Recommendation** | **Management Response** | |
| Our review of the CI Legal Handbook noted that it was not version controlled in line with good practice. So for example the document does not show who the author was; when it was last updated and reviewed as appropriate by management; and when it is next due for review.<br><br>Our review noted no issues regarding the contents that were up to date with current arrangements. | Potential confusion for the reader regarding the legitimacy of the version being read. | **R3** – CI's Legal Handbook should be version controlled in line with good practice and should detail the responsible manager for updating; when it was last reviewed; and when it is next due for review. | The Legal Handbook will be updated to be version controlled and will name the manager responsible for updating, state when it was last reviewed and the date of the next review.<br><br>**To be actioned by:** Head of Legal Services<br><br>**No later than:** 31 December 2021 | |
| | | | **Grade** | **3** |

## Compliance with Legislation

**Objective 3 – Policies, processes and systems have been put in place to ensure that legislation is being complied with.**

Organisation and Workforce Development (OWD) currently lead on the update on policies to reflect any legislative changes. Responsibility for people management policies is to transfer to HR. Policies are updated formally every three years, however, if there is a change in Case Law or legislation then policies will be updated outwith the routine three year cycle, such as the Equalities and Diversity Policy.

There is a Policy Review Programme established, which sets out the policies under review for 2021/22, 2022/23, and 2023/24. Our review of the programme noted these policies related to OWD, HR, Health and Safety and Involvement and Equalities. There is also a policy review methodology established for undertaking their review.

All other policies, such as financial, are reviewed by the relevant teams. All new and revised policies are reviewed by the Policy Review Group and Partnership Forum, which is a forum containing Trade Union representation. Where a policy contains a people aspect, then an Equalities Impact Assessment (EQIA) is completed, and recommendations are made around whether training should be face to face or completed via an e-Learning module.

| Observation | Risk | Recommendation | Management Response |
|---|---|---|---|
| Our review of internal controls relating to monitoring compliance noted some areas that could be enhanced in relation to the publication of EQIAs. The current number of EQIAs published was limited and there was no dedicated website in place for collating all EQIAs in one single repository to demonstrate their consideration when updating new policies, strategies, or projects.<br><br>The Equalities Professional Adviser is currently working with all relevant stakeholders to review the arrangements to strengthen controls in this area. | The ability to evidence that the needs of protected characteristics have been considered for all new or revised policies or strategies (prior to publication) impacts on the CI's reputation and ability to show full compliance with the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. | **R4 –** Consideration should be given to the publication of EQIA for all new or revised policies and strategies in line with good practice. Consideration should be made to having a dedicated website that will allow ease of monitoring and ensuring they remain up to date. This step should be added to the Policy Review methodology. | The Policy Review Methodology will be updated to reflect the role of the Equalities Professional Adviser and the requirement for EQIA's to be published. The Equalities Professional Adviser will continue to make improvements to the process in line with the Equality Impact Assessment Improvement Plan (which includes making changes to the website to ensure EQIA's are easy to find and the titles and dates of the EQIA's are clear).<br><br>**To be actioned by:** Equalities Professional Adviser<br><br>**No later than:** 8 October 2021<br><br>**Grade** **3** |

## Compliance with Legislation

| Objective 3 – Policies, processes and systems have been put in place to ensure that legislation is being complied with. | | | |
|---|---|---|---|
| **Observation** | **Risk** | **Recommendation** | **Management Response** |
| The following policies were available online, however, had they not been update to either their most recent version or version controlled to demonstrate more recent management review and demonstrate that contents are up to date to current arrangements or legislation:<br><br>The Fraud Policy, May 2016, had been reviewed in 2021 and was subsequently approved by the Board in May 2021, and<br><br>The Zero Tolerance Policy, May 2016. There is an up-to-date version dated 2019, which is due for review in 2022. | Staff may not consider the policies as being applicable to current requirements. | **R5 –** The following policies available on the public website should be updated to ensure they reflect the current version:<br><br>• Fraud Policy, May 2016, and<br>• Zero Tolerance Policy, May 2016 | These policies will be replaced with current versions.<br><br>**To be actioned by:**<br><br>Fraud: Head of Finance & Corporate Governance<br><br>Zero Tolerance: Head of HR<br><br>**No later than:** 30 September 2021<br><br>**Grade** **3** |

## Compliance with Legislation

| **Objective 4 – there are appropriate monitoring and reporting processes to identify any areas of legislative non-compliance and to undertake appropriate action regarding these, with non-compliance being reported upwards to the Board or to a standing committee of the Board.** |
| --- |
| Obligations for compliance activity lie across the organisation with responsible officers leading statutory obligations identified on the Table of Legislation. Oversight of arrangements by SLT, Committee, or the Board are also identified.<br><br>Management advised that historically there has been no significant legislative issues encountered or non-compliance issues identified at the CI. Where there is to be a delay in meeting the reporting deadlines then there is an effective communication protocol in place to ensure constructive dialogue with the Scottish Government or relevant regulator. From our sample testing of reporting arrangements for statutory requirements arising from legislation identified on the Table of Legal Requirements, and within the SPFM, we noted no issues or concerns around the effectiveness of the current arrangements.<br><br>The work underway to develop a centralised framework for the management of CI's compliance of legislation, supported by assurance work completed, will enhance the current arrangements, and should ensure that reporting is scheduled, and completion monitored. This will require dedicated resource to ensure that compliance arrangements are effective and are operating efficiently, as highlighted above. |

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**AUDIT AND RISK COMMITTEE MEETING 9 SEPTEMBER 2021**

**Agenda item 10**
**Report No: ARC-21-2021**

care inspectorate

| | |
|---|---|
| **Title:** | **COVER REPORT: INTERNAL AUDIT ON JOINT REVIEW OF SHARED SERVICE (PHASE 2)** |
| **Author:** | *Kenny Dick, Head of Finance and Corporate Governance* |
| **Appendices:** | 1. Internal Audit Report: Joint Review of Shared Services (Phase 2). |
| **Consultation:** | **n/a** |
| **Resource Implications:** | **None** |

| **Executive Summary:** |
|---|
| The internal audit report on Joint Review of Shared Services (Phase 2) is attached as Appendix 1. The overall level of assurance is "Good".<br><br>There are six control objectives all six are identified as "Good". There are no recommendations. |

| **The Committee is invited to:** | |
|---|---|
| 1. | Accept the Internal Auditor's report on Joint Review of Shared Services (Phase 2). |

| **Links:** | Corporate Plan Outcome | | Risk Register Number | | EIA Y/N | N |
|---|---|---|---|---|---|---|
| **For Noting** | | **For Discussion** | **For Assurance** | x | **For Decision** | |

**If the report is marked Private/Confidential please complete section below to comply with the Data Protection Act 2018 and General Data Protection Regulation 2016/679.**

| **Reason for Confidentiality/Private Report: N/A**<br>*(see Reasons for Exclusion)* |
|---|
| **Disclosure after:** |

**Agenda item 10**
**Report No: ARC-21-2021**

| **Reasons for Exclusion** | |
|---|---|
| a) | Matters relating to named care service providers or local authorities. |
| b) | Matters relating to named persons which were they to be discussed in public session, may give rise to a breach of the Data Protection Act 2018 or General Data Protection Regulation 2016/679. |
| c) | Matters relating to terms and conditions of employment; grievance; or disciplinary procedures relating to identified members of staff. |
| d) | Matters involving commercial confidentiality. |
| e) | Matters involving issues of financial sensitivity or confidentiality. |
| f) | Matters relating to policy or the internal business of the Care Inspectorate for discussion with the Scottish Government or other regulatory or public bodies, prior to final approval by the Board. |
| g) | Issues relating to potential or actual legal or statutory appeal proceedings which have not been finally determined by the courts. |

Agenda item 10 - Appendix 1

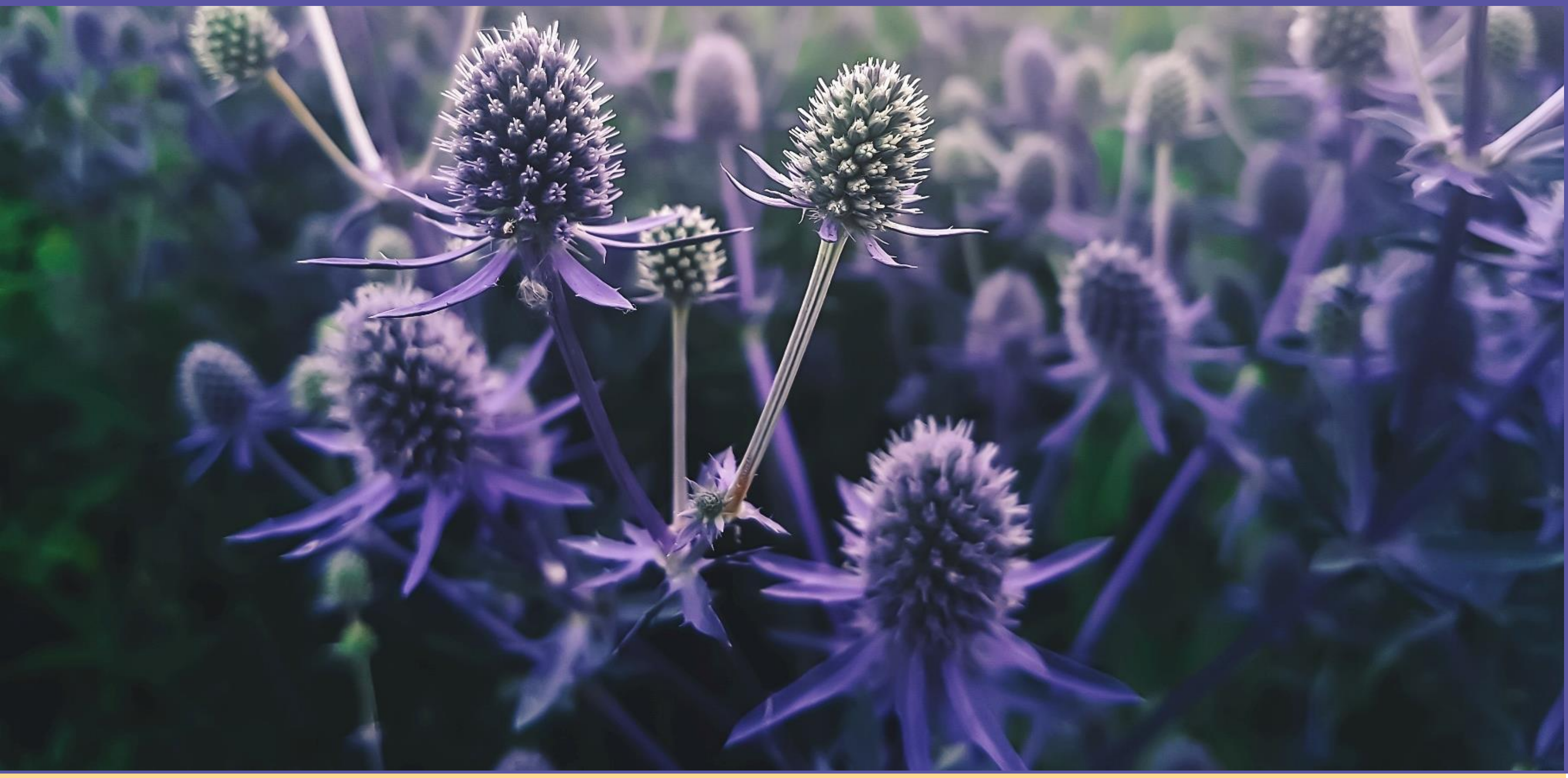
| LEVEL OF ASSURANCE |
| --- |
| Good |

# Care Inspectorate and SSSC

## Phase 2 – Joint review of shared services

**Draft issued: 18 August 2021**

**Final issued: 27 August 2021**



Henderson Loggie

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## Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

| | |
|---|---|
| **Good** | System meets control objectives. |
| **Satisfactory** | System meets control objectives with some weaknesses present. |
| **Requires improvement** | System has weaknesses that could prevent it achieving control objectives. |
| **Unacceptable** | System cannot meet control objectives. |

**Action Grades**

| | |
|---|---|
| **Priority 1** | Fundamental issue subjecting the organisations to material risk which requires to be addressed by management and the Audit and Risk Committee (CI) and the Audit and Assurance Committee (SSSC) as a matter of urgency. |
| **Priority 2** | Issue subjecting the organisations to significant risk and which should be addressed by management as a priority. |
| **Priority 3** | Matters subjecting the organisations to minor risk or which, if addressed, will enhance efficiency and effectiveness. |

# Management Summary

## Overall Level of Assurance

| | |
|---|---|
| **Good** | System meets control objectives. |

## Risk Assessment

The inclusion of specific strategic risks on the risk registers of the Care Inspectorate or SSSC on the topic of shared services was recommended in our previous Phase 1 - joint review of shared services issued in May 2021. A separate Shared services risk register has also been developed.

## Background

At the request of management within the Care Inspectorate (CI) and the Scottish Social Services Council (SSSC) we were asked to conduct a joint review of the shared service arrangements which apply from 1 April 2021. This review was not included within the Strategic Internal Audit Plan for either organisation, but this work has been commissioned in order to provide positive assurance on the arrangements which have been developed through joint working between the Executive Director of Corporate and Customer Services for the Care Inspectorate, the interim Director of Finance and Resources for the SSSC and the Head of Shared Services.

Latterly a Shared Service Member Officer Working Group oversaw the development and implementation of the new shared service arrangements from a purely Care Inspectorate perspective. The last meeting of this Group, held on 16 March 2021, received an update on the progress to date and set out the direction of travel around the suite of documentation which would be subject to independent review by internal audit. The list of documentation agreed for consideration as part of the internal audit review was as follows:

- Service specifications
- Development Plan
- Resource Plan
- Time recording
- Performance Framework
- Management Agreement (includes performance framework and charging regime)
- Shared service combined risk register
- Joint CI and SSSC shared service strategy

## Background (Continued)

The original scope for this review, which was agreed with the Executive Director of Corporate and Customer Services for the Care Inspectorate, the interim Director of Finance and Resources for the SSSC and the Head of Shared Services, in February 2021, had a specific focus around the Shared Service specification. However, following discussion with management, the revised focus for the Phase 2 review was around providing an assessment of the fitness for purpose of the following documents which were subsequently approved by the Care Inspectorate Board and SSSC Council:

- A joint CI and SSSC Shared Service Strategy;
- The Shared Service Management Agreement;
- The Performance Framework; and
- The Shared Service combined risk register.

Therefore, this Phase 2 review covers the remaining documentation which was not available for review as part of the phase 1 review in May 2021, namely:

- Service specifications
- The Development Plan for activities not considered ‘business as usual’
- The Resource Plan
- Time recording systems

## Phase 2 – joint review of shared services

## Scope, Objectives and Overall Findings

The scope of the audit builds on the previous Phase 1 review to complete the original agreed scope. This review focused on the work undertaken to develop a shared services specification for the delivery of services to both the Care Inspectorate (CI) and the SSSC.

The table below notes each separate objective for this review and records the results:

| Objective | Findings | | | |
|---|---|---|---|---|
| **The objective of our audit was to ensure that:** | | **1** | **2** | **3** |
| | | **No. of Agreed Actions** | | |
| 1. The range of services contained within the service specification have been developed following customer consultation with all parts of the CI and SSSC in order to meet both current and future needs. | **Good** | - | - | - |
| 2. The responsibilities of the Shared Services function are clearly described and there is a clear delineation between the services to be delivered as part of the core service offering and those services which would require to be commissioned separately. | **Good** | - | - | - |
| 3. Roles and responsibilities are clearly defined and the governance arrangements for oversight of delivery of the shared services specification have been agreed with stakeholders. | **Good** | - | - | - |
| 4. The style, content and scope of the shared services specification is in line with good practice observed elsewhere regarding shared service arrangements. | **Good** | - | - | - |
| 5. The specification sets out the acceptable level of service and describe the mechanisms in place to deal with any performance which drops below these acceptable levels. | **Good** | - | - | - |
| 6. There is a timetable in place to formally review the service specification and to adapt it to meet the changing needs of either or both organisations. | **Good** | - | - | - |
| **Overall Level of Assurance** | **Good** | **-** | **-** | **-** |
| | | System meets control objectives. | | |

## Audit Approach

Through discussions with Head of Shared Services (SSSC and CI), and through review of supporting evidence, we identified and assessed the extent to which the above objectives were being met.

## Phase 2 – joint review of shared services

## Summary of Main Findings

***Strengths***

- There has been significant input from both organisations in developing the final service specification;
- There is a clear recognition that the specification may need to evolve over time in order to make sure that it delivers the anticipated benefits;
- Each of the activities included within the shared services arrangement are clearly set out within the Service Specification document, including the responsibilities for overall management of the Shared Services function;
- The overall resource plan sets out the hours and costs required for core service specification delivery and this is clearly delineated from the time and cost associated with delivery of the development plan; regular meeting attendance by Shared Services staff members; and flexible / reactive time;
- A separate Shared Service Annual Development Plan - 2021/22 has been developed which sets out the various workstreams which will be progressed during 2021/22. These are prioritised and have identified milestones for initiation and completion;
- Detailed operational responsibilities are described within Section 1 of the Service Specification which set out the Standards Required and the reporting requirements to stakeholders;
- The responsibilities for Shared Services staff in capturing the actual time spent on core and developmental activity through their timesheets is set out in a detailed time recording guide which makes it clear the types of work which should be recorded via the flexi system;
- The Shared Services specification sets out in detail the various activities which will be delivered as part of the shared services function and the mechanisms for monitoring performance in these areas and we are content that this is aligned to good practice; and
- The Shared Service Management Agreement makes it clear that there will be an annual review of the service specification and this will be informed by the outcomes described in the Annual Shared Service report.

***Weaknesses***

- There were no weaknesses identified during this Phase 2 element of the joint shared services review.

## Acknowledgment

We would like to take this opportunity to thank the staff at the Care Inspectorate and SSSC who helped us during our audit.

# Main Findings and Action Plan

**Objective 1 - The range of services contained within the service specification have been developed following customer consultation with all parts of the CI and SSSC in order to meet both current and future needs.**

Through our discussions with senior management in the Care Inspectorate and SSSC, and our review of the various iterations of the shared services specification, it is clear that there has been significant input from both organisations in developing the final service specification. There is also a clear recognition that the specification may need to evolve over time in order to make sure that it delivers the anticipated benefits. This will require ongoing review and dialogue between the Executive Director of Corporate and Customer Services (CI), the Interim Director of Finance and Resources (SSSC), the Head of Shared Services (SSSC and CI) to ensure that the specification continues to reflect the requirements of all stakeholders.

The mechanism for achieving this ongoing review and dialogue is set out under Objectives 4, 5 and 6 below.

## Phase 2 – joint review of shared services

**Objective 2 - The responsibilities of the Shared Services function are clearly described and there is a clear delineation between the services to be delivered as part of the core service offering and those services which would require to be commissioned separately.**

Each of the activities included within the shared services arrangement are clearly set out within the Service Specification document, including the responsibilities for overall management of the Shared Services function. For each activity within the Service Specification a detailed description of the activity is included together with any Special Conditions; Standards Required; Volumes / Frequency; Outputs/Outcomes; Shared Service Performance Measures and Other pertinent details.

The activities included in the specification are as follows:

- Human Resources
- Payroll
- Finance
- Audit
- Procurement
- Transactions
- Corporate Governance
- Estates
- Health and Safety
- Reception

Each activity is then further subdivided within the Service Specification to identify specific aspects of activity. The outputs and outcomes and performance metrics attached to each activity set out the core delivery responsibilities resting with the Shared services function. In addition, the overall resource plan sets out the hours and costs required for core service specification delivery and this is clearly delineated from the time and cost associated with delivery of the development plan; regular meeting attendance by Shared Services staff members; and flexible / reactive time. The resource model is broken down to individual staff member level and allocates the cost of each member of staff across various activity codes in line with anticipated activity. The model also makes a number of assumptions in arriving at the level of budgeted productive time which is available for each member of staff and this has been allocated across the activity headings to arrive at a budgeted level of input for each activity across the Care Inspectorate and SSSC. These assumptions are consistent with the Regulation model utilised in the SSSC, which was subject to separate internal audit review during 2020/21. This provides a clear picture of the budgeted resource which will be directed towards different types of activity and the cost associated with this and this is available in both summary format and at individual staff member level.

A separate Shared Service Annual Development Plan - 2021/22 has been developed which sets out the various workstreams which will be progressed during 2021/22. These are prioritised and have identified milestones for initiation and completion. This model allows budgeted resource to be allocated against individual staff members to ensure that the delivery of developmental activity is factored into the overall calculation of time available to complete both core and developmental activity. Any activity added to the core offering set out in the Service Specification or the agreed Development Plan will be subject to discussion between the Executive Director of Corporate and Customer Services (CI), the Interim Director of Finance and Resources (SSSC) and the Head of Shared Services (SSSC and CI).

## Phase 2 – joint review of shared services

| **Objective 3 – Roles and responsibilities are clearly defined and the governance arrangements for oversight of delivery of the shared services specification have been agreed with stakeholders.** |
|---|

The joint CI and SSSC Shared Service Strategy sets out four strategic aims for Shared Services and also describes the governance arrangements and performance monitoring arrangements which will allow oversight of the shared services arrangements for both partner organisations.

However, detailed operational responsibilities are described within Section 1 of the Service Specification which set out the Standards Required as follows:

"*The Head of Shared Services should be an exemplar in demonstrating the values and leadership behaviours expected by SSSC and CI as well as being proactive, customer focussed and evidencing best value and high standards in service provision.*

- *As set out in service specifications*
- *Service delivery to meet or exceed performance targets reported to the Service Review Board*"

In addition, the Service Specification also sets out the requirement to report to the following stakeholders in line with the agreed frequencies set out below:

- Shared Service management Team – monthly
- Oversight Group – monthly
- Service Review Board - quarterly

This will take the form of a Quarterly performance report; Monthly budget statement; and Annual Shared Services Performance Report.

The responsibilities for Shared Services staff in capturing the actual time spent on core and developmental activity through their timesheets is set out in a detailed time recording guide which makes it clear the types of work which should be recorded via the flexi system.

## Phase 2 – joint review of shared services

**Objective 4 - The style, content and scope of the shared services specification is in line with good practice observed elsewhere regarding shared service arrangements.**

**Objective 5 - The specification sets out the acceptable level of service and describe the mechanisms in place to deal with any performance which drops below these acceptable levels.**

The Shared Services specification sets out in detail the various activities which will be delivered as part of the shared services function and the mechanisms for monitoring performance in these areas. We are content that the style, content and scope is in line with good practice observed elsewhere.

Within the Phase 1 joint shared services review we set out our view that the performance management framework moving forward should be sub-divided into three distinct aspects:

1. The operational performance metrics which will be monitored internally within Shared Services.
2. The quarterly performance metrics which will be reported to the Executive Director of Customer and Corporate Services for the Care Inspectorate, the Director of Finance and Resources for the SSSC and the Service Review Board.
3. The annual performance metrics which will be included in an annual Shared services report which will summarises the performance delivery for each financial year.

The metrics detailed in category 1 above are used solely by shared services to monitor and manage service delivery. The metrics detailed in categories 2 and 3 above are formally reported on a quarterly or annual basis as appropriate. This is set out in the Management Agreement and the metrics are intended to identify areas of "under performance". Monitoring of these metrics will allow improvement actions to be identified, agreed and implemented.

Therefore the performance metrics set out within the Shared Services specification provide the primary mechanism for tracking performance internally within Shared Services. It is the intention that any development activity flagged via the ongoing monitoring of the performance metrics in the Shared Service Management Agreement will feed into the development plan but there is also the option for the introduction, following discussion at the monthly meetings, of development activity arising from the ongoing monitoring of the operational performance metrics, which will be monitored separately by the Head of Shared Services (SSSC and CI) .

From our analysis of the Service Specification, and associated resource model and development plan, it is clear that the ongoing compilation and analysis of budgeted against actual activity will represent a complex and time-consuming exercise for the Head of Shared Services (SSSC and CI) after each four week flexi period ends. However, we are content that the ongoing dialogue between the Executive Director of Corporate and Customer Services (CI), the Interim Director of Finance and Resources (SSSC) and the Head of Shared Services (SSSC and CI) will allow any workload issues arising from this additional task to be discussed and resolved.

## Phase 2 – joint review of shared services

| **Objective 6 - There is a timetable in place to formally review the service specification and to adapt it to meet the changing needs of either or both organisations.** |
|---|
| The Shared Service Management Agreement makes it clear that there will be an annual review of the service specification and this will be informed by the outcomes described in the Annual Shared Service report.<br><br>Any changes made to the service specification will also be informed by the ongoing dialogue with the Shared Service Management Team; Oversight Group and Service Review Board. |

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care inspectorate

# ANNUAL REPORT and ACCOUNTS 2020/21


Published by: Communications
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HAPPY TO TRANSLATE

Annual Report and Accounts of
the Care Inspectorate

This report is laid before the
Scottish Parliament under
Schedule 11 Section 15(2)
of the Public Services Reform
(Scotland) Act 2010

1 April 2020 to 31 March 2021

SI number SG/2021/151

The Accountable Officer
authorised these financial
statements for issue
23 September 2021

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# Annual report

# Section A: Performance report

## 1. Performance overview

### 1.1 Foreword by Chair

This annual report covers the Care Inspectorate's operations from April 2020 to March 2021; a year that can only be described as the most challenging we have faced since we were established. The Covid-19 pandemic has caused incredible distress and trauma for so many individuals and families across our society, as well as for staff working in care services and those working for the Care Inspectorate itself.

I want to acknowledge the enormity of the impact on the social care sector and the tremendous efforts of those who have continued to deliver the best possible care in the most difficult of circumstances. I would also like to express my heartfelt thanks to all those who have worked so tirelessly over the past year, including the staff at the Care Inspectorate who have committed so much time, energy and hard work to support the sector during a very challenging time.

The Care Inspectorate has adapted to continue our scrutiny, assurance and quality improvement work across the care sector. We have continued to keep the Health and Social Care standards central in driving improvement, promoting flexibility and encouraging innovation in how people are cared for and supported.

When the Covid-19 pandemic took hold in Scotland, we focused on supporting services to manage the crisis. In the early stages, following advice from Directors of Public Health, we restricted our onsite visits to services because of the risk of virus transmission and adapted how we worked. It was critical that we restricted on site visits to care homes in order to protect people and limit the spread of the virus. We simultaneously intensified our oversight of services and rapidly put in place other ways to scrutinise, monitor and support the social care sector across Scotland to make improvements. We continued to make regular, often frequent, contact with services through virtual meetings and phone calls during the inspection year. As the year progressed, we tested and put in place a number of different approaches to our work that brought tangible benefits and applied these to different service types accordingly.

As we look to the year ahead, there are a number of opportunities arising with the rollout of the expansion of funded Early Learning and Childcare (ELC), the implementation of our new ELC Quality Framework, and the implementation of 'The Promise' and its recommendations on children's social care reform. Focus will also be given to working with the new Scottish Government on delivering the recommendations of the Independent Review of Adult Social Care and specifically a National Care Service. We must ensure our learning from Covid-19 is relevant and ambitious, supporting the transformation of the social care sector to deliver care that meets the individual needs of people who experience care, supporting them to live life well and to the full. We also welcome the opportunity to take part in the forthcoming independent public inquiry in Scotland into the handling of the coronavirus (COVID-19) pandemic.

I am pleased to have had my time as Chair extended for a further year.

I look forward to working with all the staff at the Care Inspectorate, the Strategic Leadership Team and the Board in this coming year. We will be focussed on helping to shape and enable the transformation of social care as we move forward with the recommendations for the Independent Review of Adult Social Care and the consultation on the National Care Service. I am committed to ensuring the sector receives the recognition that it deserves, and to helping the Care Inspectorate achieve its vision of world-class social care and social work in Scotland, where every person, in every community, experiences high-quality care and support, tailored to their rights, needs and wishes.

Paul Edie
Chair

## 1.2 Statement by Chief Executive on performance in the period 2020/21

I am pleased to introduce our annual report for 2020/21, which highlights our performance delivering scrutiny, providing assurance, and supporting quality improvement in social care and social work across more than 12,100 registered care services that we regulate in Scotland.

This has clearly been an unprecedented year for everyone as we have all come to terms with - and dealt with - a global pandemic, the repercussions of which have impacted the health and social care sector hardest of all. Across the care sector, there has been loss of life and there are many bereaved and grieving families. That is also the case for staff working in the sector, who have worked selflessly and with great professionalism and compassion in some of the most challenging circumstances. Tragically some of them have also lost their lives.

On behalf of everyone at the Care Inspectorate, I would like to share our deepest sympathies to those who have lost loved ones or those they have cared for. Each one is a personal tragedy and a reminder of the impact this virus is having on our society and communities.

With the pandemic still very much in the forefront of our minds, I must extend a special acknowledgement and my sincere gratitude to all of those who have been working in social care, social work, and early learning and childcare (ELC) for continually going above and beyond to deliver the best possible care to those who needed it during this time of crisis.

This report looks back at how the Care Inspectorate has responded and adapted to the pandemic and how our staff have worked to ensure the highest standards of care in the most challenging conditions.

When the pandemic began to develop in Scotland, we acted quickly to change our approach to scrutiny, assurance and improvement support, and developed new and enhanced ways to support the care sector and provide assurance to the public. We had to rapidly implement contingency plans to operate effectively during an emerging pandemic.

The advice from Directors of Public Health in Scotland was unequivocal; inspection visits presented a real risk of introducing and spreading COVID-19. We intensified our oversight of services and rapidly put in place other ways to scrutinise, monitor, and support social care across Scotland. We continued to make regular contact with services and our inspectors made over 74,000 remote contacts, and had 2,800 virtual meetings during the inspection year to carry out their scrutiny work and also provided invaluable support when services needed it most. We successfully rolled out Near Me technology to enable us to inspect services remotely and have used intelligence-led and risk-based scrutiny approaches to focus our work on the greatest area of need.

In June 2020, we augmented our quality framework with associated quality indicators to enable us to inspect how services were operating in response to the pandemic, including people’s health and wellbeing, infection prevention and control, PPE, and staffing.

Our inspection findings – reported to Parliament every fortnight since May – highlighted many areas of positive practice, including staff providing kind and compassionate care, and the positive use of technology allowing those experiencing care to stay in contact with those important to them. They also identified areas for improvement in relation to people's health and wellbeing, infection prevention and control, and staffing arrangements.

We have worked collaboratively with the Scottish Government, organisations such as Healthcare Improvement Scotland, and partners across public health, nursing, and health and social care partnerships to ensure that tailored support and the right intervention has been provided for each care home in Scotland.

Throughout the pandemic we have collected and analysed data and information to support our emergency response and shared this with the Scottish Government and our other partners to help support the care sector.

Our Covid-19 winter support webinars have successfully supported care homes and care at home services for older people and adults in Scotland to prepare for winter and to support the implementation of Covid-19 guidance into practice.

We remain committed to supporting continuous quality improvement using improvement methodology to enable services to make sustainable improvements. In March 2021, I was delighted to appoint our first Chief Nurse, the only role of its kind across all UK social care regulators, with a focus on supporting the care sector and the Care Inspectorate in relation to nursing, clinical leadership, and specialist clinical and professional advice. We are also in the process of establishing a Health and Social Care Improvement Team to further support quality improvement in the care sector in relation to specialist areas of health and wellbeing.

In early learning and childcare, we significantly increased our levels of contact with those services that remained open, offering advice and support through professional dialogue with managers and providers. A key element of this contact was to support services to understand and implement national Covid-19 guidance.

We set up a national Covid-19 flexible response team within our organisation to help relay information and inform services about the emerging and rapidly developing situation. We also developed an interim registration procedure to enable services to adapt quickly to provide essential services for children and their families.

In order to support services and keep the public informed, we developed a range of guidance and resources. A specific section of the website has informed and helped services and the public stay up to date with the ever-changing situation. We produced a series of reports detailing how the Care Inspectorate has changed its role and purpose and how we responded to the pandemic. We also sent out regular provider updates to support services .

The Care Inspectorate supported the Crown Office and Procurator Fiscal Service (COPFS) investigation into deaths due to Covid-19 in care homes in Scotland.

Beyond Covid, we have continued to inform local and national policy as well as the public with our publications on topics such as complaints, fostering and adoption, staff vacancies and corporate parenting. Our regular Provider Updates have kept the sector regularly informed of new developments and guidance that they need to follow.

We also delivered a huge digital transformation project with the launch of our new registration app for use by colleagues, external providers and applicants who can now access, update and maintain information directly.

It has also been important for us to support our own staff through challenging times. Recognising the importance of creating a safe space to reflect and learn from experiences during the pandemic, we delivered a programme of learning events to encourage the workforce to reflect together on the learning, insights and challenges experienced at work during the pandemic.  We have provided access to a range of support, such as webinars, courses, counselling support, and information on range of topics around wellbeing.

As we look ahead, there is much work to be done and many opportunities to embrace. Learning from our experiences during the pandemic and focussing on our recovery will be a key theme of our work. The implementation of the Independent Review of Adult Social Care, and its core recommendation to establish a National Care Service, will have a significant impact on our role and function and will be an important debate in which to engage and contribute. We would also welcome the opportunity to contribute to the Scottish Government’s independent public inquiry into Covid-19.

The rollout of the expansion of funded ELC and ‘Funding Follows the Child’ will help ensure children experience the highest quality of ELC. Our ELC Improvement programme has also supported funded ELC settings across Scotland to improve the quality of their provision and meet the National Standard through learning communities, one-to-one support and online resources.

We will be reviewing all Quality Improvement Frameworks for children’s services to make sure they align with the priorities of the Promise, and monitoring the rollout of the Barnahus model and associated standards.

We remain ambitious for social care and committed to ensuring that people in Scotland can experience transformational, world-class care that makes a real and positive difference to their lives.

Even in such difficult times as we have experienced in this past year, I continue to see our values being lived every day throughout the Care Inspectorate and across the sector as we focus on the experiences, wellbeing and outcomes of people who use care services. I extend my gratitude to everyone who has played – and continues to play – their part supporting Scotland’s care sector to make a positive difference to people’s lives through the delivery of high-quality and safe services.

**Peter Macleod**
**Chief Executive**

## 1.3 Purpose of overview section

This overview section provides information on the statement of purpose and activities of the Care Inspectorate and on key issues and risks affecting the organisation. This section also reports on any going concern and provides a performance summary against the organisation's strategic aims.

## 1.4 Statement of purpose and activities of the organisation

The Care Inspectorate is the official statutory body responsible for inspecting standards and furthering improvement of social work and social care in Scotland. That means we regulate and inspect care services to make sure they are operating at the levels we expect. We also carry out joint inspections with other bodies to check how well local partnerships are working to support adults and children. We help ensure social work, including criminal justice social work, meets high standards.

It is our responsibility to help ensure that people experience high-quality care and support. We play a key part in improving care for adults and children across Scotland, acting as a catalyst for change, improvement and innovation, and promoting good practice.

We are an executive non-departmental public body. This means we operate independently from Scottish Ministers but are accountable to them and are publicly funded. Our functions, duties and powers are set out in the Public Services Reform (Scotland) Act 2010 and associated regulations.

Our Board sets our strategic direction and oversees governance, while taking account of legislation and Scottish Government policy guidance. You will find more about our Board on our website. Our staff team is led by our chief executive and four executive directors.

We regulate over 12,100 services. Most of these are childminders, care homes, care at home, daycare of children or housing support. We also regulate adoption and fostering services, secure care, school accommodation, nurse agencies and offender accommodation. You will find more information about the numbers and types of services we regulate on our website.

Our regulatory work includes registering and inspecting care services, dealing with complaints and carrying out enforcement action, where necessary. We also play a significant role in supporting improvement in care services and local partnerships.

**Care Inspectorate vision**
The Care Inspectorate believes that people in Scotland should experience a better quality of life as a result of accessible, excellent services that are designed and delivered to reflect their individual needs and promote their rights.

**Our purpose**
The Care Inspectorate will contribute to this vision by:
- providing public assurance and protection for people who experience care and their carers
- delivering efficient and effective scrutiny assurance and improvement support

- acting as a catalyst for positive change, innovation and world-class care
- supporting self-evaluation and identifying and spreading good practice.

**Our values**
- Person-centred – we will put people at the heart of everything we do.
- Fairness – we will act fairly, be transparent and treat people equally.
- Respect – we will be respectful in all that we do.
- Integrity – we will be impartial and act to improve care for the people of Scotland.
- Efficiency – we will provide the best possible quality and public value from our work.

**Strategic outcomes**
- People experience high-quality care.
- People experience positive outcomes.
- People's rights are respected.

Our current Corporate Plan is available to read here.

**How we register care services**
Every care service falling within the definition in the Public Services Reform (Scotland) Act 2010 must be registered with the Care Inspectorate. We register all new care services to ensure that they meet legal requirements, evidence their ability to provide good-quality care and take into account the Health and Social Care Standards. We may make variations to any conditions of registration. When a service cancels its registration or is faced with sudden closure, our regulatory approach aims to safeguard the people who are using the service by working with the provider, local authority and others to ensure changes are planned and uncertainty is minimised.

**How we inspect care**
Our scrutiny and improvement plan is agreed annually by Scottish Ministers. We gather intelligence from a variety of sources across social care in Scotland. This intelligence informs how and when we inspect services. We have a duty to target our resources at those services which need the most support, so our inspections often focus on poorer performing and high risk services. Inspectors use a variety of methods, depending on the type of service they are inspecting to examine the experiences of and outcomes for people, as a result of using a care service.

As part of inspection, our inspectors will talk to people who use care services, their carers and their families. We talk to staff and managers, examine what quality of care is being provided, look at activities and environments, examine records and files, and ensure people have choices that reflect their needs and promote their rights. We may make recommendations and requirements or take enforcement action if necessary.

We take account of self-evaluation from the service itself and assess its performance against the Health and Social Care Standards. We grade care services using a six-point scale from unsatisfactory to excellent across four themes: their quality of care and support; their quality of environment; their quality of staffing; and their quality of management and leadership.

In June 2020, we introduced Key Question 7, to assess how well services were responding to the pandemic. This addition to our inspection framework enabled us to focus on infection prevention and control, PPE, and staffing while also considering the impact on people's health and wellbeing.

We also deal with complaints about regulated care services. We deal with concerns and complaints using different pathways to ensure they are resolved quickly, appropriately and effectively. All concerns raised with us are assessed carefully to ensure they are dealt with in the most appropriate and proportionate manner. Concerns and complaints about a service may affect its grades and how frequently we inspect it.

## 1.5 Key issues and risks affecting the organisation

Every year, as part of our corporate planning process, we consider the major risks that might prevent us from achieving our objectives and look at how we can reduce these risks. On an annual basis, our Board undertakes a strategic review of risk to examine the major risks facing the Care Inspectorate, and maintains and receives the resulting risk register throughout the year.

The risk register details each major risk that has been identified, the likelihood of it occurring and the scale of impact were it do to so. The register then identifies specific objectives deriving from, or linked to, the corporate plan that may help to mitigate the impact on the Care Inspectorate were any or all of the risks to materialise. Each risk is scored in its raw state and re-assessed after consideration of mitigating factors. This facilitates a clearer understanding of where executive and management level scrutiny and preventative measures need to be focused. Eight strategic risks are included on the risk register.

In addition, the consideration of risk is a standing item at each meeting of the Board and Committee.

## 1.6 Going concern

The Care Inspectorate Board has no reason to believe the Scottish Government and Scottish Ministers have any intention to withdraw or reduce support to the Care Inspectorate. It is therefore appropriate to prepare the accounts on a going-concern basis.

The Statement of Financial Position as at 31 March 2021 shows net liabilities of £7.396m. The net liabilities are mainly the result of actuarial assumptions adopted for the application of accounting standard IAS 19.

IAS 19 requires the liabilities and assets of the pension scheme to be valued. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Care Inspectorate. The liability relates to benefits earned by existing or previous Care Inspectorate employees up to 31 March 2021.

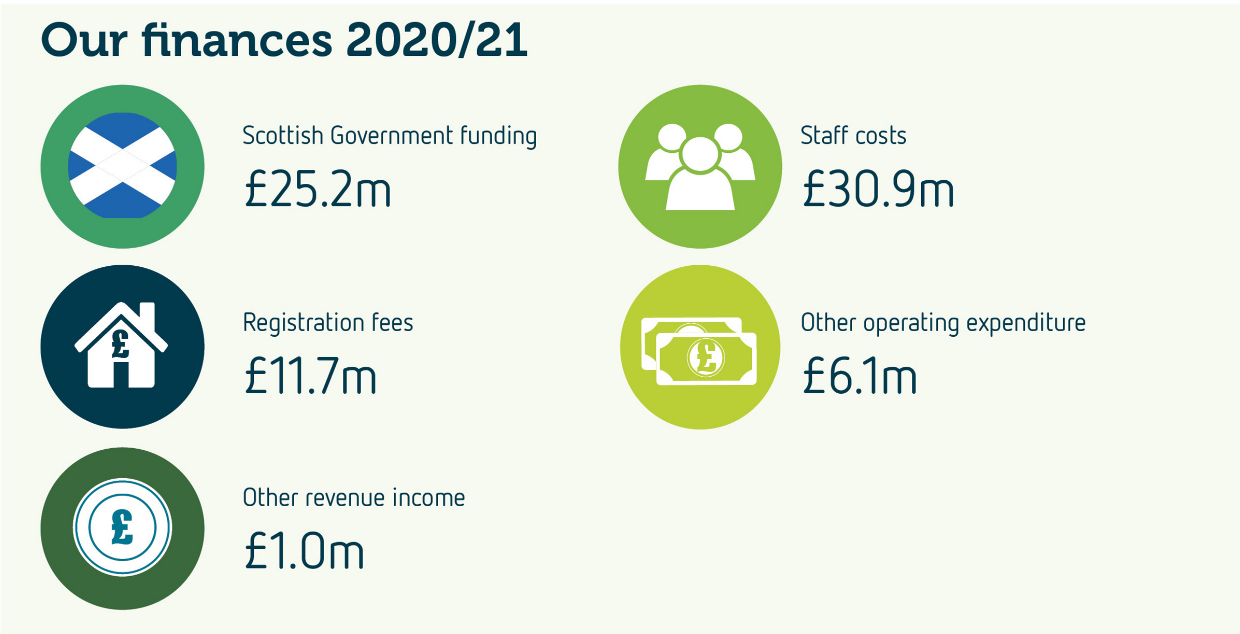
The Care Inspectorate participates in a pension fund which is the subject of an actuarial valuation every three years. This actuarial valuation is different from the valuation required by the accounting standard IAS 19. The actuarial valuation determines employer contribution rates that are designed to bring fund assets and liabilities into balance for the fund as a whole over the longer term.

Therefore, the liability will be reduced through the payment of employee and employer contributions each year. Any future increases in employer contributions will require to be reflected through the grant-in-aid agreed with the sponsor department.

The Statement of Changes in Taxpayers' Equity in the Financial Accounts section shows the pension and general reserve position as at 31 March 2021.

A combination of the statutory maximum fees chargeable being unchanged since 2005 and our core grant in aid remaining static in cash terms over several years has meant that we have had to identify significant efficiencies to meet the continued increase in our core operating costs. We continue to work with our Sponsor Department to agree a sustainable funding position so that we can maintain our ability to deliver services in future years. A working group comprising Board members and officers was set up to consider the impact of this on our medium- and long-term financial planning.

## 1.7 Performance summary




**Financial performance**
Our budget is funded mainly by a mixture of grant in aid from the Scottish Government and fees paid by service providers. (Grant in aid means the Scottish Government provides funding but without imposing day-to-day control over how we spend it.) In managing our finances, we are not allowed to use overdraft facilities or to borrow.

The Scottish Government sets the maximum fees the Care Inspectorate may charge. Changes to maximum fee rates require a public consultation exercise. The maximum fees charged to care service providers have not increased since the 2005/06 financial year.

Our grant funding position for 2020/21 was as follows:

| | Budgeted Position £000 | Actual Funding £000 |
|---|---|---|
| Grant in aid | 24,770 | 25,093 |
| Other government grant | 105 | 112 |
| **Grant Funding 2020/21 (Note 12)** | **24,875** | **25,205** |

Grant in aid includes Scottish Government specific programme funding totalling £1,825k during 2020/21.

The table below shows our revenue budget position.

| | Budget £000 | Actual £000 | Variance £000 |
|---|---|---|---|
| Revenue expenditure | 38,514 | 37,054 | (1,460) |
| Fee income | (11,879) | (11,726) | 153 |
| Other revenue income | (937) | (992) | (55) |
| **Net expenditure before grant funding** | **25,698** | **24,336** | **(1,362)** |
| Grant in aid | (24,770) | (25,093) | (323) |
| Specific grant funded projects | (105) | (112) | (7) |
| **Total 2020/21 grant funding** | **(24,875)** | **(25,205)** | **(330)** |
| **Net expenditure after grant funding** | **823** | **(869)** | **(1,692)** |

**Reconciliation to Statement of Comprehensive Net Expenditure (SCNE)**
We prepare our annual accounts in accordance with the Accounts Direction issued by Scottish Ministers. The Accounts Direction (reproduced at Appendix 1) requires compliance with the Government Financial Reporting Manual (FReM). Our funding and budgeting position is different from the accounting financial position as shown in the Statement of Comprehensive Net Expenditure (SCNE) for three reasons.

1. For budgeting purposes, we consider grants and grant in aid to be income. The accounting position must present grants and grants in aid as sources of funds and are credited to the general reserve on the Statement of Financial Position.

2. Post-employment benefits (pensions) must be accounted for using International Accounting Standard 19 ‘Employee Benefits’ (IAS 19). IAS 19 requires accounting entries for pensions to be based on actuarial pension expense calculations. Our

funding position is based on the cash pension contributions we make as an employer to the pension scheme.

3. Grant in aid used for the purchase of non-current assets is credited to the general reserve and the balance is reduced by the amount of depreciation charged each year. The current year depreciation charge is £0.050m.

The table below reconciles the deficit shown on the Statement of Comprehensive Net Expenditure (SCNE) to the deficit recognised for funding and budgeting purposes. The budgeted deficit of £0.823m was to be funded by a general reserve balance built up in previous years to assist with funding our business and digital transformation programme and invest in ICT modernisation. The actual surplus is £1.692m less than budgeted deficit. This is mainly due to longer than normal recruitment processes and limited travel due to the impact of Covid-19. This additional general reserve balance will assist with the additional expenditure and budget pressures in 2021/22.

| | **Ref** | **£000** | **£000** |
|---|---|---|---|
| Deficit per the SCNE | SCNE | | 14,800 |
| Revenue funding from grants and grant in aid | Note 15 | | (25,205) |
| Reverse IAS 19 pension accounting adjustments | Note 5b | | 9,586 |
| To fund depreciation and asset disposals | Note 6 | | (50) |
| **(Surplus)/deficit on budget basis** | | | **(869)** |
| **Movement of general reserve balance:** | | | |
| **Opening general reserve balance** | **Note 15** | | **(2,251)** |
| (Surplus)/deficit on budget basis | | | (869) |
| Depreciation | | | 50 |
| **Closing general reserve balance** | **Note 15** | | **(3,070)** |

**Supplier payment policy**
The Care Inspectorate is committed to the Confederation of British Industry Prompt Payment Code for the payment of bills for goods and services we receive. It is our policy to make payments in accordance with the Scottish Government's instructions on prompt payment and a target of payment within 10 days. We paid 97.37% (2019/20: 98.60%) of invoices within 10 days.

**The Scottish Regulators' Strategic Code of Practice**
The Care Inspectorate is subject to the Scottish Regulators' Strategic Code of Practice ('the Code'). The Code is made by the Scottish Ministers and laid before the Scottish

Parliament in accordance with the provisions of the Regulatory Reform (Scotland) Act 2014. The Code sets out how regulators should exercise their functions in a way that is consistent with the principles of better regulation and promotes sustainable economic growth. The Care Inspectorate is committed to mainstreaming compliance with the Code in all its regulatory work. The Care Inspectorate takes account of the Code in the development and review of its policies, procedures and methodologies. It complies fully with the Code in making its regulatory decisions, particularly in relation to registration and enforcement actions, which may impact significantly upon businesses.

# 2. Performance analysis

## 2.1 How do we measure performance

Typically, we monitor our performance against:

- the three strategic outcomes in the corporate plan for 2019 to 2022
- the key performance indicators (KPIs) associated with our strategic outcomes.

We have continued to monitor performance against our KPIs but where this had to be revised due to Covid-19, we have provided regular updates and relevant data to our Board to enable them to have confidence in the organisation's response and hold performance to account.

Regular monthly and quarterly reports on our performance, structured around our strategic outcomes, priorities and KPIs, provide our Strategic Leadership Team with information to monitor progress and act where necessary. The following section provides a summary of our performance over the year – fuller detail can be found here: http://www.careinspectorate.com/index.php/publications-statistics/35-corporate-annual-reports-accounts/corporate-board-meeting-papers

## 2.2 Detailed analysis of development and performance

Covid-19 resulted in changes to practice and policies which were different from our pre-pandemic activities. To limit the spread of the virus, we had to restrict our physical presence in services and our offices. Additionally, certain service types closed completely during the pandemic or substantially changed how they operated. These changes resulted in it not being possible to report in the normal way on some of our KPIs (1, 2 and 3(a)) and performance in others was impacted due to the response required to the Covid-19 pandemic. The table below shows our end of year performance in our KPIs.

We had to change the way that we monitored some KPIs due to the impact of Covid-19 and the restrictions around infection prevention control and not being able to routinely access services or survey people and staff in care services with our paper questionnaires (KPI1 – % of people telling us that our scrutiny will improve care).

Due to a combination of services being closed and restrictions on non-essential visiting, complaints and inspections could only be done physically on location when these were deemed absolutely essential, following an enhanced risk assessment (KPI2 – % of statutory inspections completed). This change in policy was to ensure the safety of people experiencing care and care staff.

End of year KPI performance 2020/21

| Strategic Outcome 1: People experience high-quality care | Strategic Outcome 2: People experience positive outcomes | Strategic Outcome 3: People's rights are respected |
|---|---|---|
| **KPI 3(a):** % of complaints about care that were investigated within the relevant timescales (full investigation only)<br><br>**KPI 3(b):** % of complaints about care that were resolved within the relevant timescales (includes all methods of resolution)<br>**90.4%**<br>[Target 80%]<br><br>**KPI4:** % staff absence<br>**3.6%**<br>[Target 3.8%: Range 2.4% to 5.7%] | **KPI5:** % of registration applications completed within timescales<br>**78.3%**<br>[Target 80%]<br><br>**KPI6:** Level of investment in learning and development for our workforce<br>**3.8 hours on average per employee**<br>[Benchmark 4.6 hours]<br><br>**KPI7:** % of inspection hours spent in high and medium risk services<br>**89.8%**<br>[Target 25%] | **KPI8:** Days per quarter that inspection volunteers and care experienced people are involved in our work<br>**62 days (average per quarter)**<br>[Benchmark 65 days] |

Performance on KPI3b and KPI7 increased due to the focus on high-risk services. Staff absence performance (KPI4) increased as staff were working continuously to support the pandemic response and was likely initially improved by working from home with the organisation actively promoting staff health and wellbeing and how we can support people to remain healthy and well at work and at home during the pandemic.

In the KPIs where we were slightly below, target performance was impacted by the focus on the pandemic response and the related restrictions. Training (KPI6) and involvement

(KPI8) opportunities had to be carried out remotely which made normal performance difficult to maintain as in-person training or volunteer inspection activity was not possible. In terms of percentage of registrations completed within timescales (KPI5) the fewer registrations being applied for, combined with work on our digital app and variation work in relation to the pandemic response resulted in the target just being missed.

**Our response to Covid-19 pandemic: Impact on people experiencing care and services**

At 31 March 2021, there were 12,133 registered care services operating in Scotland. 88% of services had grades of good or better for every theme. More information about numbers and types of services, and their grades is available on our website at http://www.careinspectorate.com/index.php/statistics-and-analysis.

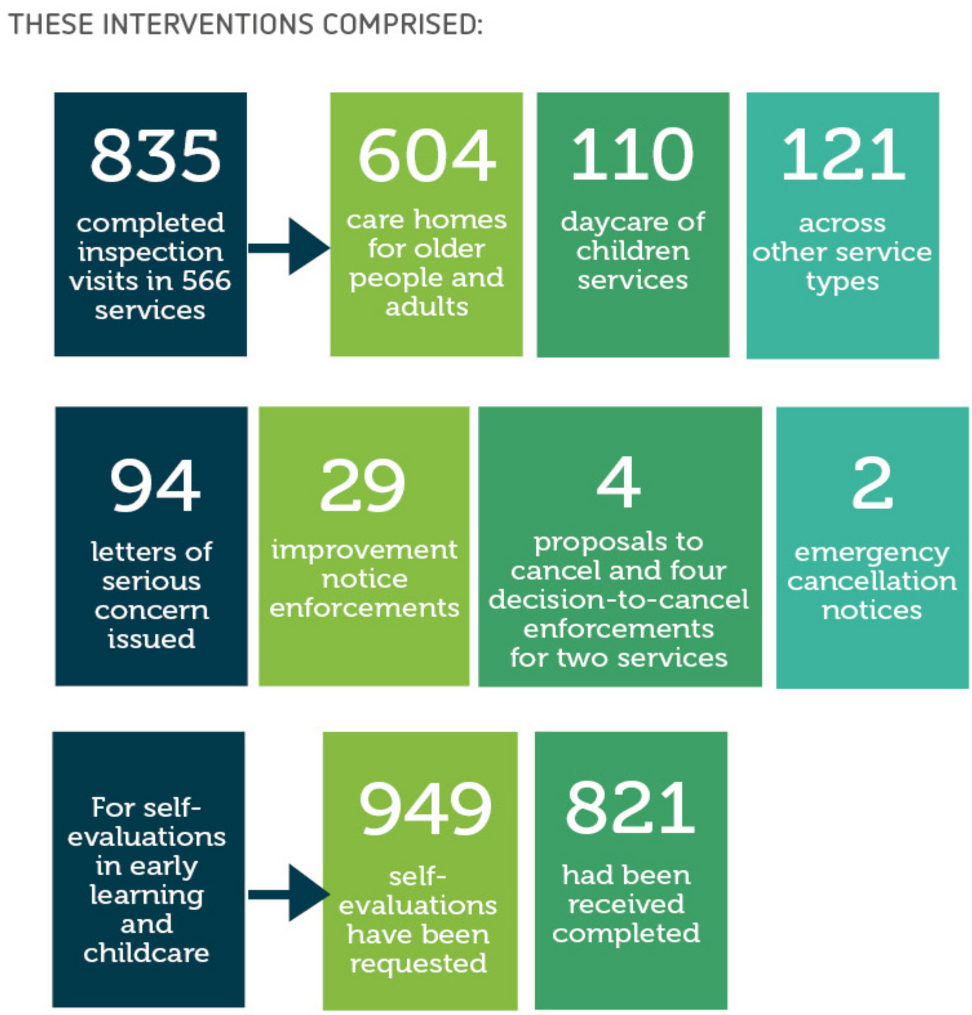
This year, we undertook 8,355 care service scrutiny interventions, including inspections (835), new registrations (477), complaints 4,618), and variations 2,425)

**New registrations completed**: Contributing factors to this decrease include the impact of Covid-19, especially on-site visits, and the work on developing and testing our new digital App and associated new processes.

**Inspections completed**: To limit the spread of Covid-19 our routine inspection plans were affected with some service types closed and others not safe to inspect. However, we intensified scrutiny in other ways: there were 142 additional continuation visits and 34 monitoring visits made to services, 821 self-evaluations, and over 74,000 contacts with services including 346 'Near Me' calls. These virtual contacts allowed us to support services during this unprecedented time while minimising the risk of spreading the virus to the people experiencing care, care staff and our own staff.

**Complaints received**: The number of complaints received decreased by 1,213 (21%) from Q4 last year. Several service types such as childminding, daycare of children and adult daycare had most of their services closed due to Covid-19. Complaints from relatives or carers continue to occupy the greatest proportion of complainants but has decreased by almost a third (32%) compared to Q4 last year. These factors have all contributed to the fall in complaints received.

**Variations to registration completed**: The number of variations completed decreased 671 from Q4 last year largely due to increased numbers in Q1 19/20 following a project to implement new ways of managing conditions of registration. There are some changes this year that have resulted in reduced need for variations. We have continued with adapted practice during the pandemic, reducing the requirement for a variation to make it easier for services to adapt to meet peoples' needs. We have prioritised the migration of cases that were in progress in our legacy system onto our new App, and once complete, will begin to progress a recent increase in variations to extend 'covid related time-limited conditions' (e.g., to provide a different service type / operate from a different premises).




**Complaints**
Covid-19 impacted on the operating hours of many services contributing to the overall number of complaints received decreasing by 1,213 from last year (down 21%). Many services closed or ran at lower capacity due to Covid-19. Fewer visitors to services also contributed to lower number of complaints and we worked with Scottish Government to support the development and implementation of opening care homes to allow visiting and put in place action to support services to develop safe visiting practices.

Under normal circumstances, we would report on KPI3(a): % of complaints about care that were investigated with a full Care Inspectorate investigation within the relevant timescales. However, the Care Inspectorate had to change the way we worked to prevent the risk of spreading Covid-19 in care services. We could not carry out non-essential visits and had to restrict onsite complaint investigations to those that were deemed essential following an enhanced risk assessment.

The Care Inspectorate actioned every complaint that it received and responded appropriately in the context of the pandemic to keep people safe: more complaints were resolved quickly through direct provider action, and more were logged as intelligence.

Crucially, all intelligence from complaints was assessed and used to inform and focus our wider scrutiny work. This included onsite inspections, the majority of which focussed in depth on Covid-19 related issues along with assessing the overall wellbeing of people experiencing care.

Up to the end of Q4 2020/21:

- 220 complaints were completed and of these 167 (76%) were upheld.

90% of complaints were resolved by any method within the relevant timescales (KPI3b) compared to 75% last year. This shows that we resolved complaints quickly; to achieve this, we assigned more staff to support people raising concerns, assess complaints, support resolution by providers and ensure we made relevant authorities aware of complaints.

Our mid-year complaints report for 2020/21 covering Q1 and Q2 can be found here: https://www.careinspectorate.com/images/documents/5915/Board%20meeting%2017-12-20.pdf

**Strategic inspection activity**
Our Strategic scrutiny programme was heavily impacted by Covid-19. The Strategic scrutiny team leading on adult support and protection used the available time to work alongside our scrutiny partners to develop a modified methodology which allows remote reviewing of case records on a multi-agency basis. The new approach was successfully tested in scrutiny work in Inverclyde, and we are hopeful that its deployment will help to transform our inspection activity at strategic level across the range of programmes.

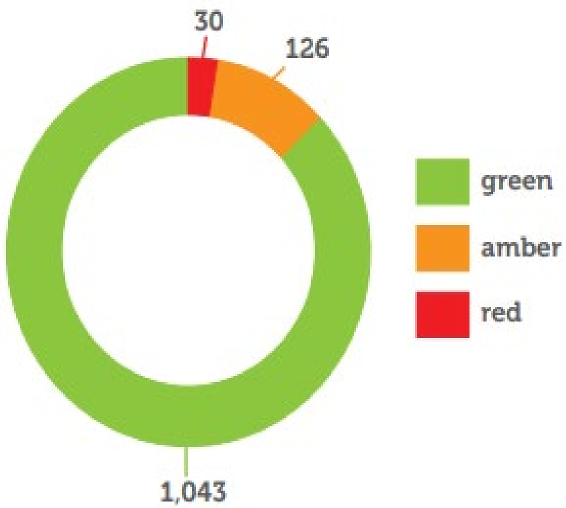
Our Strategic Scrutiny team leading on justice concluded its inspection of justice services in Aberdeen City completing the inspection virtually.

You can find copies of all strategic reports under ‘Inspection reports’ here: http://www.careinspectorate.com/index.php/publications-statistics

**Supporting care services**
Early in March 2020, we put an early warning system of enhanced notifications in place, requiring services to tell us about both suspected and confirmed cases of Covid-19, and staffing levels affected by Covid-19. The Red, Amber, Green system was unique across the UK regulators and meant we were immediately alerted to issues and could provide scrutiny, guidance and support to services directly, as well as directing resources to services from other key agencies where needed

Number of staff shortage notifications received from care homes for older people

Source: Care Inspectorate 4 April - 17 June




- Green – sufficient staff numbers/skill mix to meet the needs of people who use the service.
- Amber – staff are stretched and only just able to provide the staff levels/skill-mix to meet the needs of people who use the service
- Red – no longer have adequate levels and skill-mix of staff to meet the needs of those you provide care for.

Due to the significant requirement for PPE as an infection prevention and control measure, we put in place a professional lead who responds to more specialist enquiries about PPE.  Our data and close working supported NSS hubs for PPE being set up across the country. We provided responses and escalated areas of concern where a national response was needed. We also supported Scottish Government's pandemic response team with scoping and contacting services around staff testing in care services.

**Covid winter support webinars**

The Improvement Support team working with the Covid-19 Flexible Response team to develop and deliver a three-phase package of support around our Covid-19 response and winter preparedness. The aim was to support care homes and care at home services for older people and adults in Scotland for winter and to understand and implement Covid-19 guidance into their settings. The series was delivered through 13 webinars, covering a range of topics, to 1,288 attendees. The webinars had significant reach and were well received by the sector.

**Near Me**

The Scottish Government introduced Near Me to provide clinical appointments remotely in 2017. The Care Inspectorate was given the opportunity to use Near Me with care providers early in 2020. However, due to the Covid-19 restrictions implemented in March, access to the facility was immediately provided to all Care Inspectorate staff who would normally have a need to visit the premises of a care provider, potential care provider, person experiencing care, or a family member in order to reduce the risk of introducing Covid-19 to a care setting. The Care Inspectorate supported the national 'rapid roll out of Near Me' as part of the response to the pandemic by contacting 1,097 care providers to raise awareness of Near Me and provide the opportunity to participate in a test call.

**Supporting and shaping the Covid-19 response**
We worked closely with the Scottish Government and other national bodies including Health Protection Scotland, Healthcare Improvement Scotland, Scottish Social Services Council, NHS Scotland and COSLA to deliver a coordinated response to Covid-19. To ensure the care sector was heard and supported, we consulted and worked closely with care sector representative bodies and others. We contributed to discussions on key topics related to supporting the care sector as well as sharing intelligence and data. This approach helped reduce duplication and improve consistency of advice and guidance. More detail can be found in our public Board reports:
https://www.careinspectorate.com/index.php/publications-statistics/35-corporate-annual-reports-accounts/corporate-board-meeting-papers

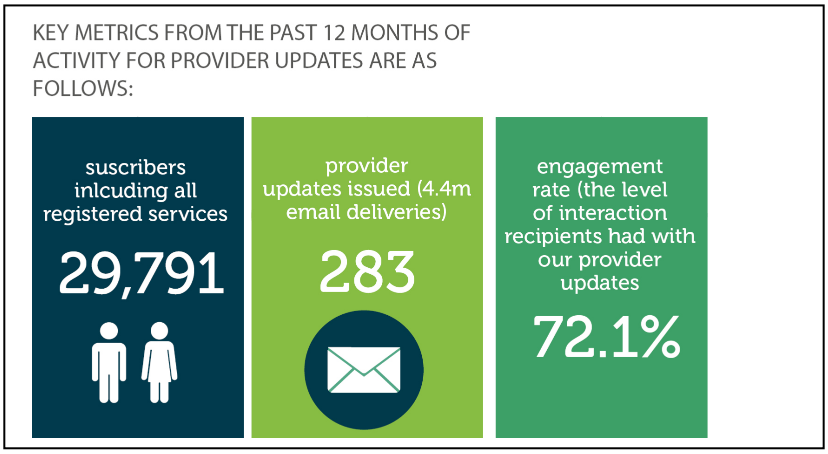
We contributed to the Independent Review of Adult Social Care in Scotland. The Care Inspectorate had thorough engagement through documentary submissions and in person discussions including discussions with the Board and Chief Executive. The findings of the review included a core recommendation to establish a National Care Service. This is likely to have a direct impact on the Care Inspectorate's role and functions as the proposals are developed, debated and implemented in the coming years. The report can be read here:
https://www.gov.scot/publications/independent-review-adult-social-care-scotland/

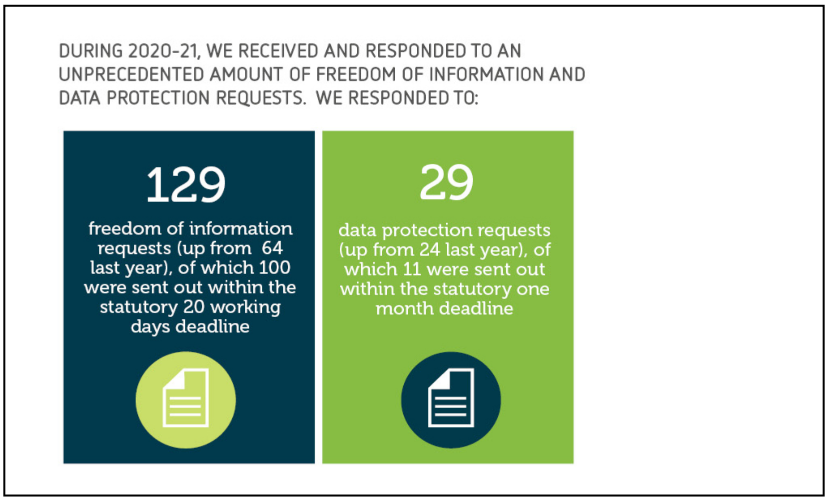
The Chief Executive and Executive Director of Scrutiny and Assurance gave evidence to the Health and Sport Committee as part of its pre-budget scrutiny, while also considering the impact of Covid-19. The session can be viewed here:
https://www.scottishparliament.tv/meeting/health-and-sport-committee-august-25-2020

**Guidance and resources to support services and inform the public**
In response to Covid-19 we created a specific section of the website to inform and help services and the public stay up to date with the ever-changing situation. The link to this is:
https://www.careinspectorate.com/index.php/covid19

We produced a series of reports detailing how the Care Inspectorate changed its role and purpose to respond to the pandemic. The detailed reports can be found here:
https://www.careinspectorate.com/index.php/publications-statistics/53-public/reviews

We also sent out provider updates to support services throughout the pandemic. Our provider updates have been in the top five or ten for open and click rates consistently throughout the pandemic across the whole UK client base of Granicus (a digital communication platform used by local authorities and public bodies which we use to publish and distribute our digital newsletters).




We have regular information sharing arrangements in place with a wide range of other bodies. Copies of our formal agreements are available on our website. http://www.careinspectorate.com/index.php/publications-statistics/79-corporate-annual-reports-accounts/data-sharing-memorandums-of-understanding?limitstart=0

**New reporting requirements following Coronavirus (Scotland) Act 2020**
The Bill for the Coronavirus (Scotland) (No.2) Act 2020 placed additional duties on the Care Inspectorate.

- The Care Inspectorate must lay a report before Parliament every two weeks, setting out which care homes it inspected during these two weeks and the findings of those inspections. We published 21 of these fortnightly reports in 2020/21 which can be found here: https://www.careinspectorate.com/index.php/publications-statistics/139-inspection-reports-local-authority/reports-to-scottish-parliament-on-care-inspectorate-inspections?start=20
- Care home providers must report daily to the Care Inspectorate on numbers of deaths (suspected or confirmed due to Covid-19) and total number of deaths irrespective of Covid-19. The Care Inspectorate must report this information weekly to Scottish Ministers. We have provided this information to Scottish Government since the last week in May 2020. The report can be found here:https://www.gov.scot/publications/coronavirus-covid-19-additional-data-about-adult-care-homes-in-scotland/
    - We also published a statistical bulletin on Covid-19 related deaths in care homes 2020/21 available here:

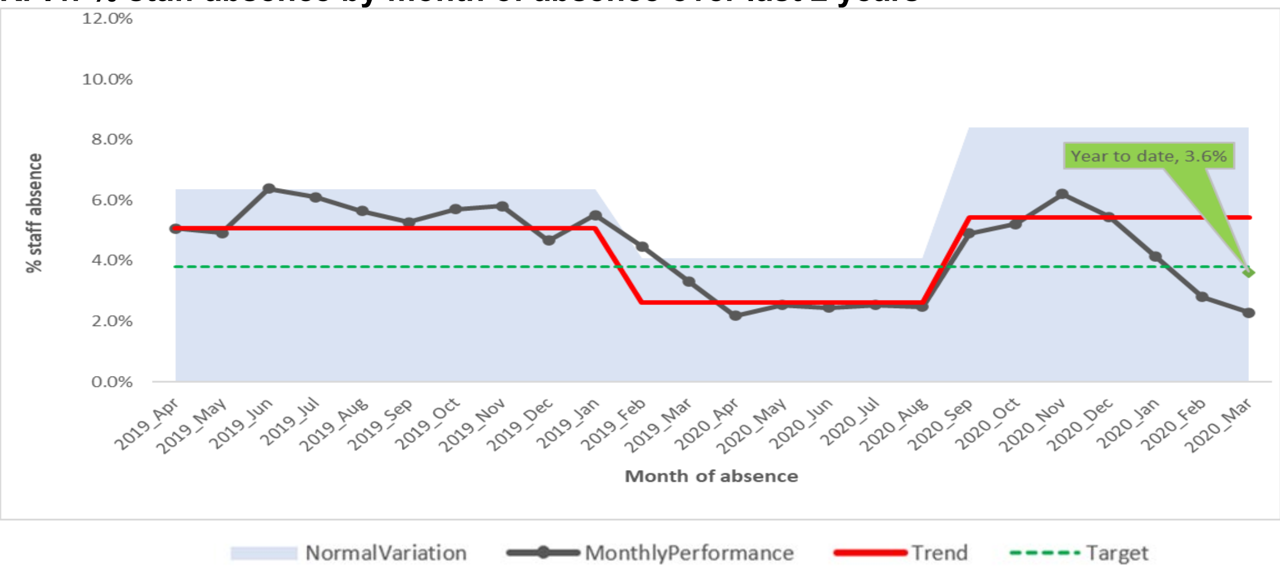
https://www.careinspectorate.com/images/documents/6106/Covid-19%20related%20deaths%20in%20care%20homes%202020-21.pdf

**Crown Office and Procurator Fiscal Service (COPFS) investigation into deaths due to Covid-19 in care homes in Scotland**
The Care Inspectorate supported the Crown Office and Procurator Fiscal Service (COPFS) investigation into deaths due to Covid-19 in care homes in Scotland codenamed Operation Koper. After preliminary discussions with COPFS and Police Scotland, we started sharing relevant information with Police Scotland in June 2020. Feedback from Police Scotland on the quality and assistance given by the Care Inspectorate to Operation Koper has been very positive.

**Our internal response to Covid-19 pandemic:**

**Staff absence**
At the onset of the Covid-19 pandemic our offices closed, and staff moved to homeworking. Due to the pandemic response the organisation was operating seven days a week with staff working evenings, weekends, and holidays to support the response. Homeworking combined with the intense effort in responding to the first wave of the pandemic saw our staff absence rate fall significantly. As the second wave started absence returned to pre-Covid-19 levels but dropped back down as the situation improved across Scotland. For 2020/21 the average staff absence was 3.6%; below the target of 3.8%

**KPI4: % staff absence by month of absence over last 2 years**




**Investing and supporting staff**
Working from home greatly expanded and accelerated the use and uptake of remote working and technology used within the Care Inspectorate. Examples include various video conference technology, remote collaboration software and new interactive reporting dashboards. To support colleagues in using this technology online courses and webinars were provided.  For 2020/21, the Care Inspectorate invested on average 3.8 hours per staff member, down from the 10.7 hours on average for Q3 and Q4 last year (KPI6). The average number of hours was lower than last year, reflecting the changing priorities and

that all learning was completed remotely online. Although lower on average the training was highly specified to supporting colleagues in responding to Covid-19 and working effectively from home.

Some key themes and learning topics included:

- supporting staff including sessions on mental health and wellbeing, working from home and sessions on remote technology and Office 365
- infection prevention and control training specific to Covid-19,
- the Professional Development Award in Scrutiny and Improvement (PDA) which is having a positive impact on scrutiny practice and achieving our strategic outcomes (since the last report, the PDA has been the subject of verification and compliance assessments from the Scottish Qualifications Authority (SQA) and SSSC.

In addition, to the training and sessions on offer for colleagues around wellbeing there were regular staff events where the focus was not on work but on tips and strategies for supporting each other and improving wellbeing. These events were greatly appreciated by staff during this difficult period and there are plans for them to become a regular event in the future.

**Involving people in our work**

We recognise the importance and numerous benefits that involving people who have experienced care has for the work we do in the Care Inspectorate. During 2020-21, our care-experienced inspection volunteers spent an average of 62 days each quarter on a range of involvement activity (KPI8). The work was restricted as there was no on-site inspection volunteer activity due to Covid-19. The Involvement team continued to involve the inspection and young inspection volunteers during the Covid-19 restrictions to provide continuity and support where required. Projects moved online and volunteers were provided with technology and training so they could continue to provide support. Inspection volunteers were involved with telephone inspections, distribution of new guidance and advising and supporting new inspectors on the inspection volunteer role.

**Other work outwith Covid-19 response:**

**Publishing our findings**

We continued to inform local and national policy as well as the general public with our publications. All our publications are available in the publications section of our website: http://www.careinspectorate.com/index.php/publications-statistics. Examples include:

- Complaints about care services in Scotland 2015/16 to 2019/20
- Fostering and Adoption 2019-20
- Early Learning and Childcare Statistics 2019
- Staff vacancies in care services 2019
- Corporate Parenting Report (Children and Young People) 2017-20

**Early Learning and Childcare (ELC) Improvement Programme**

This project supports funded ELC settings across Scotland to improve the quality of their provision and meet the ELC National Standard. The programme uses Quality Improvement (QI) approaches, and focuses on providing targeted support to those settings not currently meeting, or at risk of not meeting, the National Standard. The programme has created learning communities, quality improvement clinics and offers one-to-one support to ensure services focus on areas for improvement which will have the biggest impact on outcomes for children and their families. The programme is now working with 121 individuals from 89 funded services across Scotland.

In addition to the targeted support, a suite of universal online resources is available to support all settings with an improvement focus. These 'bite-size' recordings cover common, functional areas for improvement which have been identified through inspection. Services can view these sessions in their own time and select areas relevant to their own service. The first in our series of bite size sessions was recorded to support services in completing their key question 5 self-evaluations. Session 1 was viewed 5,236 times. In total the series of 4 was viewed 16,740 times. Subsequent learning and support sessions have reached similar figures.

The ELC improvement programme work closely with our inspection colleagues, local authority leads and national stakeholders such as the Scottish Government ELC delivery team to share intelligence and signpost services to all available resources which can support improvements. Another vital component of the programme is to support building capacity, knowledge and experiences in quality improvement.

**New Registrations app**
We delivered a huge digital transformation project with the launch of our new registration app. Initial functionality was released in Q3, with more functionality released in Q4. The new digital registration app now covers a range of processes taking over from our legacy system including:

- our new register of services
- variations
- change of details including a self-service process for some elements
- inactive services
- illegally operating services
- pre-registration advice
- proposal to cancel.

This app will be used by internal colleagues as well as external providers and applicants who will now be able to access, update and maintain some information directly. This will provide improved functionality and choice for providers as well as offering performance improvements for the Care Inspectorate. We completed 78% of new registrations within the agreed timescales, narrowly missing our target of 80%. Performance was slightly below target but up 2% points on last year. Performance on this KPI was impacted by preparation for and launch of the registration app.

**Corporate parenting**
We published our corporate parenting report 2017-2020, which outlines our achievements and progress against our previous corporate parenting plan. We also released our corporate parenting plan (2021-2023) which demonstrates how we intend to continue to meet our statutory duties and responsibilities to be the best corporate parents we can be. The report and plan can be found here:
**https://www.careinspectorate.com/index.php/publications-statistics/36-corporate-annual-reports-accounts/corporate-corporate-plans**

**Proud Scotland Employer Award**

We were delighted to be nominated for the Proud Scotland Employer Award, which recognises an employer that has led the way in creating a culture conducive to happiness and security within the workplace.

# Spotlight: The Register and Registration Application

**The Practice Management System (PMS) is a legacy platform that is now over 20 years old, historically used to support the registration process and the register of providers. PMS was highlighted as a system which posed significant risk to operations and needed to be replaced. Stage 1 of the Transformation Programme tended to this risk by supporting the development and release of the new cloud-based applications; the Complaints app in 2019 and a new Register and registration application, with releases spanning 2020 and 2021. The development of the Register and registration application was one of the biggest and most technically complex changes ever to have taken place at the Care Inspectorate. This was delivered in three main releases.**

The first release involved digitising our paper application form. This allowed applicants to make their application fully online for the first time. This was released in January 2020. Initial feedback from providers suggested a high level of satisfaction with over 68% of applicants being satisfied with the new online application process.

The digital development team uses a blended approach of agile and waterfall delivery methods. This means working in collaboration with operational colleagues, developing the assessment and decision-making aspects of the processing of the online application to the online Register. This second release went live in December 2020.

The last and most complex of the releases was broken down into separate elements and were released in March 2021. The benefit of delivering in this way meant our staff have a single platform for our registration process that links direct with our Register, with appropriate workflow integrity integrated in the system.

### Data migration

The migration of data from the incumbent PMS system involved moving all the core Register data from PMS to the new application, migrating approximately 12,000 registered services and c. five million data entries. Key challenges included poor data quality from the source system, with PMS holding inaccurate, out of date and incomplete data. The migration presented an opportunity to improve the information published to our public Register, via the website.

### The Register

The Register offers providers of care services the opportunity to advise of changes to their service via an online portal, changes that would have been previously paper based or processed via another system. This included changes to the provider, service or managers of care services, or variations to the conditions of registration. The benefit for providers means they can now make changes to their service online on a single system, with enhancements developed based on their feedback.

## Registration application

The registration application supports the processing of a registration, enabling an end-to-end online process which culminates in the creation of a service in our Register. For our staff this means they have a single digital platform that manages the registration process from initial application through to decision state, incorporating all supporting correspondence. This will lead to efficiency improvements over time but delivering the immediate benefit of providing a clear audit trail for compliance and training.

Work to support the adoption and evolution of the Register and registration application continues to be a priority for the digital development team. Development to resolve issues and deliver enhancements is achieved through an iterative review process, working in close collaboration with operations.

Although this has been a challenging period of change for all parties involved, digital development teams, operations and stakeholders, compounded by an extended remote working arrangement, the willing partnership continues to deliver opportunities and targeted benefits. Change has been supported by guidance, regular communication, collaborative working with operational colleagues, feedback, "show and tell" sessions and focussed surgeries to help support and embed the changes.

The recent release of the new Register and registration application and the release of the complaints app in 2019, further reduces the dependency and risk associated with the legacy PMS system. Work has started to find new ways of supporting the administration of our Enforcement cases, to allow for the full retirement and decommissioning of PMS.

Stage 2 is the next exciting step on our transformation journey. The full business case to secure funding is currently progressing through the approval cycle including a Digital First Standards assessment. This will provide the next step in our digital journey with a business led transformation that will replace the last remaining legacy system, RMS.

These changes all contribute to the corporate plan to deliver efficiencies through innovation, building digital solutions that support accessible, streamlined processes.

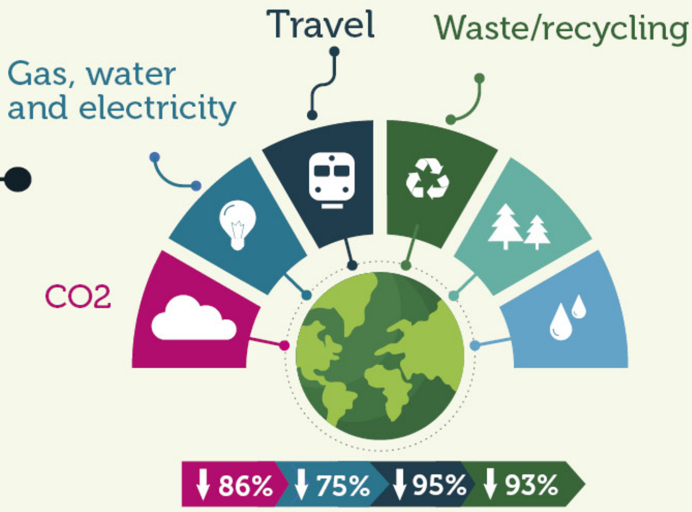
## 2.3 Sustainability report 2020/21

# Sustainability report 2020/21

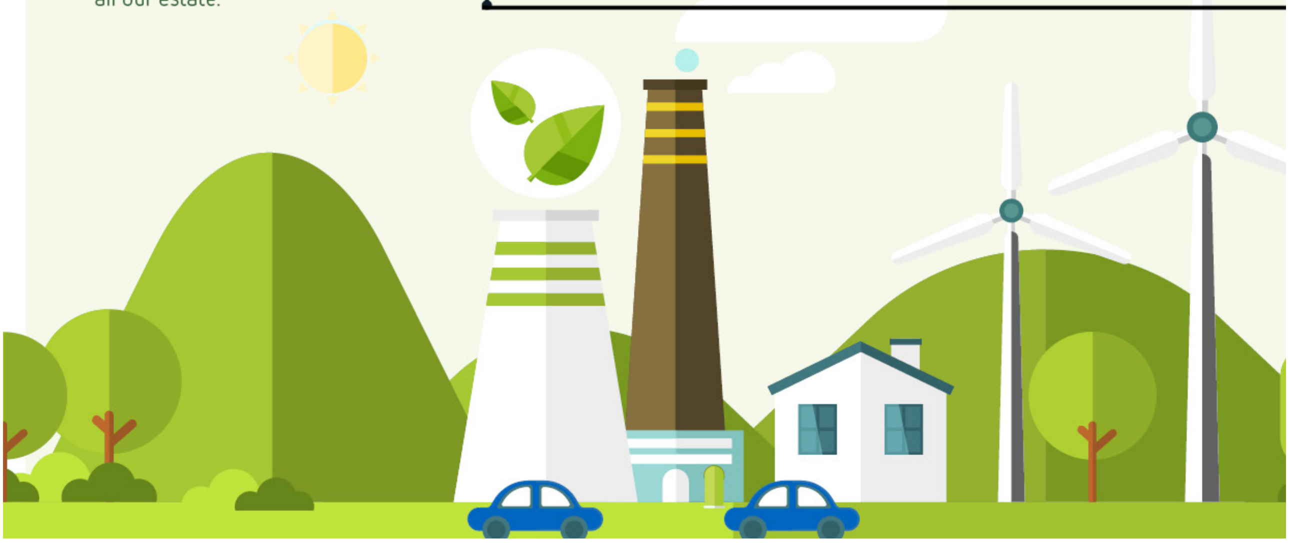
A Carbon Management Plan covering the period 2018-2023 was launched in 2018. This plan identified a target reduction of 28% from the 2015/16 baseline data to 956 tCO2e. The objectives of the plan are considered annually alongside the sustainability report.

As a regulatory body, our core business is to inspect social care and social work services throughout Scotland, leading to high travel related CO2 emissions. We also have a presence in 14 locations from as far north as Shetland to as far south as Dumfries. These properties are of varying sizes, from 30m2 to 2,819m2 on a variety of lease terms, making control of our stationary CO2 emissions difficult.

We have continued to exceed our target across all scopes. In response to the Covid-19 pandemic, our staff have largely worked from home and our offices have remained closed for all but essential requirements. This means there has been a considerable reduction of carbon emissions for 2020/21. Although this has been an exceptional year, we expect some of the positive actions taken because of the pandemic to continue and do not expect the CO2 emissions to return to previous levels post Covid-19. We continue to aggregate our direct energy consumption and costs across all our estate.

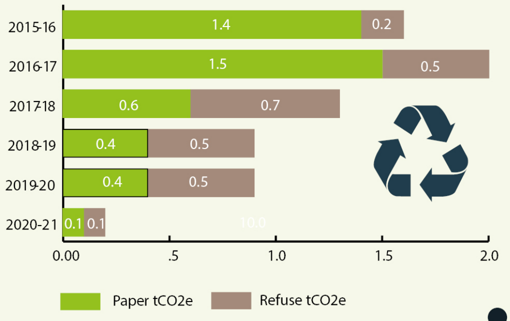



| Area | Actual Performance | 2015/16 Baseline |
|---|---|---|
| Total CO2 Emissions | 180.2 tCO2e | 1,328 tCO2e |
| Travel Related CO2 | 37.1 tCO2e | 756 tCO2e |
| Total Travel Cost | £55,077 | £990,873 |
| Total Energy CO2 | 143.0 tCO2e | 569 tCO2e |
| Energy Consumption (gas and electricity) | 671,764 kWh | 1.68 MWh |
| Energy Expenditure (gas and electricity) | £68,500 | £145,509 |
| Total Waste CO2 | 0.1 tCO2e | 1.6 tCO2e |
| Waste | 5.3 tonnes | 87.4 tonnes |
| Waste Expenditure | £624 | £21,279 |
| Total Water CO2 | 0.2 tCO2e | 1.3 tCO2e |
| Water consumption | 516.5 m3 | 3,830 m3 |
| Water expenditure | £8,626 | £36,267 |



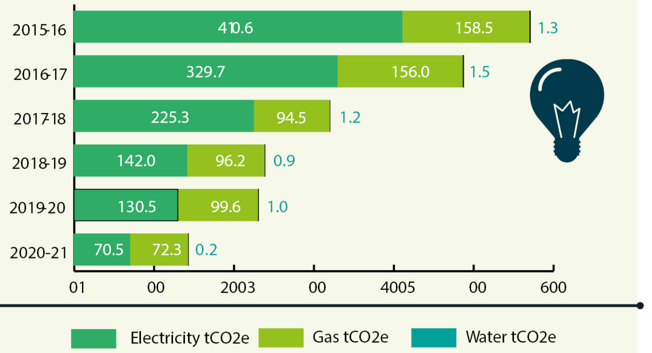
## Waste/recycling

Refuse is not weighed but measured by the size of the bin and the number of collections. As there was a reduction in the waste collections there is a corresponding reduction in emissions.



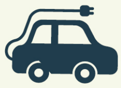

## Gas, water and electricity

The utilities consumption has reduced significantly as the offices have, for the most part, been unoccupied due to Covid-19. Heating and electricity have been consumed to maintain buildings, and for essential access when required. Water, through automatic flushes on urinals and running of taps for health and safety reasons, has been used, but at a vastly reduced level.

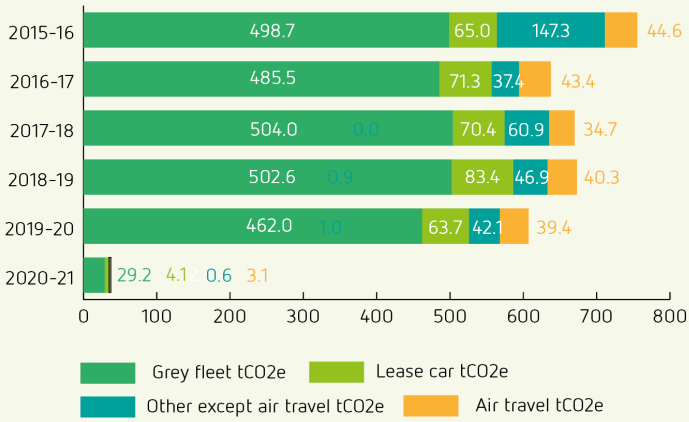



## Travel

Grey Fleet is where employees use their own cars for business journeys. The carbon emissions from grey fleet are at their lowest ever level, reflected in the continued reduction in travel emissions to 37 tCO2e. 'Other' includes trains, ferries, buses and taxis, showing a reduced requirement to use public transport and an overall decrease.



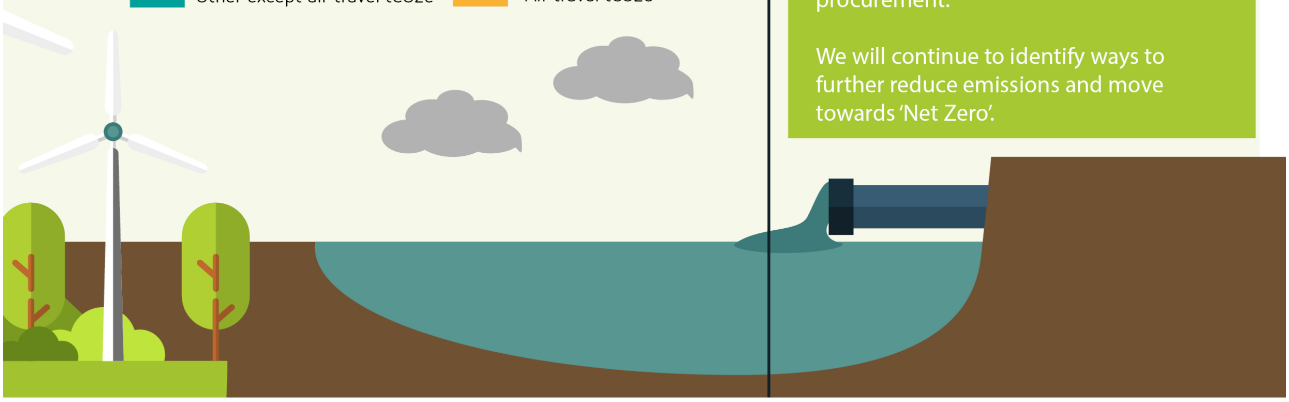
Covid-19 had a significant impact on our ability to inspect services and travel for other work-related reasons such as training and attending meetings. However, it has also required us to use technologies such as Microsoft Teams and Sharepoint better, reducing the requirement to meet in person and attend offices for access to files. This will be continued post pandemic.




## Sustainable procurement

Sustainable procurement means considering social, economic and environmental considerations as part of the procurement process. Our published procurement strategy details the Care Inspectorate's procurement priorities, one of which is sustainable procurement. An annual procurement report is published showing progress against our strategy and can be found on the Care Inspectorate website. at https://www.careinspectorate.com/index.php/procurement.

We will continue to identify ways to further reduce emissions and move towards 'Net Zero'.



# Section B: Accountability report

In this section of the report we set out:

- Our Corporate governance report, including the:
    - Directors' report
    - Statement of Accountable Officer's Responsibilities
    - Governance statement
- Remuneration and staff report
- Parliamentary Accountability Report
- Independent Auditor's Report

# 3. Corporate Governance Report

## 3.1 Directors' report

The Executive Directors of the Care Inspectorate and the Board Members details are set out in the Governance Statement (Section 3.3) and the Remuneration Report (Section 4.1).

**Register of interests**
A register of members' interests is maintained and is available for inspection by members of the public. Declarations of conflicts of interest are standing agenda items at each Board and Committee meeting.

**Personal data related incidents**
There were no data protection breaches reported to the Information Commissioner's Office for the year to 31 March 2021.

**Disclosure of information to auditors**
So far as I, the Accountable Officer, am aware, our auditors have all relevant information.

I have taken all reasonable steps to make myself aware of any relevant information and to establish that our auditors are aware of that information.

**Non-audit fees**
Grant Thornton UK LLP provided services solely relating to the statutory audit. No further assurance, tax or other services were provided.

**Pensions**
The Care Inspectorate is an admitted body to the local government pension scheme and accounts for pensions under IAS 19 'Employee Benefits' standard as adapted for the public sector. Further information on pensions can be found in the remuneration and staff report, accounting policy note 1.11 and the accounting disclosure note 5.

**Property**
As at 31 March 2021, the Care Inspectorate leased 14 properties. Of these, 10 are shared with other public sector bodies. The Estate Management Plan for 2017-20 sets out our commitment to reduce our estate through shared opportunities where possible.

## 3.2 Statement of Accountable Officer's responsibilities

Under paragraph 14(1) of Schedule 11 to the Public Services Reform (Scotland) Act 2010, the Care Inspectorate is required to prepare a statement of accounts for each financial year in the form as directed by Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Care Inspectorate and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual, and, in particular, to:

- Observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on a 'going concern' basis, unless it is inappropriate to presume that the Care Inspectorate will continue in operation.

Scottish Ministers designated the Chief Executive as the Accountable Officer for the Care Inspectorate. The responsibilities of the Chief Executive as Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Care Inspectorate's assets, are set out in the Non-Departmental Public Bodies' Accountable Officer Memorandum issued by the Scottish Government and published in the Scottish Public Finance Manual.

The Accountable Officer has confirmed that the annual report and accounts as a whole are fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

For the purposes of the audit, so far as the Accountable Officer is aware, there is no relevant audit information of which the auditors are unaware and all necessary steps have been taken by the Accountable Officer to ensure awareness of relevant audit information and to establish that the Care Inspectorate's auditors are aware of that information.

## 3.3 Governance statement

**Introduction**
As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Care Inspectorate's policies, aims and objectives. I am also responsible for safeguarding the public funds and assets assigned to the Care Inspectorate, in accordance with the responsibilities set out in the Memorandum to Accountable Officers for Other Public Bodies.

This annual governance statement explains the Care Inspectorate's governance and risk management framework.

### Governance framework

**Organisation**

**Organisational structure**
The Board is the governing body responsible for ensuring that the Care Inspectorate fulfils its aims and objectives, for promoting the efficient and effective use of staff and other resources and for identifying and managing risk.

The Board must approve the making, revision or revocation of standing orders, the code of conduct for members, the reservation of powers and scheme of delegation, and financial regulations. It must approve the annual report and accounts, budget, corporate plan, risk register and risk management strategy for each financial year.

The Board is also responsible for the approval of the appointment of internal auditors to the Care Inspectorate.

The Board oversees how the Care Inspectorate conducts its business to ensure operation in accordance with the principles of Better Regulation and Best Value.

The Board comprises the Chair and 10 members. The Chair and eight of the members are appointed by Scottish Ministers through the public sector appointment process. The Convener of the Scottish Social Services Council and the Chair of Healthcare Improvement Scotland also sit on the Board. It is a statutory requirement that appointments to the Board must have at least one member who uses or has used a care service and at least one member who cares for, or has cared for, a person using care services. The Board remains ultimately responsible and accountable for all the decisions taken in its name, whether directly or through its Audit and Risk Committee. The Board meets in public at least four times per year.

**Board committees**
The Board has one standing committee.

**Agenda item 14**
**Appendix 2**

Audit and Risk Committee
This committee consists of a Convener along with a minimum of four and up to a maximum of six Board members. Executive officers can be in attendance but are not members of the committee. The committee meets at least four times per year.
The committee makes recommendations to the Board with respect to the financial reporting arrangements of the Care Inspectorate, the external and internal audit arrangements, ensuring that there is sufficient and systematic review of internal control arrangements of the organisation, including arrangements for risk management and business continuity planning. The committee is also responsible for advising the Board on the development of the strategic performance management framework and the arrangements for securing Best Value.

**Board members and attendance**
Board members are subject to the Ethical Standards in Public Life (Scotland) Act 2000 and the Care Inspectorate Code of Conduct which has been approved by Scottish Ministers.

The Board and its committee review their effectiveness at least annually. There is a Board member performance appraisal process in place and from this each Board member has a development plan. Board and committee thematic development events are also regularly arranged and attended by Board members.

Board meetings are held in public and the minutes of each meeting are available on our website.

**Board Member attendance at meetings and events, 1 April 2020 to 31 March 2021**

| Board Member | Board | Audit | | Appeals Sub Committee | Board Development Events | Total |
|---|---|---|---|---|---|---|
| Number of meetings and events | 8 | 5 | | 0 | 5 | 18 |
| | Attended | Member | Attended | Attended | Attended | Actual Attendance / Expected Attendance |
| Paul Edie, Chair | 8 | No | 2 | 0 | 5 | 15 / 14 |
| Naghat Ahmed | 8 | No | 1 | 0 | 5 | 14 / 14 |
| Gavin Dayer | 8 | Yes | 5 | 0 | 5 | 18 / 18 |
| Anne Houston | 8 | Yes | 4 | 0 | 5 | 17 / 18 |
| Bernadette Malone (until 31/07/2020) | 2 | No | 0 | 0 | 1 | 3 / 3 |
| Keith Redpath | 5 | Yes | 3 | 0 | 3 | 11 / 17 |
| Carole Wilkinson | 7 | No | 1 | 0 | 5 | 13 / 14 |
| Rognvald Johnson | 8 | Yes | 5 | 0 | 5 | 18 / 18 |
| Bill Maxwell | 8 | Yes | 5 | 0 | 5 | 18 / 18 |
| Paul Gray | 7 | Yes | 5 | 0 | 5 | 17 / 18 |
| Rona Fraser | 8 | Yes | 2 | 0 | 5 | 15 / 15 |
| Sandra Campbell | 8 | No | 1 | 0 | 5 | 14 / 14 |

**Accountable Officer**
The Care Inspectorate's Chief Executive, Peter Macleod, is the designated Accountable Officer taking up this responsibility with effect from 7 January 2019. The Accountable Officer is personally responsible to the Scottish Parliament for securing propriety and regularity in the management of public funds and for the day-to-day operations and management of the Care Inspectorate.

The detailed responsibilities of the accountable officer for a public body are set out in a memorandum from the Principal Accountable Officer of the Scottish Administration which is issued to the Chief Executive on appointment and updated from time to time.

**Executive Directors**
The Executive Directors support the Chief Executive in his Accountable Officer role through the formal scheme of delegation. In addition to the Chief Executive, the Executive Directors for the financial year 2020/21 comprised:

- Edith Macintosh, Executive Director of Strategy and Improvement and Deputy Chief Executive
- Gordon Mackie, Interim Executive Director of IT, Transformation and Digital
- Kevin Mitchell, Executive Director of Scrutiny and Assurance
- Jacqueline Mackenzie, Executive Director of Corporate and Customer Services (from 1 November 2020)
- Gordon Weir, Executive Director of Corporate and Customer Services (to 9 August 2020)

Each of these officers has responsibility for the development and maintenance of the governance environment within their own areas of control.

**Internal audit**
The Care Inspectorate's internal audit function has been contracted out. Internal audit forms an integral part of the Care Inspectorate's internal control and governance arrangements. The internal audit service operates in accordance with public sector internal audit standards and undertakes an annual programme of work approved by the Audit and Risk Committee. The Audit and Risk Committee reviews and approves the three-year Strategic Internal Audit Plan on an annual basis.

Each year our internal auditors provide the Audit and Risk Committee with assurance on the whole system of internal control. In assessing the level of assurance to be given for 2020/21, our internal auditors consider:

- all reviews undertaken as part of the 2020/21 internal audit plan
- matters arising from previous reviews and the extent of follow-up action taken
- the
- effect of any significant changes in the Care Inspectorate's objectives or systems
- the proportion of the Care Inspectorate's review needs covered to date.

The internal auditor's overall opinion for 2020/21 was:

"The Care Inspectorate has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks."

**Whistleblowing**
Our employee Staff Code of Conduct Policy and associated Whistleblowing Guidance informs and encourages staff to raise serious concerns about wrongdoing or alleged impropriety. The policy is consistent with, and makes explicit references to, the Public Interest Disclosure Act 1998.

**Risk and risk management**
The Care Inspectorate has a risk management policy. The main priorities of this policy are the identification, evaluation and control of risks which threaten our ability to deliver our objectives. The policy provides direction on a consistent, organised and systematic approach to identifying risks, the control measures that are already in place, the residual risk, the risk appetite and action that is necessary to further mitigate against risks.

Risks identified are maintained on a Strategic Risk Register and addressed in the preparation of the Corporate Plan. The Corporate Plan has been developed to show clear links between risks identified on the Risk Register and the Care Inspectorate's strategic outcomes. As a result, the risks identified become embedded in managers' work plans for the year. The Board has agreed a risk appetite statement to underpin the Care Inspectorate's approach to risk management and control.

**System of internal financial control**
Within the Care Inspectorate's overall governance framework, specific arrangements are in place as part of the system of internal financial control. This system is intended to ensure that reasonable assurance can be given that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period.

The Care Inspectorate's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is the responsibility of managers within the Care Inspectorate. In particular, the system includes:

- financial regulations
- comprehensive budgeting systems
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- the preparation of regular financial reports which indicate actual expenditure against the forecasts
- clearly defined capital expenditure guidelines
- scheme of delegation.

**Information security**
The Care Inspectorate has a duty to ensure that the personal information entrusted to it is safeguarded properly.

We have information governance policies and procedures in place to ensure we handle data responsibly and comply with data protection and freedom of information laws.

**Counter fraud, bribery and corruption**
The Care Inspectorate has a Counter Fraud, Bribery and Corruption Framework, including a counter fraud and corruption policy, strategy and response plan together with a formal action plan. We also maintain a fraud and corruption risk register to document the controls in place to mitigate fraud.

We have an agreement with NHS Counter Fraud Services (CFS) to provide fraud prevention, detection and investigation services.

**Review**
The effectiveness of our governance framework is reviewed annually as part of the preparation of this Governance Statement. Individual policies and procedures that contribute towards the overall governance framework are also subject to periodic review.

This review is informed by:
- The views of the Audit and Risk Committee on the assurance arrangements.
- The opinions of internal and external auditors on the quality of the systems of governance, management and risk control.
- ‘Certificates of assurance’ supplied by Executive Directors following a review of the governance arrangements within their specific areas of responsibility
- regular formal monitoring of progress against corporate plan, business plan and budget
- feedback from managers and staff within the Care Inspectorate on our performance, use of resources, responses to risks, and the extent to which in-year budgets and other performance targets have been met
- integrated formal reviews of the effectiveness of the Board and its committee
- periodic staff surveys.

**Developing the governance framework**
The following developments were identified for 2021/22.

- We will continue to develop our risk management framework and adapt our processes to suit the recently constituted Strategic Leadership Team (SLT) and Operational Leadership Team (OLT).
- We will build on the assurance mapping work already undertaken.
- Our testing and review of our Business Continuity Management System will continue.
- We will develop a new Corporate Plan for 2021 to 2024.

- Aligned with the new Corporate Plan, we will continue the development of the Strategic Performance Management Framework.
- We are reviewing our cyber security during 2021/22.
- We will submit a business case for stage 2 of our Transformation Programme and will ensure that appropriate governance arrangements are in place to support the delivery of stage 2 objectives.
- We continue to work with the Scottish Social Services Council (SSSC) to review our shared services and the governance arrangements. We will seek final approval from the SSSC Council and our Board in early 2021/22.

**Impact of the pandemic**

When the Covid-19 pandemic took hold in Scotland in early March 2020, we acted quickly to change our approach to scrutiny and improvement support and implement different approaches, in order to keep people safe in the face of the escalating pandemic.

Given the evident risk that our staff could contract and/ or spread Covid-19 in services, we took the decision, with advice from directors of public health, that it would have been untenable to carry on business as usual and continue with onsite scrutiny interventions at that time.

Our response included the following:

- The introduction of Gold and Silver management teams that met very frequently. The Gold and Silver teams maintained comprehensive policy and decision logs to ensure we could manage the pace of developments.
- We adjusted and suspended some of our key performance measures.
- We included the impact of Covid-19 as risk on our Strategic Risk Register.
- We initially agreed a suspension of our Inspection Programme (including statutory inspections) with the Minister and subsequently agreed a revised Inspection Plan that was deliverable within the constraints enforced by the pandemic.
- A concerted and sustained effort was implemented to ensure the health, safety and wellbeing of our staff, people who experience care, care workers and other stakeholders.

**Certification**

The Care Inspectorate's governance framework has been in place for the year ended 31 March 2021 and up to the date of signing of the accounts.

It is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Care Inspectorate's systems of governance. The annual review has provided sufficient evidence that the Care Inspectorate's governance arrangements have operated effectively and that the Care Inspectorate complies with all relevant laws, regulations, guidance and generally accepted best practice in all significant respects.

# 4. Remuneration and staff report

## 4.1 Remuneration report

This report provides information on the remuneration of Care Inspectorate Board members, the Chief Executive and Executive Directors.

The sections marked (Audited) in this Remuneration and staff report are subject to a separate opinion by Grant Thornton UK LLP. The other sections of the Remuneration and staff report were reviewed by Grant Thornton UK LLP to ensure they were consistent with the financial statements.

The Board agrees the pay strategy for all staff excluding Board members and the Chief Executive. The pay strategy for staff is decided within the framework provided by the Scottish Government's Public Sector Pay Policy for Staff Pay Remits. The pay strategy for the Chair, Board members and the Chief Executive is decided within the framework provided by the Scottish Government's Public Sector Pay Policy for Senior Appointments. Increases in pay are subject to satisfactory performance.

During the year, the Board was advised by the following officers for pay remit matters:

- Chief Executive
- Executive Director of Corporate and Customer Services.

**Remuneration policy**

**Members**
The remuneration (payment) of Board members is determined by Scottish Ministers. Increases in pay are subject to satisfactory performance.

**Chief Executive**
The Chief Executive’s remuneration is determined by the Chair in accordance with Senior Public Pay Policy Guidelines. Performance is assessed through an annual appraisal performed by the Chair and this appraisal is submitted to the Scottish Government to allow the Chief Executive’s remuneration to be agreed.

**Executive Directors**
Executive Directors were on a fixed salary point of £90,500 throughout the year. There is no incremental progression or performance related pay adjustments applied to Executive Directors’ pay. The Executive Director of Strategy and Improvement also carries out the role of Deputy Chief Executive and receives an additional annual payment of £3,300 for this.

The Care Inspectorate’s pay strategy must be approved by the Scottish Government. Subject to that approval, a pay award package is negotiated with trade unions through the Partnership Forum. When the pay award package has been agreed, it is applied to the remuneration of directors and the main body of Care Inspectorate staff.

## Notice periods

### Members
Board members are appointed for a period determined by Scottish Ministers. Board members are eligible to be re-appointed following the end of a period of Board membership. Either party may terminate early by giving notice.

Normally there is no payment available in the event of early termination of the contract. However, where special circumstances exist, Scottish Ministers may decide that compensation for early termination is appropriate and instruct the Care Inspectorate to make a payment. The amount of the payment would also be decided by Scottish Ministers.

Details of the service contracts for Board members serving during the year are detailed below.

### Chief Executive
Peter MacLeod was appointed as the Care Inspectorate's Chief Executive on 7 January 2019. Termination of the contract requires a notice period of six months by either party. There is no compensation payment specified in the contract in the event of early termination of the contract.

### Executive Directors
The Care Inspectorate has four Executive Director posts:
- Executive Director of Scrutiny and Assurance
- Executive Director of Strategy and Improvement and Deputy Chief Executive
- Executive Director of Corporate and Customer Services
- Executive Director of ICT, Transformation and Digital.

All executive directors have permanent contracts, except the Executive Director of ICT, Transformation and Digital, whose temporary contract is scheduled to expire on 28 February 2022. Termination of the contract requires a notice period of three months by either party.

There are no compensation payments specified in the contract in the event of early termination of the contract.

### Retirement policy
The Chief Executive and executive directors do not have any contractual rights to early termination compensation payments but the Care Inspectorate operates a retirement policy that is applicable to all staff (excluding Board members).

This policy allows additional years of pensionable service to be awarded to those members of the pension scheme who have more than five years' pensionable service and meet an age-related criteria. The award of additional pensionable service is limited in order to ensure employees will not receive an enhancement that will take their service beyond that which would be earned up to normal retirement age, nor would take them beyond 40 years' service.

Alternatively, pension scheme members aged over 18 with more than two years' pensionable service may be paid compensation of up to 104 weeks' pay.

The number of years added, or the amount of compensation paid, if any, is determined on the basis of individual circumstances and the employee's age and length of service. All awards of additional service and compensation for early termination are subject to a two year pay-back period and must be approved by the Board.

**Care Inspectorate Board members' remuneration (Audited)**

| **Name** | **Salary** 2020/21 | **Salary** 2019/20 |
|---|---|---|
| | **£000** | **£000** |
| Anne Houston | 5-10 | 0-5 |
| Bernadette Malone (until 31/07/2020) | 0-5 | 0-5 |
| Carole Wilkinson | 0-5 | 0-5 |
| Dr Bill Maxwell | 0-5 | 0-5 |
| Gavin Dayer | 0-5 | 0-5 |
| Keith Redpath | 0-5 | 0-5 |
| Naghat Ahmed | 5-10 | 5-10 |
| Paul Edie (Chair) | 45-50 | 40-45 |
| Paul Gray | 0-5 | 0-5 |
| Rognvald Johnson | 0-5 | 5-10 |
| Rona Fraser | 0-5 | 0-5 |
| Sandra Campbell | 0-5 | 0-5 |

Carole Wilkinson and Sandra Campbell are Board members through reciprocal membership arrangements with Healthcare Improvement Scotland and Scottish Social Services Council. No remuneration is paid by the Care Inspectorate for these Board members.

Board members are not eligible to join the pension scheme available to employees of the Care Inspectorate.

**Chief Executive and Executive Directors' remuneration (Audited)**

The salaries and pension entitlements of the Chief Executive and Executive Directors are disclosed in the table below.

| | Single Total Figure of Remuneration | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary | | Benefits in Kind (to nearest £100) | | Pension Benefits* | | Total | |
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| | £000 | £000 | £ | £ | £000 | £000 | £000 | £000 |
| Peter MacLeod Chief Executive | 120-125 | 115-120 | 0 | 0 | 36 | 37 | 155-160 | 155-160 |
| Gordon Weir** Executive Director of Corporate and Customer Services (to 09/08/2020) | 30-35 | 85-90 | 0 | 0 | n/a | (53) | 30-35 | 35-40 |
| Jaqueline Mackenzie, Executive Director of Corporate and Customer Services (from 01/11/2020) | 35-40 | n/a | 0 | n/a | 156 | n/a | 190-195 | n/a |
| Kevin Mitchell*** Executive Director of Scrutiny and Assurance | 95-100 | 95-100 | 0 | 0 | 22 | 58 | 120-125 | 155-160 |
| Edith Macintosh Executive Director of Strategy and Improvement and Deputy Chief Executive (from 20/10/20/20) | 90-95 | 85-90 | 0 | 0 | 27 | 28 | 115-120 | 115-120 |
| Gordon Mackie, Interim Executive Director of ICT, Transformation and Digital (from 01/04/2020) | 90-95 | n/a | 0 | 0 | 29 | n/a | 115-120 | n/a |

* The value of pension benefits accrued during the year is a calculated as (the real increase in pension multiplied by 20) plus (the real increase in lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to transfer of pension rights.

** The pension benefits accruing to this postholder have been aggregated into his new employment. This postholder was also Interim Chief Executive for the period 01/09/18 to 06/01/19. This has impacted on his pension benefit figures in 2018/19 and 2019/20.
***Kevin Mitchell receives an additional payment to compensate him for having to move from the Civil Service Pension Scheme to the Local Government Pension Scheme when his employment transferred at the commencement of the Care Inspectorate.

**Salary**
Salary includes gross salary, overtime, recruitment and retention allowances along with any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Care Inspectorate as recorded in the annual accounts.

**Benefits in kind**
The monetary value of benefits in kind covers any benefits provided by the Care Inspectorate and treated by HM Revenue and Customs as a taxable emolument.

**Fair pay disclosure (Audited)**
We are required to disclose the relationship between the remuneration of the highest paid director and the median remuneration of our workforce. The Chief Executive was the highest paid director in the financial year 2020/21. The full-time annual salary for the Chief Executive is in the salary band £120,000 to £125,000. The mid-point of this band is £122,500 which is 2.88 times greater than the median remuneration of the workforce. In 2020/21, no employees received remuneration in excess of the Chief Executive.

| | **2020/21** | **2019/20** |
|---|---|---|
| Band of highest paid employee | £120,000 - £125,000 | £115,000 - £120,000 |
| Staff median remuneration | £42,528 | £40,242 |
| Remuneration ratio | 2.88 | 2.92 |
| Staff minimum full-time equivalent Remuneration | £18,714 | £17,964 |
| Staff maximum full-time equivalent remuneration | £98,595 | £96,416 |

Total remuneration includes salary, overtime and other taxable allowances as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

**Local Government Pension Scheme (LGPS)**
Details of the LGPS and the Care Inspectorate's status as an admitted body to Tayside Superannuation Fund are contained in note 5 of the annual accounts.
The Chief Executive and Executive Directors are all members of the LGPS.

**(Audited)**

| | As at 31 March 2021 | | As at 31 March 2021 | | Cash Equivalent Transfer Values (CETV) | | |
|---|---|---|---|---|---|---|---|
| | **Accrued Pension at Age 65 £000** | **Related Lump Sum at Age 65 £000** | **Real Increase in Pension at Age 65 £000** | **Real Increase in Related Lump Sum at Age 65 £000** | **As at 31 March 2021 £000** | **As at 31 March 2020 £000** | **Real increase £000** |
| Peter MacLeod Chief Executive | 25-30 | - | 0-5 | - | 71 | 39 | 31 |
| Gordon Weir * Executive Director of Corporate and Customer Services (to 09/08/2020) | n/a | n/a | n/a | n/a | n/a | 765 | n/a |
| Jacqueline Mackenzie, Executive Director of Corporate and Customer Services (from 01/11/2020) | 10-15 | - | 10-15 | - | 125 | - | 125 |
| Kevin Mitchell** Executive Director of Scrutiny and Assurance | 25-30 | - | 0-5 | - | 283 | 255 | 21 |
| Edith Macintosh Executive Director of Strategy and Improvement and Deputy Chief Executive (from 20/10/2020) | 15-20 | - | 0-5 | - | 114 | 88 | 24 |
| Gordon Mackie, Interim Executive Director of ICT, Transformation and Digital | 30-35 | | 30-35 | - | 20 | - | 20 |

* The pension benefits accruing to this postholder have been aggregated into his new employment.

**The Executive Director of Scrutiny & Assurance is in the process of transferring pension rights from the Civil Service Pension Scheme. When this transfer is completed, the pension entitlements disclosed above will increase accordingly.

**Cash Equivalent Transfer Values**
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the LGPS. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**Real increase in CETV**
This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Payment of compensation for loss of office**
No Board members or senior management received any payment or other compensation for loss of office.

## 4.2 Staff report

### 4.2.1 Staff numbers by permanent and other (Audited)

The table below provides analysis of permanent and non-permanent staff engaged to work for the Care Inspectorate during 2020/21. Staff numbers are expressed as the average Full Time Equivalents (FTE) employed during the year.

| | 2020/21 | | |
|---|---|---|---|
| | **Permanently Employed** | **Others** | **Total** |
| Senior managers | 26 | 2 | 28 |
| Other employees | 488 | 33 | 521 |
| Agency workers | 0 | 7 | 7 |
| Secondments inward | 0 | 0 | 0 |
| Total staff engaged | 514 | 42 | 556 |
| Secondments outwards | (1) | 0 | (1) |
| **Net staff engaged on Care Inspectorate activity** | 513 | 42 | 555 |

| | £000 | £000 | £000 |
|---|---|---|---|
| Salaries | 22,131 | 1,258 | 23,389 |
| Social security costs | 2,496 | 128 | 2,624 |
| Pension service costs | 6,870 | 192 | 7,062 |
| Total cost directly employed staff | 31,497 | 1,578 | 33,075 |
| Board members[1] | 0 | 81 | 81 |
| Agency workers | 0 | 627 | 627 |
| Secondments inward | 0 | 0 | 0 |
| **Total cost of staff engaged on Care Inspectorate activity** | 31,497 | 2,286 | 33,783 |
| Voluntary early severance/retirement costs | 43 | 0 | 43 |
| Other staff costs | 430 | 0 | 430 |
| **Staff costs (SCNE)** | **31,970** | **2,286** | **34,256** |
| Secondments outwards | (33) | 0 | (33) |
| **Net staff costs** | **31,937** | **2,286** | **34,223** |

Details of the pension arrangements for Care Inspectorate are contained in note 5 to the Accounts. It should be noted that the pension service costs in the tables above include adjustments for International Accounting Standard 19 (IAS19) 'Employee Benefits' pension valuations. The difference between the employer contributions actually paid and the pension cost figure adjusted for IAS19 is detailed in note 3 to the Accounts.

[1]There were 10 Board Members and a Chair contributing during the year. The Chair of HIS and the Convener of the SSSC are not remunerated by the Care Inspectorate. The Chair and nine remunerated Board Members are office holders and are not included in the staff numbers.

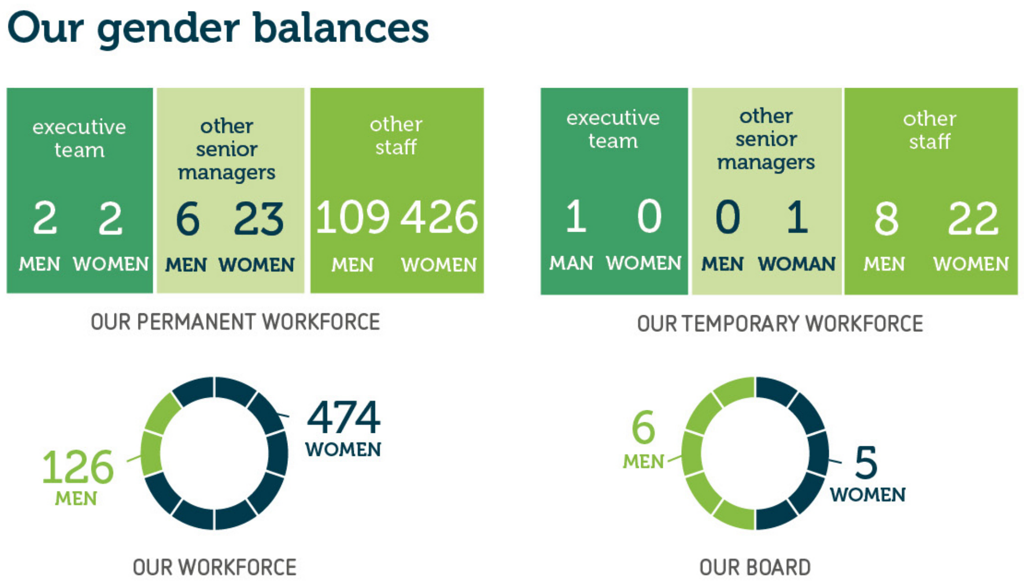
| | 2019/20 | | |
|---|---|---|---|
| | **Permanently Employed** | **Others** | **Total** |
| Senior managers | 23 | 0 | 23 |
| Other employees | 502 | 34 | 536 |
| Agency workers | 0 | 11 | 11 |
| Secondments inward | 0 | 3 | 3 |
| Total staff engaged | 525 | 48 | 573 |
| Secondments outwards | (3) | | (3) |
| **Net staff engaged on Care Inspectorate activity** | 522 | 48 | 570 |

| | **£000** | **£000** | **£000** |
|---|---|---|---|
| Salaries | 21,184 | 1,096 | 22,280 |
| Social security costs | 2,372 | 107 | 2,479 |
| Pension service costs | 7,280 | 162 | 7,442 |
| Total cost directly employed staff | 30,836 | 1,365 | 32,201 |
| Board members[2] | 0 | 84 | 84 |
| Agency workers | 0 | 670 | 670 |
| Secondments inward | 0 | 199 | 199 |
| **Total cost of staff engaged on Care Inspectorate activity** | 30,836 | 2,318 | 33,154 |
| Voluntary early severance/retirement costs | 18 | 0 | 18 |
| Other staff costs | 510 | 0 | 510 |
| **Staff costs (SCNE)** | **31,364** | **2,318** | **33,682** |
| Secondments outwards | (183) | 0 | (183) |
| **Net staff Costs** | **31,181** | **2,318** | **33,499** |

[2]There were 11 Board Members and a Chair contributing during the year. The Chair of HIS and the Convener of the SSSC are not remunerated by the CI. The Chair and nine remunerated Board Members are office holders and are not included in the staff numbers.

### 4.2.2 Staff breakdown by gender and sickness absence

The gender breakdown as at 31 March 2021 and sickness absence information for the year to 31 March 2021 is shown below. Staff numbers are provided on a headcount basis.




Our board is already 50:50 in terms of gender representation. Through our new equality outcomes 2021-2025 and the subsequent action plan, we will be taking steps to increase the diversity of our people to achieve a more representative gender balance in our workforce profile.


XpertHR quote the latest public sector averages as 3.8% (both mean and median).

We are committed to working positively in partnership with our trade unions to improve sickness absence rates across the organisation.

### 4.2.3 Policies in relation to disabled persons

The General Equality Duty (Section 149) of the Equality Act 2010, requires public authorities to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Equality Act 2010
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not

- foster good relations between people who share a protected characteristic and those who do not.

As a public body we are also covered by The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. This helps us to support the better performance of the General Equality Duty. Details of how we continued to meet these obligations and of the three equality outcomes we are working towards can be found in our Equalities Mainstreaming Report April 2019- March 2021, Our Equality Outcomes 2021-2025 and our Equality, Diversity and Inclusion Strategy 2021-2025.

Our commitment to equality takes into consideration all nine protected characteristics in the Equality Act. It is our aim that everyone who comes into contact with the Care Inspectorate is treated with fairness, dignity and respect, regardless of age, disability, sex, gender reassignment, marital status, maternity and pregnancy, race, religion or belief and sexual orientation.

We are required to monitor our workforce by protected characteristic and publicly report on this every two years. This allows us to ensure that we know the demographics of our workforce and can address any imbalances that are highlighted by the data.

Through our inclusive working practices, we provide support to disabled people to enter, stay and progress in work. We are proud to have achieved the Disability Confident Committed Scheme award.

We have a clear ambition for the Care Inspectorate to be an inclusive employer of choice and are keen to explore different ways of working and supporting employees in the workplace through a flexible approach to work. To ensure that we do this in practice we have developed a number of policies as detailed below.

- Annual leave
- Carers leave
- Flexible working
- Homeworking
- Special leave

**Equality and diversity policy**

This policy covers all protected characteristics. We have also developed specific guidance for managers and provide appropriate training.

This policy sets out how we will manage and advance equality and diversity within our organisation. We are committed to creating an inclusive and respectful workforce by preventing and eliminating unlawful and unfair discrimination, harassment and victimisation. We will prevent these in every way possible. This policy aims to provide clear advice on how to promote equality and diversity within our organisation and employee responsibility when using our key employment processes (for example, disciplinary, learning and development, managing sickness absence, maternity, paternity and adoption leave, our performance and development system, requests for flexible working and recruitment and selection).

We will treat all workers and job applicants with dignity and respect recognising the value of each individual and embracing the values of diversity. Equality and diversity is not about treating everyone the same. It’s about acknowledging and respecting differences and changing the way we work if necessary. We will ensure all our people management policies follow the guiding principles set out in this policy.

The aim of this policy is to create a working environment where:
- all people have the opportunity and support to give their best
- there is no discrimination (direct or indirect), harassment or victimisation
- all decisions are merit-based.

In addition to the Equality and Diversity policy, we also have a range of other policies that support people with the protected characteristics listed in the Equality Act. These include the following:
- Carers Leave - this provides access to paid time off for employees with caring responsibilities, to help avoid any disability discrimination by association.
- Adoption, fostering, maternity, paternity & parental leave - family friendly policies, so that regardless of sex or sexual orientation there is a leave option available.
- Flexible working, flexi time and special leave to help people balance their personal life with their working life.

The options above allow employees to manage and attend health or wellbeing-related appointments for themselves or their dependents without the need to take a full day's annual leave. Our policies provide a flexible range of options to access time off which is of particular benefit to individuals living with disabilities and those with caring responsibilities.

Other policies such as Capability, Maximising Attendance and Recruitment also have provisions to help employees and job applicants living with a disability. We are also members of the Disability Confident Committed Scheme.

### 4.2.4 Expenditure on consultancy

Consultancy expenditure of £126k was incurred in 2020/21 as follows:

- Digital transformation development consultancy services (£103k)
- ICT Consultancy (£6k)
- Job evaluation services (£7k)
- Shared services future strategy consultation (£5k)
- Tax advisory services (£3k)
- Analysis and scoping of pay and reward practices (£2k)

In 2019/20 there was consultancy expenditure of £140k as follows:

- Care About Physical Activity Programme (CAPA) measurement framework (£46k)
- ICT Consultancy (£46k)
- Shared services future strategy consultation (£22k)
- Job evaluation services (£23k)
- Tax advisory services (£2k)
- HR consultancy (£1k)

### 4.2.5 Exit packages (Audited)

The Care Inspectorate granted compensatory payments to three (2019/20: one) individuals leaving the organisation during the year.

| **Year to 31 March 2021** | | |
|---|---|---|
| **Exit Package Cost Band** | **Number of Departures Agreed** | **Total Cost £'000** |
| < £10,000 | 1 | 7 |
| £10,000 to £25,000 | 2 | 35 |
| **Totals** | **3** | **42** |

| **Year to 31 March 2020** | | |
|---|---|---|
| **Exit Package Cost Band** | **Number of Departures Agreed** | **Total Cost £000** |
| £10,000 to £25,000 | 1 | 18 |
| **Totals** | **1** | **18** |

Exit package costs include:
- redundancy payments
- payments to the pension fund where early retirement has been agreed (strain on fund)
- compensation for reduced notice.

Exit costs are accounted for in full when the decision to grant compensation cannot be withdrawn. Redundancy and other departure costs have been paid in accordance with the Care Inspectorate's retirement policy, the Local Government Pension Scheme Regulations for Scotland and the NHS Pension Scheme Regulations. Where the Care Inspectorate has agreed early retirements, the additional costs are met by the Care Inspectorate and not the Local Government Pension Scheme.

### 4.2.6 Trade union activity

The Trade Union (Facility time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations require public sector employers to publish specific information related to facility time provided to trade union officials. The information for 2020/21 follows.

**Table 1 Relevant union officials**
The table below details number of employees who were relevant union officials during 2020/21.

| Number of employees who were relevant union officials during the relevant period | Full-time equivalent employee number |
|---|---|
| 12 | 11.3 |

**Table 2 Percentage of time spent on facility time**
The table below provides details of the facility time spent by employees who were relevant union officials during 2020/21.

| Percentage of time | Number of employees |
|---|---|
| 0% | 1 |
| 1%-50% | 10 |
| 51%-99% | 1 |
| 100% | 0 |

**Table 3 Percentage of pay bill spent on facility time**
The tables below give details of the percentage of time spent on facility time as a percentage of our pay bill.

| | |
|---|---|
| Total cost of facility time | £38,384 |
| Total pay bill | £29,148,857 |
| Facility time as a percentage of total pay bill | 0.13% |

**Table 4 Paid trade union activities**

The table below provides hours spent by employees who were relevant union officials during the 2020/21 financial year as a percentage of total paid facility time hours.

| | |
|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time hours. | 11.4% |

The facility time statement outlining the value of facility time can be found on our website here.

# 5. Parliamentary accountability report

## 5.1 Losses and special payments

There were no losses and special payments incurred by the Care Inspectorate in the year to 31 March 2021 (nil for the year to 31 March 2020).

## 5.2 Fees and charges

**Fees**
The Care Inspectorate charges fees to care service providers applying to register a service and once registered an annual continuation of registration fee is charged.

The Scottish Government sets the maximum fees the Care Inspectorate may charge. Changes to maximum fee rates require a public consultation exercise. The maximum fees chargeable to care service providers have not increased since the 2005/06 financial year.

The Care Inspectorate has authority to charge care service providers for new certificates, variations to conditions of service and for the cancellation of a service. Currently no charge is made for these activities.

Our budget is funded mainly by a mixture of grant in aid from the Scottish Government and fees paid by service providers. The 2020/21 budget was based on funding of 65% from grants and grant in aid, 33% from fees charged to service providers and general reserve funding of 2%. (2019/20 67% grants and grant in aid; 33% fees).

Income collected from fees charged to service providers is as follows:

| | 2020/21 | | | 2019/20 | | |
|---|---|---|---|---|---|---|
| | **Budget £000** | **Actual £000** | **Variance £000** | **Budget £000** | **Actual £000** | **Variance £000** |
| Application to Register | 529 | 504 | (25) | 566 | 633 | 67 |
| Continuation of Registration | 11,350 | 11,222 | (128) | 11,350 | 11,430 | 80 |
| **Total** | **11,879** | **11,726** | **(153)** | **11,916** | **12,063** | **147** |

**Charges**
The Care Inspectorate provides shared services to the Scottish Social Services Council (SSSC) and the Office of the Scottish Charity Regulator. We also share several of our properties with other public sector organisations and a charge is made for this occupancy. Charges are intended to recover the cost to the Care Inspectorate.

Income from shared services and property sharing charges was £0.9m in 2020/21 (2019/20; £1.1m).

## 5.3 Remote contingent liabilities

There were no contingent liabilities as at 31 March 2021 which require disclosure under AIS 37 or the Scottish Public Finance Manual (nil as at 31 March).

**Peter MacLeod**
**Chief Executive**
**23 September 2021**

# 6. Independent auditor's report

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

## Reporting on the audit of the financial statements

### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of the Care Inspectorate for the year ended 31 March 2021 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 notes to the financial statements, including a summary of significant accounting policies. 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 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In our opinion the accompanying 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 2021 and of its net expenditure 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 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Public Sector Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

### Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

**Risks of material misstatement**

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

**Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Reporting on regularity of expenditure and income

### Opinion on regularity

In our 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.

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Reporting on other requirements

### Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

### Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

**Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been 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 Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

**Matters on which we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

## Use of our report

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 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd, for and on behalf of Grant Thornton UK LLP
Date:
110 Queen Street
Glasgow
G1 3BX

# 7. Annual accounts

**Social Care and Social Work Improvement Scotland (Care Inspectorate)**
**Financial Accounts for the Year Ended 31 March 2021**

**Contents**

# STATEMENT OF COMPREHENSIVE NET EXPENDITURE
# FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2020/21 £000 | 2019/20 £000 |
|---|---|---|---|
| **Income** | | | |
| Fees charged to service providers | 2a | (11,726) | (12,063) |
| Other operating income | 2b | (992) | (1,352) |
| | | **(12,718)** | **(13,415)** |
| **Expenditure** | | | |
| Staff costs | 3a | 34,256 | 33,682 |
| Operating expenditure | 6 | 6,222 | 7,751 |
| | | **40,478** | **41,433** |
| Net operating cost on ordinary activities before interest and (return)/cost on pension scheme assets and liabilities | | **27,760** | **28,018** |
| Bank charges (net of interest) | | 8 | 9 |
| Net interest on defined pension liability/(asset) | 5b | 428 | 394 |
| Net operating cost on ordinary activities after interest and net interest on pension scheme net liabilities | | **28,196** | **28,421** |
| Total actuarial re-measurements on defined pensions liability | 5b | (13,396) | (2,403) |
| **Total comprehensive net expenditure / (surplus) before Scottish Government funding*** | | **14,800** | **26,018** |

All operations are continuing.

The notes on pages 66 to 88 form an integral part of these accounts.

*The table on page 14 provides a reconciliation between the SCNE and our budgeted position.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

| | Notes | 2020/21 £000 | 2019/20 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 61 | 111 |
| Trade and other receivables falling due after more than one year | 9 | 72 | 25 |
| **Total non-current assets** | | **133** | **136** |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | 9 | 4,717 | 3,707 |
| Cash and cash equivalents | 10 | 2,190 | 1,517 |
| **Total current assets** | | **6,907** | **5,224** |
| | | | |
| **Total assets** | | **7,040** | **5,360** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | (3,271) | (3,027) |
| **Total current liabilities** | | **(3,271)** | **(3,027)** |
| | | | |
| **Non-current assets plus/less net current assets/liabilities** | | **3,769** | **2,333** |
| | | | |
| **Non-current liabilities** | | | |
| Other payables greater than one year | 11 | (37) | (82) |
| Other provisions | 16 | (662) | 0 |
| Pension assets/(liabilities) | 5a | (10,466) | (20,052) |
| | | | |
| **Total non-current liabilities** | | **(11,165)** | **(20,134)** |
| | | | |
| **Assets less liabilities** | | **(7,396)** | **(17,801)** |
| | | | |
| **Taxpayers' equity** | | | |
| Pensions reserve | SOCTE | (10,466) | (20,052) |
| General reserve | 15 | 3,070 | 2,251 |
| | | **(7,396)** | **(17,801)** |

**Peter MacLeod**
**Chief Executive**
**23 September 2021**

The notes on pages 66 to 88 form an integral part of these accounts

# STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED 31 MARCH 2021

| | Note | 2020/21 | 2019/20 |
|---|---|---|---|
| **Cash flows from operating activities** | | **£000** | **£000** |
| Total comprehensive net expenditure before Scottish Government funding | SCNE | (14,800) | (26,018) |
| | | | |
| Adjustments for non-cash items: | | | |
| Pension actuarial adjustments | 5b (table 2) | (9,586) | 1,926 |
| Depreciation and amortisation | 7,8 | 50 | 50 |
| (Increase)/decrease in trade and other receivables | 9 | (1,057) | (253) |
| Increase/(decrease) in trade and other payables | 11 | 244 | (398) |
| Increase/(decrease) in non-current liabilities | 11 | (45) | (59) |
| Increase/(decrease) in provisions | 16 | 662 | 0 |
| | | | |
| **Net cash outflow from operating activities** | | (24,532) | (24,752) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 7 | 0 | 0 |
| **Net cash outflow from investing activities** | | 0 | 0 |
| | | | |
| **Cash flows from financing activities** | | | |
| Grants from Scottish Government | 12 | 25,205 | 24,727 |
| **Net financing** | | 25,205 | 24,727 |
| | | | |
| Net increase/(decrease) in cash and cash equivalents in the period | 10 | 673 | (25) |
| Cash and cash equivalents at the beginning of the period | 10 | 1,517 | 1,542 |
| Cash and cash equivalents at the end of the period | 10 | 2,190 | 1,517 |

The notes on page 66 to 88 form an integral part of these accounts

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | Pension Reserve £'000 | General Reserve £'000 | Total Reserves £'000 |
|---|---|---|---|---|
| **Balance at 31 March 2019** | | (18,126) | 1,616 | (16,510) |
| **Changes in taxpayers' equity for 2019/20** | | | | |
| Adjustment between accounting basis and funding basis for actuarial pension valuation adjustments | 5b (table 2) | (1,926) | 1,926 | 0 |
| Total comprehensive net expenditure | | 0 | (26,018) | (26,018) |
| **Total recognised income and expense for 2019/20** | | **(1,926)** | **(24,092)** | **(26,018)** |
| Grant from Scottish Government | 12 | 0 | 24,727 | 24,727 |
| **Balance at 31 March 2020** | | **(20,052)** | **2,251** | **(17,801)** |
| **Changes in taxpayers' equity for 2020/21** | | | | |
| Adjustment between accounting basis and funding basis for actuarial pension valuation adjustments | 5b (table 2) | 9,586 | (9,586) | 0 |
| Total comprehensive net expenditure | | 0 | (14,800) | (14,800) |
| Total recognised income and expense for 2020/21 | | 9,586 | (24,386) | (14,800) |
| Grant from Scottish Government | 12 | 0 | 25,205 | 25,205 |
| **Balance at 31 March 2021** | | **(10,466)** | **3,070** | **(7,396)** |

The notes on pages 66 to 88 form an integral part of these accounts

## Notes to the accounts

### 1. Statement of accounting policies

### 1.1 Basis of accounts

The accounts have been prepared in accordance with the Accounts Direction issued by the Scottish Ministers. The Accounts Direction (reproduced at Appendix 1) requires compliance with the Government's Financial Reporting Manual (FReM) which follows International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) Interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Care Inspectorate are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts are prepared using accounting policies and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard 8 (IAS 8): Accounting Policies, Changes in Accounting Estimates and Errors.

### 1.2 Accounting standards issued not yet effective

In accordance with IAS 8, changes to IFRS that have been issued but not yet effective have been reviewed for impact on the financial statements in the period of initial application. There is one standard not yet effective that will have an impact on the Care Inspectorate's accounts which is IFRS 16 Leases. This standard requires all significant leases to be recognised in the Statement of Financial Position.

**IFRS 16 – Leases**

The standard has been adopted by the FReM and was planned to be effective from 1 April 2020. However, HM Treasury has agreed with the Financial Reporting Advisory Board (FRAB) to defer implementation of IFRS 16 Leases until 1 April 2022 due to the circumstances caused by the Covid-19 pandemic.

Assessment of the new standard concludes that the Care Inspectorate has significant leases relating to the use of property and vehicles. The Care Inspectorate has short term leases for office space throughout Scotland that will require an adjustment to the Statement of Financial Position for the recognition of a right of use asset and a liability for future lease payment commitments. The current estimate is that we will need to recognise a right of use asset and related liability of approximately £4.5 million for property leases.

In respect of vehicles the Care Inspectorate operates a closed scheme where eligible staff are able to lease a vehicle for a four-year period with Care Inspectorate making an agreed annual contribution towards lease costs. The current estimate is that we will need to recognise a right of use asset and related liability of approximately £0.2 million for vehicle leases.

### 1.3 Accounting convention

The accounts have been prepared under the historical cost convention except for pensions that have been measured at fair value as determined by the relevant accounting standard.

### 1.4 Going concern
The accounts have been prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

### 1.5 Property, plant and equipment

#### 1.5.1 Capitalisation
The capitalisation threshold for individual assets is £5,000. This applies to all asset categories.

#### 1.5.2 Valuation
Property, plant and equipment assets are carried at cost, less accumulated depreciation and any recognised impairment value. The Care Inspectorate does not have any assets held under finance leases.

Depreciated historic cost has been used as a proxy for the current value. All property, plant and equipment have low values and short useful economic lives which realistically reflect the life of the asset, and a depreciation charge which provides a realistic reflection of consumption.

#### 1.5.3 Depreciation
Depreciation is provided on property, plant and equipment on a straight-line basis using the expected economic life of the asset. A full year's depreciation is charged in the year the asset is first brought into use and no depreciation is charged in the year of disposal. The economic life of an asset is determined on an individual asset basis. The asset cost is written off as follows:

| | |
|---|---|
| Furniture and fittings | remaining period of lease (from one to two years) |
| Plant and equipment | remaining period of lease (from one to two years) |

### 1.6 Intangible assets
Acquired intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Acquired intangible assets tend to be software. The economic life of an asset is determined on an individual basis.

### 1.7 Impairment of tangible and intangible assets
All tangible and intangible non-current assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value, less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses this is recognised as income immediately.

### 1.8 Government grants receivable
Grants and grant in aid in respect of revenue and capital expenditure are treated as a source of financing and are credited to the general reserve.

### 1.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Care Inspectorate currently only holds operating leases.

#### 1.9.1 The Care Inspectorate as a lessor

The Care Inspectorate provides finance, human resources, procurement, estates and health and safety services to the Scottish Social Services Council and this arrangement is disclosed as an operating lease. The Care Inspectorate also sub-lets offices to other public bodies.

Income from operating leases to the value of £0.739m has been recognised in the SCNE.

#### 1.9.2 The Care Inspectorate as a lessee

Costs, in respect of operating leases, are charged to the operating cost statement on a straight-line basis over the term of the lease.

Costs for operating leases to the value of £0.915m have been recognised in the SCNE.

### 1.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position consist of cash at bank and cash in hand.

### 1.11 Pensions

The Care Inspectorate accounts for pensions under IAS 19 'Employee Benefits' as adapted to the public sector.

The Care Inspectorate is an admitted body to the local government pension scheme, and this is a defined benefit scheme. Obligations are measured at discounted present value whilst scheme assets are recorded at fair value. The operating and financing costs of such schemes are recognised separately in the SCNE. Service costs are spread systematically over the expected service lives of employees. Financing costs and actuarial gains and losses are recognised in the period in which they arise.

The Care Inspectorate's funding rules require the general reserve balance to be charged with the amount payable by the Care Inspectorate to the pension scheme and not the amount calculated according to the application of IAS 19. Therefore, there are appropriations to/from the pensions reserve shown in the statement of changes in taxpayers' equity to reverse the impact of the IAS 19 entries included in the statement of comprehensive net expenditure to ensure the general reserve balance is charged with the amount payable by the Care Inspectorate.

### 1.12 Short-term employee benefits

The Care Inspectorate permits the carry forward of unused annual leave entitlement and accumulated flexible working hours scheme balances. Entitlement to annual leave and flexible working hours are recognised in the accounts at the time the employee renders the service and not when the annual leave and accumulated hours balances are actually used.

### 1.13 Shared services

The Care Inspectorate shares its headquarters and some services with the Scottish Social Services Council (SSSC). There is a service level agreement (SLA) between the SSSC and Care Inspectorate and the Care Inspectorate charges the SSSC for property, finance, procurement and human resources costs based on this SLA. The SLA contains arrangements akin to a lease. This is accounted for as an operating lease.

**1.14 Value added tax (VAT)**
The Care Inspectorate can recover only a nominal value of VAT incurred on purchases, with irrecoverable VAT being charged to the SCNE.

**1.15 Revenue and capital transactions**
Revenue transactions are recognised in accordance with IFRS 15, so they are recorded in the accounts on an income and expenditure basis, meaning they are recognised as they are earned or incurred, not as money is received or paid. All specific and material sums payable to and due by the Care Inspectorate as at 31 March 2021 have been brought into account. Similarly, capital transactions are recognised as they are agreed or incurred, not as money is received or paid.

**1.16 Financial instruments**
The Care Inspectorate does not hold any complex financial instruments. As the cash requirements of the Care Inspectorate are met through grant in aid provided by the Health and Social Care Integration Directorate, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with our expected purchase and usage requirements and the Care Inspectorate is therefore exposed to little credit, liquidity or market risk.

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Care Inspectorate becomes a party to the contractual provisions of the instrument.

**1.16.1 Trade receivables**
Trade receivables are non-interest bearing and are recognised at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

**1.16.2 Trade payables**
Trade payables are non-interest bearing and are stated at fair value.

**1.16.3 Provisions**
Provisions are recognised when the Care Inspectorate has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provisions is presented in the SCNE, net of any reimbursement.

**1.17 Change in accounting policy**
There have been no changes in accounting policy during the year.

**1.18 Operating segments**
Financial reporting to senior decision makers is at an organisation wide level and therefore segmental reporting under IFRS 8 is not required.

**1.19 Contingent assets / liabilities**
Contingent assets and liabilities are disclosed in accordance with IAS 37.

## 2. Operating income

| 2.a Fees charged to service providers | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Continuation of registration | (11,222) | (11,430) |
| Application to register | (504) | (633) |
| | **(11,726)** | **(12,063)** |

| 2.b Other operating income | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Recharges for services provided to other organisations | (776) | (983) |
| Secondee recharges | (33) | (184) |
| Lease income | (87) | (86) |
| Other income | (96) | (99) |
| | **(992)** | **(1,352)** |

## 3. Staff numbers and costs

### 3.a Analysis of staff costs

An analysis of staff numbers and costs is disclosed in Section 4.2.1 (staff numbers by permanent and other) of this report. A summary of cost is provided in the table below:

| Staff cost summary | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Directly employed staff | 33,075 | 32,201 |
| Indirectly employed staff | 708 | 953 |
| Severance costs | 43 | 18 |
| Other staff costs | 430 | 510 |
| **Total staff costs** | **34,256** | **33,682** |

### 3.b Analysis of impact of actuarial pension valuation adjustments (see note 5)

The table below provides details of the difference between the employers' contributions we actually paid to the pension scheme administrator and the service cost disclosed in the Annual Report and Accounts. Our budget is based on employer contributions payable. Service cost is a figure derived from actuarial analysis in accordance with IAS 19.

| | 2020/21 | | | 2019/20 | | |
|---|---|---|---|---|---|---|
| | Local Government Scheme £000 | NHS Scheme £000 | Total £000 | Local Government Scheme £000 | NHS Scheme £000 | Total £000 |
| Employer pension contributions actually paid | 3,700 | 45 | 3,745 | 3,517 | 51 | 3,568 |
| **Accounting entries (IAS19 note 5)** | | | | | | |
| Service cost (actuarial basis) | 7,017 | 45 | 7,062 | 7,390 | 51 | 7,441 |
| **Pension costs included in staff costs (SCNE)** | **7,017** | **45** | **7,062** | **7,390** | **51** | **7,441** |
| Variance between actual cost and accounting basis | 3,317 | 0 | 3,317 | 3,873 | 0 | 3,873 |

## 4. Reporting of voluntary early severance/voluntary early retirement scheme

The total cost of exit packages in 2020/21 was £42k (2019/20: £18k). Details of exit packages are disclosed in Section 4.2.5 (exit packages) of this report.

## 5. Post-employment benefits: pension

International Accounting Standard 19 (IAS 19) 'Employee Benefits' sets out the accounting treatment to be followed when accounting for the costs of providing a pension scheme.

### NHS pension scheme

As at 31 March 2021 the Care Inspectorate employed 5 people who were members of the NHS Superannuation Scheme (Scotland). The scheme is an unfunded multi-employer defined benefit scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions. The next valuation will be as at 31 March 2020, and this will set contribution rates from 1 April 2023. The Care Inspectorate is unable to identify its share of underlying assets and liabilities, therefore is treated for accounting purposes as a defined contribution scheme.

- The Care Inspectorate has no liability for other employers' obligations to the multi-employer scheme.
- As the scheme is unfunded there can be no deficit or surplus to distribute the wind-up of the scheme or the withdrawal from the scheme.

During the year ended 31 March 2021, the Care Inspectorate paid an employer's contribution of £45k (2019/20 £51k) into the NHS scheme at a rate of 20.9% of pensionable pay (2019/20 20.9%). The employer contribution rate for the year to 31 March 2022 will remain at 20.9%.

**Tayside Superannuation Fund**

The Tayside Superannuation Fund is a multi-employer scheme which includes local authorities and admitted bodies.

The fund is administered by Dundee City Council and the pension scheme is part of the Local Government Pension Scheme. It is a defined benefit scheme, which means the benefits to which members and their spouses are entitled are determined by pensionable pay and length of service.

The employer contribution rate for 2020/21 was 17% based on the actuarial valuation for financial years 2018/19 to 2020/21. Employer contributions are set every three years as a result of an actuarial valuation of the Fund required by the Regulations. The most recent actuarial valuation of the Fund was carried out as at 31 March 2020. This set the contribution rate at 17% for 2021/22 to 2023/24. The next valuation of the fund will be carried out as at 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The contributions paid by the Care Inspectorate for the year to 31 March 2021 were £3,700k (2019/20 £3,517k) representing 17.0% of pensionable pay. The employer contribution rate for the year to 31 March 2022 will remain at 17.0%. Employee contribution rates for the LGPS were in the range 5.5% to 10.1% based on earnings bands.

Participation in the defined benefit scheme exposes the Care Inspectorate to the following risks:
- **Investment risk**. The fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk.** The fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- **Inflation risk.** All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

- **Longevity risk.** In the event that the members live longer than assumed, a deficit will emerge in the fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the fund, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Care Inspectorate, for example higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

The Court of Appeal ruled transactional protections granted to older members of the Judicial Pension Scheme and the Firefighters Pension Scheme give rise to unlawful discrimination. As the Local Government Pension Scheme (Scotland) (LGPSS) has similar transitional protection arrangements there is likely to be a read across and the implications of remedying the unlawful discrimination will be similar. The implications are it is likely to result in increases to scheme liabilities and service costs. Ultimately this may lead to future increases in employer contribution rates.

The pension disclosure notes include the actuarial assessment of the impact on the Care Inspectorate's share of the fund.

### 5.a Employee benefits – statement of financial position recognition

| | Year to 31 March 2021 | Year to 31 March 2020 |
|---|---:|---:|
| | **£000** | **£000** |
| Present value of funded obligation | (244,640) | (195,769) |
| Fair value of scheme assets (bid value) | 234,174 | 175,717 |
| **Net liability** | **(10,466)** | **(20,052)** |

## 5.b Statement of comprehensive net expenditure (SCNE) costs for the year to 31 March 2021

### Table 1 - The amounts recognised in the SCNE are as follows:

| | Year to 31 March 2021 | | Year to 31 March 2020 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Service cost | | 7,017 | | 7,390 |
| Administration expenses | | 65 | | 62 |
| Net interest on the defined liability/(asset) | | 428 | | 394 |
| Difference between actual employer's contributions and actuarial employer's contributions | 19 | | 37 | |
| Return on plan assets less interest | (53,210) | | 14,500 | |
| Change in financial assumptions | | | | |
| Changes in demographic assumptions | 48,732 | | (16,940) | |
| Experience gain on defined benefit | (2,640) | | 0 | |
| obligation | (4,728) | | 0 | |
| Other actuarial gains | | | | |
| | (1,569) | | 0 | |
| Total remeasurements | | (13,396) | | (2,403) |
| **Total** | | **(5,886)** | | **5,443** |
| Total return on scheme assets | | (57,335) | | (10,054) |

The Care Inspectorate recognises the cost of retirement benefits in the reported operating cost when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made under the Care Inspectorate's funding rules is based on the cash payable in the year. This requires the real cost of post-employment/retirement benefits to be reversed out of the general reserve via the statement of changes in taxpayers' equity. The following transactions have been made in the SCNE and the general reserve balance via the statement of changes in taxpayers' equity during the year.

Table 2

| **Actuarial Adjustments for:** | **Note** | **2020/21** | **2019/20** |
|---|---|---|---|
| | | **£000** | **£000** |
| Staff Costs | 3b | 3,317 | 3,873 |
| Administration charges | 5b Table 1 | 65 | 62 |
| Net interest on defined liability | 5b Table 1 | 428 | 394 |
| Remeasurements | 5b Table 1 | (13,396) | (2,403) |
| Total actuarial adjustment | | **(9,586)** | **1,926** |

The net interest on defined liability / (asset) effectively sets the expected return equal to the IAS19 discount rate (note 5g).

### 5.c Benefit obligation reconciliation for the year to 31 March 2021

Changes in the present value of the defined benefit obligations are as follows:

| | Year to 31 March 2021 | | Year to 31 March 2020 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Opening defined benefit obligation | | 195,769 | | 202,818 |
| Current service cost | 7,017 | | 7,359 | |
| Past service costs, including curtailments | 0 | | 31 | |
| Total service cost | | 7,017 | | 7,390 |
| Interest cost | | 4,553 | | 4,840 |
| Estimated benefits paid net of transfers in | (5,553) | | (3,784) | |
| Contributions by scheme participants | 1,490 | | 1,445 | |
| Total scheme transactions | | (4,063) | | (2,339) |
| Changes in financial assumptions | 48,732 | | (16,940) | |
| Changes in demographic assumptions | (2,640) | | 0 | |
| Experience gain on defined benefit obligation | (4,728) | | 0 | |
| Total actuarial (gains)/losses | | 41,364 | | (16,940) |
| **Closing defined benefit obligation** | | **244,640** | | **195,769** |

### 5.d Fair value of scheme assets reconciliation for the year to 31 March 2021

**Changes in the fair value of scheme assets are as follows:**

| | Year to 31 March 2021 | | Year to 31 March 2020 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Opening fair value of scheme assets | | 175,717 | | 184,692 |
| Interest on assets | | 4,125 | | 4,446 |
| Estimated benefits paid net of transfers in | (5,553) | | (3,784) | |
| Employer contributions | 3,681 | | 3,480 | |
| Contributions by scheme participants | 1,490 | | 1,445 | |

| | | | | |
|---|---|---|---|---|
| Total scheme transactions | | (382) | | 1,141 |
| Return on assets less interest | | 53,210 | | (14,500) |
| Other actuarial gains | | 1,569 | | |
| Administration expenses | | (65) | | (62) |
| **Closing defined benefit obligation** | | **234,174** | | **175,717** |

## 5.e Projected pension expense for the year to 31 March 2022

| | **Year to 31 March 2022** |
|---|---:|
| | **£000** |
| Service cost | 9,491 |
| Net interest on the defined liability | 172 |
| Administration expenses | 86 |
| **Total** | **9,749** |
| | |
| Employer contributions | 3,681 |

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021.

### 5.f Care Inspectorate fund assets

The table below provides details of the estimated asset allocation of the fund for the Care Inspectorate.

| Asset class | Assets as at 31 March 2021 | | Assets as at 31 March 2020 | |
|---|---|---|---|---|
| | **£000** | **%** | **£000** | **%** |
| Equities | 167,678 | 72 | 116,173 | 66 |
| Gilts | 9,260 | 4 | 2,438 | 1 |
| Other bonds | 30,566 | 13 | 31,048 | 18 |
| Property | 21,403 | 9 | 21,613 | 12 |
| Cash | 4,933 | 2 | 5,314 | 3 |
| Alternatives | 334 | 0 | (869) | (0) |
| **Total** | **234,174** | **100** | **175,717** | **100** |

Based on the above, the Care Inspectorate's share of the assets of the fund is approximately 5%.

Tayside Superannuation Fund has relied on valuations provided by its advisors for its property holdings, which have been reported on the basis of 'material valuation uncertainty'. Given the unknown future impact that COVID-19 might have on the real estate market, the Fund is keeping the valuation of its property portfolio under frequent review.

### 5.g Financial assumptions as at 31 March 2021

The financial assumptions used for IAS19 calculations are below. These assumptions are set with reference to market conditions at 31 March 2021. The estimated duration of the Care Inspectorate's past service liability is 18 years. Estimated cashflows (based on this duration) are used to derive a Single Equivalent Discount Rate (SEDR). The discount rate is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the last accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the estimated cashflows described above. The SEIR derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.4% below RPI ie 2.85% per annum. The actuary believes this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Care Inspectorate's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030.

Salary increases are assumed to be 1.0% above CPI. This is consistent with the approach at the previous accounting date. However, in line with the latest Fund valuation as at 31 March 2020 any allowance for promotional salary increases has been removed.

| **Assumptions as at** | **31 March 2021** | **31 March 2020** | **31 March 2019** |
|---|---|---|---|
| | **% p.a.** | **% p.a.** | **% p.a.** |
| Discount rate | 2.00 | 2.35 | 2.40 |
| Pension increases | 2.85 | 1.90 | 2.40 |
| Salary increases | 3.85 | 2.90 | 3.40 |

### 5.h Demographic/statistical assumptions

The previous accounting disclosure as at 31 March 2020 used the following post retirement mortality assumptions:

- The S2PA tables with a multiplier of 130%.
- The CMI_2018 model to project these tables forward, allowing for a long-term rate of improvement of 1.5%, a smoothing parameter of 7.0 and an initial addition parameter of 0.0%.

These assumptions were updated as part of the most recent Fund valuation as at 31 March 2020 and the following post retirement mortality assumptions at the 2020 valuation were as follows:

- The S3PA heavy tables with a multiplier of 110%.
- The CMI_2019 Model to project these tables forward, allowing for a long-term improvement of 1.25%, a smoothing parameter of 7.5 and an initial addition to improvements of 0.0%.

For the accounting disclosure as at 31 March 2021 the actuary updated these assumptions again using the CMI2020 model, allowing for a long-term rate of improvement of 1.25%, a smoothing parameter of 7.5, an initial addition parameter of 0.0% and a 2020 weighting of 25%.

This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The exceptional mortality experienced due to the coronavirus pandemic has been incorporated without having a disproportionate impact on results.

The assumed life expectations from age 65 are:

| **Life Expectancy from Age 65 (years)** | | **31 March 2021<br><br>(after CME2020 update)** | **31 March 2020 (consistent with 2020 valuation and before CMI_2020 update)** | **31 March 2020** |
|---|---|---|---|---|
| Retiring today | Males | 18.9 | 19.2 | 19.7 |
| | Females | 22.2 | 22.5 | 21.7 |
| Retiring in 20 years | Males | 20.2 | 20.7 | 21.4 |
| | Females | 23.8 | 24.0 | 23.5 |

The actuary has also made the following assumptions.

- Members will exchange half of their commutable pension for cash at retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

**5.i Sensitivity Analysis**

The following table sets out the impact of a change in the discount rates on the defined benefit obligation and projected service cost along with a +/- one-year age rating adjustment to the mortality assumption.

| | **£000** | **£000** | **£000** |
|---|---|---|---|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 240,456 | 244,640 | 248,901 |
| Projected service cost | 9,242 | 9,491 | 9,745 |
| | | | |
| Adjustment to long-term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 245,259 | 244,640 | 244,024 |
| Projected service cost | 9,496 | 9,491 | 9,485 |
| | | | |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 248,242 | 244,640 | 241,102 |
| Projected service cost | 9,742 | 9,491 | 9,246 |
| | | | |
| Adjustment to life expectancy assumptions | +1 Year | None | -1 Year |
| Present value of total obligation | 256,572 | 244,640 | 233,279 |
| Projected service cost | 9,962 | 9,491 | 9,038 |

## 6. Analysis of operating costs

| Operating expenditure | 2020/21 | 2019/20 |
|---|---|---|
| | £000 | £000 |
| Property costs | 2,163 | 2,241 |
| Administration costs[1] | 1,462 | 1,835 |
| Supplies & services | 1,687 | 2,044 |
| Transport costs | 143 | 1,531 |
| Pension administration costs (IAS 19) | 65 | 62 |
| Depreciation & amortisation of assets | 50 | 50 |
| Provision for dilapidations | 662 | 0 |
| Changes in debt impairment allowance | (10) | (12) |
| | **6,222** | **7,751** |

1. Administration costs includes £33.7k for external auditor's remuneration (2019/20 £32.9k). External audit provided no services in relation to non-audit work.

## 7. Property, plant and equipment

**Property, Plant & Equipment**

**2020/21**

| | Furniture and fittings | Plant and equipment | Information technology | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost or Valuation:** | | | | |
| At 1 April 2020 | 549 | 143 | 288 | 980 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | (7) | (7) |
| **At 31 March 2021** | 549 | 143 | 281 | 973 |
| **Depreciation:** | | | | |
| At 1st April 2020 | (445) | (136) | (288) | (869) |
| Charged in year | (48) | (2) | 0 | (50) |
| Disposals | 0 | 0 | 7 | 7 |
| **At 31 March 2021** | (493) | (138) | (281) | (912) |
| **Net book value:** | | | | |
| **At 31 March 2021** | **56** | **5** | **0** | **61** |
| At 31 March 2020 | 104 | 7 | 0 | 111 |

**Asset Financing:** All assets are owned

| | 2019/20 | | | |
|---|---|---|---|---|
| | **Furniture and fittings** | **Plant and equipment** | **Information technology** | **Total** |
| | **£000** | **£000** | **£000** | **£000** |
| **Cost or Valuation:** | | | | |
| At 1 April 2019 | 549 | 143 | 373 | 1,065 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | (85) | (85) |
| **At 31 March 2020** | 549 | 143 | 288 | 980 |
| | | | | |
| **Depreciation:** | | | | |
| At 1st April 2019 | (397) | (134) | (373) | (904) |
| Charged in year | (48) | (2) | 0 | (50) |
| Disposals | 0 | 0 | 85 | 85 |
| **At 31 March 2020** | (445) | (136) | (288) | (869) |
| | | | | |
| **Net book value:** | | | | |
| **At 31 March 2020** | **104** | **7** | **0** | **111** |
| | | | | |
| At 31 March 2019 | 152 | 9 | 0 | 161 |

**Asset Financing:** All assets are owned

## 8. Intangible assets

| | 2020/21 | | |
|---|---|---|---|
| | **Computer software licences** | **Information technology** | **Total** |
| **Cost or Valuation:** | **£000** | **£000** | **£000** |
| At 1st April 2020 | 21 | 121 | 142 |
| Additions | 0 | 0 | 0 |
| Disposals | (21) | 0 | (21) |
| At 31 March 2021 | 0 | 121 | 121 |
| | | | |
| **Depreciation:** | | | |
| At 1st April 2020 | (21) | (121) | (142) |
| Charge for year | 0 | 0 | 0 |
| Disposals | 21 | 0 | 21 |
| At 31 March 2021 | 0 | (121) | (121) |
| | | | |
| **Net book value:** | | | |
| **At 31 March 2021** | **0** | **0** | **0** |
| | | | |
| At 31 March 2020 | 0 | 0 | 0 |

There are no internally developed intangible assets

**2019/20**

| Cost or Valuation: | Computer software licences £000 | Information technology £000 | Total £000 |
|---|---|---|---|
| At 1st April 2019 | 21 | 187 | 208 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | (66) | (66) |
| At 31 March 2020 | 21 | 121 | 142 |
| **Depreciation:** | | | |
| At 1st April 2019 | (21) | (187) | (208) |
| Charge for year | 0 | 0 | 0 |
| Disposals | 0 | 66 | 66 |
| At 31 March 2020 | (21) | (121) | (142) |
| **Net book value:** | | | |
| **At 31 March 2020** | **0** | **0** | 0 |
| At 31 March 2019 | 0 | 0 | 0 |

There are no internally developed intangible assets

## 9. Trade and other receivables

| | 2020/21 | | 2019/20 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Amounts falling due within one year:** | | | | |
| Prepayments and accrued income | | 775 | | 829 |
| Trade receivables | 3,937 | | 2,870 | |
| Other receivables | 5 | | 8 | |
| | | 3,942 | | 2,878 |
| | | **4,717** | | **3,707** |
| **Amounts falling due after more than one year:** | | | | |
| Prepayments and accrued income | | **72** | | **25** |
| **Total trade and other receivables** | | **4,789** | | **3,732** |

Trade and other receivables are non-interest bearing. Credit terms are generally 30 days. Trade and other receivables are recorded at fair value, reduced by appropriate allowances for estimated irrecoverable amounts. Amounts falling due after more than one year relate to prepaid expenditure.

| **Provision for impairment of receivables:** | **2020/21** | **2019/20** |
|---|---|---|
| | **£000** | **£000** |
| As at 1 April | (35) | (47) |
| Charge for the year | (83) | (48) |
| Unused amounts reversed | 7 | 13 |
| Uncollectable amounts written off | 86 | 47 |
| As at 31 March | **(25)** | **(35)** |

As at 31 March 2021, trade and other receivables of £25k (2019/20 £35k) were past due and impaired. The amount provided is £25k (2019/20 £35k). The aging analysis of these receivables is as follows:

| | **2020/21** | **2019/20** |
|---|---|---|
| | **£000** | **£000** |
| Up to 3 months past due | (3) | (4) |
| 3 to 6 months past due | (1) | (6) |
| Over 6 months past due | (2) | (1) |
| Over 12 months past due | (19) | (24) |
| | **(25)** | **(35)** |

As at 31 March 2021, trade and other receivables of £3,942k (2019/20 £2,878k) were due but not impaired. The aging analysis of these receivables is as follows:

| | **2020/21** | **2019/20** |
|---|---|---|
| | **£000** | **£000** |
| Not yet due | 2,496 | 2,733 |
| Up to 3 months past due | 422 | 43 |
| 3 to 6 months past due | 340 | 19 |
| Over 6 months past due | 412 | 8 |
| Over 12 months past due | 272 | 75 |
| | **3,942** | **2,878** |

**Analysis of trade and other receivables:**

| **Amounts falling due within one year:** | **2020/21** | **2019/20** |
|---|---|---|
| | **£000** | **£000** |
| Bodies external to government | 4,237 | 3,082 |
| Other central government bodies | 141 | 180 |
| Local authorities | 255 | 411 |
| NHS bodies | 84 | 34 |
| | **4,717** | **3,707** |
| **Amounts falling due after more than one year:** | | |
| Bodies external to government | **72** | **25** |
| **Total trade and other receivables** | **4,789** | **3,732** |

## 10. Cash and cash equivalents

| | 2020/21 | 2019/20 |
|---|---|---|
| | **£000** | **£000** |
| Balance as at 1 April | 1,517 | 1,542 |
| Net change in cash and cash equivalent balance | 673 | (25) |
| Balance as at 31 March | **2,190** | **1,517** |

The following balances as at 31 March were held at:

| | | |
|---|---|---|
| Government Banking Service | 1,265 | 1,044 |
| Commercial banks and cash in hand | 925 | 473 |
| Balance as at 31 March | **2,190** | **1,517** |

## 11. Trade and other payables

| | 2020/21 | 2019/20 |
|---|---|---|
| | **£000** | **£000** |
| **Amounts falling due within one year:** | | |
| Trade payables | 339 | 254 |
| Accruals and deferred income | 1,165 | 1050 |
| Other taxation and social security | 689 | 671 |
| Other payables | 1,078 | 1052 |
| | **3,271** | **3,027** |

| **Amounts falling due after more than one year:** | **£000** | **£000** |
|---|---|---|
| Lease Incentives | **37** | **82** |

**Analysis of trade and other payables:**

| | 2020/21 | 2019/20 |
|---|---|---|
| **Due within one year:** | **£000** | **£000** |
| Bodies external to government | 1,987 | 1,786 |
| Other central government bodies | 798 | 783 |
| Local authorities | 448 | 432 |
| NHS bodies | 38 | 26 |
| | **3,271** | **3,027** |

| **Falling due after more than one year:** | **£000** | **£000** |
|---|---|---|
| Bodies external to government | **37** | **82** |

Trade and other payables due after more than one year include the lease incentives which are accounted for over more than one year.

## 12. Grants from Scottish Government

| Scottish Government grants | 2020/21 | 2019/20 |
|---|---|---|
| | £000 | £000 |
| Grant in aid operating costs | 23,054 | 22,129 |
| Scrutiny approach for Community Justice | 325 | 325 |
| Appropriate Adults | 137 | - |
| Support to early learning and childcare expansion | 537 | 259 |
| Adult Support and Protection Inspection Programme | 601 | 338 |
| National Child Death Review Hub | 122 | 189 |
| ELC Improvement | 196 | 98 |
| Safer Staffing | 65 | 50 |
| Adult Significant Case Reviews | 56 | - |
| Transformation delivery programme grant | - | 350 |
| National health and social care standards grant | - | 50 |
| Barnahus project | - | 24 |
| Cessation of shared ICT services | - | 205 |
| Child contact centres – feasibility study | - | 56 |
| **Total grant in aid funding** | **25,093** | **24,073** |
| Care About Physical Activity (CAPA) project funding | 42 | 499 |
| Technology enabled care programme funding | 70 | 67 |
| ELC evaluation | - | 54 |
| Improvement Adviser | - | 22 |
| Delivery of indoor and outdoor setting guidance | - | 12 |
| **Total grants from Scottish Government** | **25,205** | **24,727** |

## 13. Capital commitments

There were no capital commitments as at 31 March 2021.

## 14. Commitments under leases

### 14.a Operating leases

The total future minimum lease payments under operating leases are shown below. The commitments are shown net of VAT.

| Obligations under operating leases comprise: | 2020/21 | 2019/20 |
|---|---|---|
| | £000 | £000 |
| Buildings: | | |
| Within 1 year | 689 | 758 |
| Within 2 to 5 years | 1,524 | 1,926 |
| Beyond 5 years | 275 | 557 |
| | **2,488** | **3,241** |

| | | |
|---|---|---|
| Other: | | |
| Within 1 year | 67 | 98 |
| Within 2 to 5 years | 53 | 112 |
| | **120** | **210** |

## 14.b Operating lease receivables

The Care Inspectorate provides shared services to the Scottish Social Services Council (SSSC) and the Office of the Scottish Charities Regulator (OSCR). Shared services relating to the provision of facilities and administration services are disclosed as lease arrangements. Sub lease arrangements are also in place with the Scottish Government.

Anticipated rental commitments under operating leases are shown in the table below. The rental commitments are shown net of VAT.

| Commitments under operating leases comprise: | 2020/21 | 2019/20 |
|---|---|---|
| | £000 | £000 |
| Buildings: | | |
| Within 1 year | 799 | 795 |
| Within 2 to 5 years | 1,109 | 1,805 |
| Beyond 5 years | 83 | 172 |
| | **1,991** | **2,772** |

In Dundee, our buildings are shared with the Scottish Social Services Council and the Office of the Scottish Charities Regulator. We also share our Aberdeen building with Education Scotland. The anticipated rental commitments are based on these lease arrangements continuing until the end of the lease terms.

## 14.c Finance leases

There are no obligations or commitments under finance leases.

## 15. Sources of financing

| 2019/20 | | 2020/21 | | |
|---|---|---|---|---|
| £000 | | £000 | £000 | £000 |
| General Reserves | | Revenue Transactions | Capital Transactions | General Reserve |
| 1,616 | Opening Balance | 2,140 | 111 | 2,251 |
| (26,018) | Surplus/(Deficit) for the year | (14,750) | (50) | (14,800) |
| 1,926 | Pension actuarial adjustments | (9,586) | 0 | (9,586) |
| (22,476) | Total before grants | (22,196) | 61 | (22,135) |
| 24,073 | Grant-in-aid funding | 25,093 | 0 | 25,093 |
| 654 | Other Scottish Government grants | 112 | 0 | 112 |
| 24,727 | Total Grants | 25,205 | 0 | 25,205 |
| **2,251** | **Total** | **3,009** | **61** | **3,070** |

## 16. Other provisions

Other provisions comprise property dilapidations in respect of lease obligations.

| | £000 |
|---|---|
| Balance at 1 April 2020 | 0 |
| Provided in year | 662 |
| **Balance at 31 March 2021** | **662** |

## 17. Contingent assets

The contingent asset from 2019/20 with one of our telecoms providers to recover backdated payments for cancelled services was settled during the year. A refund of £72k was received.

## 18. Related-party transactions

The Care Inspectorate is a non-departmental public body sponsored by the Scottish Government Health and Social Care Integration Directorate. The Care Inspectorate has shared services arrangements with the Scottish Social Services Council and the Office of the Scottish Charities Regulator. In addition, the Care Inspectorate sub-lets accommodation to Scottish Government and Education Scotland. There are no other bodies or organisations that are regarded as related parties with which the Care Inspectorate has had material transactions during the year.

A register of interests is maintained and updated annually. None of the Board members or key managerial staff have undertaken material transactions with the Care Inspectorate during the year.

| **Related Party** | **2020/21** | **2019/20** |
|---|---|---|
| | **£000** | **£000** |
| Scottish Social Services Council | 649 | 844 |
| Office of the Scottish Charities Regulator | 127 | 139 |
| Scottish Government | 56 | 56 |
| Education Scotland | 30 | 30 |
| **Total** | **862** | **1,069** |

We also received procurement services from the Scottish Government's Central Government Procurement Shared Service to the value of £2k (2019/20: £24k).

## 19. Post statement of financial position events

There were no events after the statement of financial position date relating to the 2020/21 financial year.

# Appendix One: Accounts Direction by the Scottish Ministers

The Scottish Government

**SOCIAL CARE AND SOCIAL WORK IMPROVEMENT SCOTLAND**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of section 14(1) of Schedule 11 of the Public Services Reform (Scotland) Act 2010 hereby give the following direction.

2. The statement of accounts for the financial year ended 31 March 2012, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 1 June 2012

## Glossary

| | |
|---|---|
| CETV | Cash equivalent transfer value |
| CMI | The continuous mortality investigation |
| COSLA | Convention of Scottish Local Authorities |
| CPI | Consumer price index |
| FReM | Government financial reporting manual |
| FTE | Full time equivalent |
| HIS | Healthcare Improvement Scotland |
| IAS | Internal Accounting Standard |
| ICT | Information and communications technology |
| IFRIC | International Financial Reporting Interpretation Committee |
| IFRS | International Financial Reporting Standards |
| KPI | Key performance indicator |
| LGPS | Local Government Pension Scheme |
| PSR Act | Public Services Reform Act (2010) |
| RPI | Retail price index |
| SCNE | Statement of comprehensive net expenditure |
| SLA | Service level agreement |
| SOCTE | Statement of changes in taxpayers’ equity |
| SSSC | Scottish Social Services Council |

care inspectorate

# ANNUAL REPORT and ACCOUNTS 2020/21


Published by: Communications
COMMS-0621-344

@careinspect
@careinspectorate
careinspectorate

HAPPY TO TRANSLATE

Annual Report and Accounts of
the Care Inspectorate

This report is laid before the
Scottish Parliament under
Schedule 11 Section 15(2)
of the Public Services Reform
(Scotland) Act 2010

1 April 2020 to 31 March 2021

SI number SG/2021/151

The Accountable Officer
authorised these financial
statements for issue
23 September 2021

**Table of contents** **Page**

# Annual report

# Section A: Performance report

## 1. Performance overview

### 1.1 Foreword by Chair

This annual report covers the Care Inspectorate's operations from April 2020 to March 2021; a year that can only be described as the most challenging we have faced since we were established. The Covid-19 pandemic has caused incredible distress and trauma for so many individuals and families across our society, as well as for staff working in care services and those working for the Care Inspectorate itself.

I ~~would like~~want to acknowledge the enormity of the impact on the social care sector and the tremendous efforts of those who have continued to deliver the best possible care in the most difficult of circumstances. I would also like to express my heartfelt thanks to all those who have worked so tirelessly over the past year, ~~as well as to~~ including the staff at the Care Inspectorate who have committed so much time, energy and hard work to support the sector during a very challenging time.

The Care Inspectorate has adapted to continue our scrutiny, assurance and quality improvement work across the care sector. We have continued to keep the Health and Social Care standards central in driving improvement, promoting flexibility and encouraging innovation in how people are cared for and supported.

When the Covid-19 pandemic took hold in Scotland, we focused on supporting services to manage the crisis. In the early stages, following ~~public health~~ advice from Directors of Public Health, we restricted our onsite visits to services because of the risk of virus transmission and adapted how we worked. ~~–~~ It was critical that we restricted on site visits to care homes in order to protect people and limit the spread of the virus.
We simultaneously intensified our oversight of services and rapidly put in place other ways to scrutinise, monitor and support the social care sector across Scotland to make improvements. ~~We~~ We continued to make regular, often frequent, contact with services through virtual meetings and phone calls during the inspection year. ~~As~~ As the year progressed, we tested and put in place a number ~~of different~~of different approaches to our work that brought tangible benefits and applied these to different service types accordingly.

As we look to the year ahead, there are a number of opportunities arising with the rollout of the expansion of funded Early Learning and Childcare (ELC), the implementation of our new ELC Quality Framework, and the implementation of 'The Promise' and its recommendations on children's social care reform. Focus will also be given to working with the new Scottish Government on delivering the recommendations of the Independent Review of Adult Social Care and specifically a National Care Service. We must ensure ~~our learning~~our learning from Covid-19 is relevant and ambitious, supporting the

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**Formatted:** Font color: Text 1, Pattern: Clear transformation of the social care sector to deliver care that meets the individual needs of people who experience care, supporting them to live life well and to the full. We also welcome the opportunity to take part in the forthcoming independent public inquiry in Scotland into the handling of the coronavirus (COVID-19) pandemic.

~~As my time as Chair comes to an end, I have had an opportunity to reflect on my time at the Care Inspectorate over the past eight years. The Care Inspectorate has changed significantly over this period. In particular, I am extremely proud of our Health and Social Care Standards, which we played a pivotal role in establishing, and in developing our use scrutiny and intelligence to help drive improvement. Both of these initiatives are delivering a step change in the quality of services that are provided for people in need of care and really helping to improve their lives.~~

~~I am incredibly honoured to have played a part in ensuring that the hundreds of thousands of people in Scotland experiencing care every day have access to high-quality care and that their needs, rights and choices are at the heart of the work of the Care Inspectorate.~~

~~I wish~~ I am pleased to have had my time as Chair extended for a further year.

I look forward to working with all the staff at the Care Inspectorate, the Strategic Leadership Team and the Board ~~the very best for shaping and enabling~~in this coming year. We will be focussed on helping to shape and enable the transformation of ~~the future of~~ social care~~, ensuring it~~ as we move forward with the recommendations for the Independent Review of Adult Social Care and the consultation on the National Care Service. I am committed to ensuring the sector receives the recognition that it deserves, and ~~achieving~~to helping the Care Inspectorate achieve its vision of world-class social care and social work in Scotland, where every person, in every community, experiences high-quality care and support, tailored to their rights, needs and wishes.

Paul Edie
Chair

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# ~~Annual report~~

## ~~Section A: Performance report~~

### ~~1. Performance overview~~

## ~~1.1~~1.2 Statement by Chief Executive on performance in the period 2020/21

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I am pleased to introduce our annual report for 2020/21, which highlights our performance delivering scrutiny, providing assurance, and supporting quality improvement in social care and social work across ~~the~~more than 12,~~133~~100 registered care services that we regulate in Scotland.

This has clearly been an unprecedented year for everyone as we have all come to terms with - and dealt with - a global pandemic, the repercussions of which have impacted the health and social care sector hardest of all. Across the care sector, there has been loss of life and there are many bereaved and grieving families. That is also the case for staff working in the sector, who have worked selflessly and with great professionalism and compassion in some of the most challenging circumstances. Tragically some of them have also lost their lives.

On behalf of everyone at the Care Inspectorate, I would like to share our deepest sympathies to those who have lost loved ones or those they have cared for~~ during this time.~~. Each one is a personal tragedy and a reminder of the impact this virus is having on our society and communities.

With the pandemic still very much in the forefront of our minds, I must extend a special acknowledgement and my sincere gratitude to all of those who have been working in social care, social work, and early learning and childcare (ELC) for continually going above and beyond to deliver the best possible care to those who needed it during this time of crisis.

This report looks back at how the Care Inspectorate has responded and adapted to the pandemic and how our staff have worked to ensure the highest standards of care in the most challenging conditions.

When the pandemic began to develop in Scotland, we acted quickly to change our approach to scrutiny, assurance and improvement support, and developed new and enhanced ways to support the care sector and provide assurance to the public. We had to rapidly implement contingency plans to operate effectively during an emerging pandemic.

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The advice from Directors of Public Health in Scotland was unequivocal; inspection visits presented a real risk of introducing and spreading COVID-19. We intensified our oversight of services and rapidly put in place other ways to scrutinise, monitor, and support social care across Scotland. We continued to make regular contact with services and our inspectors made over 74,000 remote contacts, and had 2,800 virtual meetings during the inspection year to carry out ~~checks~~their scrutiny work and also provided invaluable support when services ~~when they~~ needed it most. We~~ have~~ successfully rolled out Near Me technology to enable us to inspect services remotely and have used intelligence-led and risk-based scrutiny approaches to focus our work on the greatest area of need.

In June 2020, we augmented our quality framework with associated quality indicators to enable us to inspect how services were operating in response to the pandemic, including people's health and wellbeing, infection prevention and control, PPE, and staffing.

Our inspection findings – reported to Parliament every fortnight since May – have highlighted many areas of positive practice, including staff providing kind and compassionate care, and the positive use of technology allowing those experiencing care to stay in contact with those important to them. They have also identified areas for improvement in relation to people's health and wellbeing, infection prevention and control, and staffing arrangements.

We have worked collaboratively with the Scottish Government, organisations such as Healthcare Improvement Scotland, and partners ~~such as those from~~across public health, nursing, and health and social care partnerships to ensure that tailored support and the right intervention has been provided for each care home in Scotland.

Throughout the pandemic we have collected and analysed data and information to support our emergency response and shared this with the Scottish Government and our other partners to help support the care sector.

Our Covid-19 winter support webinars have successfully supported care homes and care at home services for older people and adults in Scotland to prepare for winter and to support the implementation of Covid-19 guidance into practice.

We remain committed to supporting continuous quality improvement using improvement methodology to enable services to make sustainable improvements. In March 2021, I was delighted to appoint our first Chief Nurse, the only role of its kind across all UK social care regulators, with a focus on supporting the care sector and the Care Inspectorate in relation to nursing, clinical leadership, and specialist clinical and professional advice. We are also in the process of establishing a Health and Social Care Improvement Team to further support quality improvement in the care sector in relation to specialist areas of health and wellbeing.

In ~~Early Learning~~early learning and ~~Childcare~~childcare, we significantly increased our levels of contact with those services that remained open, offering advice and support through professional dialogue with managers and providers. A key element of this contact was to support services to understand and implement national Covid-19 guidance.

We set up a national Covid-19 flexible response team within our organisation to help relay information and inform services about the emerging and rapidly developing situation. We also developed an interim registration procedure to enable services to adapt quickly to provide essential services for children and their families.

In order to support services and keep the public informed, we ~~have~~ developed a range of guidance and resources. A specific section of the website has informed and helped services and the public stay up to date with the ever-changing situation. We produced a series of reports detailing how the Care Inspectorate has changed its role and purpose and how we responded to the pandemic. We also sent out regular provider updates to support services ~~throughout the Covid-19 pandemic.~~.

The Care Inspectorate supported the Crown Office and Procurator Fiscal Service (COPFS) investigation into deaths due to Covid-19 in care homes in Scotland.

Beyond Covid, we have continued to inform local and national policy as well as the public with our publications on topics such as complaints, fostering and adoption, staff vacancies and corporate parenting. Our regular Provider Updates have kept the sector regularly informed of new developments and guidance that they need to follow.

We also delivered a huge digital transformation project with the launch of our new registration app for use by colleagues, external providers and applicants who can now access, update and maintain information directly.

It has also been important for us to support our own staff through challenging times. Recognising the importance of creating a safe space to reflect and learn from experiences during the pandemic, we delivered a programme of learning events to encourage the workforce to reflect together on the learning, insights and challenges experienced at work during the pandemic. We have provided access to a range of support, such as webinars, courses, counselling support, and information on range of topics around wellbeing.

As we look ahead ~~to 2021~~, there is much work to be done and many opportunities to embrace. Learning from our experiences during the pandemic and focussing on our recovery will be a key theme of our work. The implementation of the Independent Review of Adult Social Care, and its core recommendation to establish a National Care Service, will have a significant impact on our role and function and will be an important debate in which to engage and contribute. We would also welcome the opportunity to contribute to the Scottish Government's independent public inquiry into Covid-19.

The rollout of the expansion of funded ELC and 'Funding Follows the Child' will help ensure children experience the highest quality of ELC. Our ELC Improvement programme has also supported funded ELC settings across Scotland to improve the quality of their provision and meet the National Standard through learning communities, one-to-one support and online resources.

We will be reviewing all Quality Improvement Frameworks for children's services to make sure they align with the priorities of the Promise, and monitoring the rollout of the Barnahus model and associated standards.

We remain ambitious for social care and committed to ensuring that people in Scotland can experience transformational, world-class care that makes a real and positive difference to their lives.

Even in such difficult times as we have experienced in this past year, I continue to see our values being lived every day throughout the Care Inspectorate and across the sector as we ~~uphold our~~ focus on the experiences, wellbeing and outcomes of people who use care services. I extend my gratitude to everyone who has played – and continues to play – their part supporting Scotland's care sector to make a positive difference to people's lives through the delivery of high-quality and safe services.

**Peter Macleod**
**Chief Executive**

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## 1.~~2~~3 Purpose of overview section

This overview section provides information on the statement of purpose and activities of the Care Inspectorate and on key issues and risks affecting the organisation. This section also reports on any going concern and provides a performance summary against the organisation's strategic aims.

## 1.~~3~~4 Statement of purpose and activities of the organisation

The Care Inspectorate is the official statutory body responsible for inspecting standards and furthering improvement of social work and social care in Scotland. That means we regulate and inspect care services to make sure they are operating at the levels we expect. We also carry out joint inspections with other bodies to check how well local partnerships are working to support adults and children. We help ensure social work, including criminal justice social work, meets high standards.

It is our responsibility to help ensure that people experience high-quality care and support. We play a key part in improving care for adults and children across Scotland, acting as a catalyst for change, improvement and innovation, and promoting good practice.

We are an executive non-departmental public body. This means we operate independently from Scottish Ministers but are accountable to them and are publicly funded. Our functions, duties and powers are set out in the Public Services Reform (Scotland) Act 2010 and associated regulations.

Our Board sets our strategic direction and oversees governance, while taking account of legislation and Scottish Government policy guidance. You will find more about our Board on our website. Our staff team is led by our chief executive and four executive directors.

We regulate over 12,~~133~~100 services. Most of these are childminders, care homes, care at home, daycare of children or housing support. We also regulate adoption and fostering services, secure care, school accommodation, nurse agencies and offender accommodation. You will find more information about the numbers and types of services we regulate on ~~our website~~our website.

Our regulatory work includes registering and inspecting care services, dealing with complaints and carrying out enforcement action, where necessary. We also play a significant role in supporting improvement in care services and local partnerships.

**Care Inspectorate vision**
The Care Inspectorate believes that people in Scotland should experience a better quality of life as a result of accessible, excellent services that are designed and delivered to reflect their individual needs and promote their rights.

**Our purpose**
The Care Inspectorate will contribute to this vision by:
- providing public assurance and protection for people who experience care and their carers
- delivering efficient and effective scrutiny assurance and improvement support

- acting as a catalyst for positive change, innovation and world-class care
- supporting self-evaluation and identifying and spreading good practice.

**Our values**
- Person-centred – we will put people at the heart of everything we do.
- Fairness – we will act fairly, be transparent and treat people equally.
- Respect – we will be respectful in all that we do.
- Integrity – we will be impartial and act to improve care for the people of Scotland.
- Efficiency – we will provide the best possible quality and public value from our work.

**Strategic outcomes**
- People experience high-quality care.
- People experience positive outcomes.
- People's rights are respected.

~~https://www.careinspectorate.com/images/documents/4858/Corporate%20Plan%202019-2022.pdf~~

Our current Corporate Plan is available to read here.

**How we register care services**
Every care service falling within the definition in the Public Services Reform (Scotland) Act 2010 must be registered with the Care Inspectorate. We register all new care services to ensure that they meet legal requirements, evidence their ability to provide good-quality care and take into account the Health and Social Care Standards. We may make variations to any conditions of registration. When a service cancels its registration or is faced with sudden closure, our regulatory approach aims to safeguard the people who are using the service by working with the provider, local authority and others to ensure changes are planned and uncertainty is minimised.

**How we inspect care**
Our scrutiny and improvement plan is agreed annually by Scottish Ministers. ~~Using~~We gather intelligence~~,~~ from a variety of sources across social care in Scotland. This intelligence informs how and when we inspect services. We have a duty to target our ~~inspection plan focuses~~resources at those services which need the most support, so our inspections often focus on poorer performing and high~~-~~ risk services. Inspectors use a variety of methods, depending on the type of service they are inspecting to examine the experiences of and outcomes for people, as a result of using a care service.

As part of inspection, our inspectors will talk to people who use care services, their carers and their families. We talk to staff and managers, examine what quality of care is being provided, look at activities and environments, examine records and files, and ensure people have choices that reflect their needs and promote their rights. We may make recommendations and requirements or take enforcement action if necessary.

We take account of self-evaluation from the service itself and assess its performance against the Health and Social Care Standards. We grade care services using a six-point scale from unsatisfactory to excellent across four themes: their quality of care and support; their quality of environment; their quality of staffing; and their quality of management and leadership.

In June 2020, we introduced Key Question 7, to assess how well services ~~are~~were responding to the pandemic. This addition to our inspection framework ~~enables~~enabled us to focus on infection prevention and control, PPE, and staffing while also considering the impact on people's health and wellbeing.

We also deal with complaints about regulated care services. ~~Upheld~~We deal with concerns and complaints using different pathways to ensure they are resolved quickly, appropriately and effectively. All concerns raised with us are assessed carefully to ensure they are dealt with in the most appropriate and proportionate manner. Concerns and complaints about a service may affect its grades and how frequently we inspect it.

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## 1.~~4~~5 Key issues and risks affecting the organisation

Every year, as part of our corporate planning process, we consider the major risks that might prevent us from achieving our objectives and look at how we can reduce these risks. On an annual basis, our Board undertakes a strategic review of risk to examine the major risks facing the Care Inspectorate, and maintains and receives the resulting ~~risk register throughout the year.~~risk register throughout the year.

The risk register details each major risk that has been identified, the likelihood of it occurring and the scale of impact were it do to so. The register then identifies specific objectives deriving from, or linked to, the corporate plan that may help to mitigate the impact on the Care Inspectorate were any or all of the risks to materialise. Each risk is scored in its raw state and re-assessed after consideration of mitigating factors. This facilitates a clearer understanding of where executive and management level scrutiny and preventative measures need to be focused. Eight strategic risks are included on the risk register. ~~These can be grouped into the following themes.~~

- ~~Reputational risks that could lead to a loss of confidence in the Care Inspectorate as a national scrutiny and improvement body and authoritative voice on the standard of care and social work services.~~
- ~~Resource risks which could affect the Care Inspectorate's capacity to deliver its strategic objectives.~~
- ~~External environment influences including political, legislative and partnership working influences.~~

In addition, the consideration of risk is a standing item at each meeting of the Board and Committee.

## 1.~~5~~6 Going concern

The Care Inspectorate Board has no reason to believe the Scottish Government and Scottish Ministers have any intention to withdraw or reduce support to the Care Inspectorate. It is therefore appropriate to prepare the accounts on a going-concern basis.

The Statement of Financial Position as at 31 March 2021 shows net liabilities of £7.396m. The net liabilities are mainly the result of actuarial assumptions adopted for the application of accounting standard IAS 19.

IAS 19 requires the liabilities and assets of the pension scheme to be valued. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Care Inspectorate. The liability relates to benefits earned by existing or previous Care Inspectorate employees up to 31 March 2021.

The Care Inspectorate participates in a pension fund which is the subject of an actuarial valuation every three years. This actuarial valuation is different from the valuation required by the accounting standard IAS 19. The actuarial valuation determines employer contribution rates that are designed to bring fund assets and liabilities into balance for the fund as a whole over the longer term.

Therefore, the liability will be reduced through the payment of employee and employer contributions each year. Any future increases in employer contributions will require to be reflected through the grant-in-aid agreed with the sponsor department.

The Statement of Changes in Taxpayers' Equity in the Financial Accounts section shows the pension and general reserve position as at 31 March 2021.

A combination of the statutory maximum fees chargeable being unchanged since 2005 and our core grant in aid remaining static in cash terms over several years has meant that we have had to identify significant efficiencies to meet the continued increase in our core operating costs. We continue to work with our Sponsor Department to agree a sustainable funding position so that we can maintain our ability to deliver services in future years. A working group comprising Board members and officers was set up to consider the impact of this on our medium- and long-term financial planning.

## 1.~~6~~7 Performance summary

**Financial performance**
Our budget is funded mainly by a mixture of grant in aid from the Scottish Government and fees paid by service providers. (Grant in aid means the Scottish Government provides funding but without imposing day-to-day control over how we spend it.) In managing our finances, we are not allowed to use overdraft facilities or to borrow.

The Scottish Government sets the maximum fees the Care Inspectorate may charge. Changes to maximum fee rates require a public consultation exercise. The maximum fees charged to care service providers have not increased since the 2005/06 financial year.

Our grant funding position for 2020/21 was as follows:

| | Budgeted Position £000 | Actual Funding £000 |
|---|---|---|
| Grant in aid | 24,770 | 25,093 |
| Other government grant | 105 | 112 |
| **Grant Funding ~~2019/20~~2020/21 (Note 12)** | **24,875** | **25,205** |

Grant in aid includes Scottish Government specific programme funding totalling £1,825k during 2020/21.

The table below shows our revenue budget position.

| | Budget £000 | Actual £000 | Variance £000 |
|---|---|---|---|
| Revenue expenditure | 38,514 | 37,054 | (1,460) |
| Fee income | (11,879) | (11,726) | 153 |
| Other revenue income | (937) | (992) | (55) |
| **Net expenditure before grant funding** | **25,698** | **24,336** | **(1,362)** |
| Grant in aid | (24,770) | (25,093) | (323) |
| Specific grant funded projects | (105) | (112) | (7) |
| **Total 2020/21 grant funding** | **(24,875)** | **(25,205)** | **(330)** |
| **Net expenditure after grant funding** | **823** | **(869)** | **(1,692)** |

**Reconciliation to Statement of Comprehensive Net Expenditure (SCNE)**

We prepare our annual accounts in accordance with the Accounts Direction issued by Scottish Ministers. The Accounts Direction (reproduced at Appendix 1) requires compliance with the Government Financial Reporting Manual (FReM). Our funding and budgeting position is different from the accounting financial position as shown in the Statement of Comprehensive Net Expenditure (SCNE) for three reasons.

1. For budgeting purposes, we consider grants and grant in aid to be income. The accounting position must present grants and grants in aid as sources of funds and are credited to the general reserve on the Statement of Financial Position.

2. Post-employment benefits (pensions) must be accounted for using International Accounting Standard 19 'Employee Benefits' (IAS 19). IAS 19 requires accounting entries for pensions to be based on actuarial pension expense calculations. Our funding position is based on the cash pension contributions we make as an employer to the pension scheme.

3. Grant in aid used for the purchase of non-current assets is credited to the general reserve and the balance is reduced by the amount of depreciation charged each year. The current year depreciation charge is £0.050m.

The table below reconciles the deficit shown on the Statement of Comprehensive Net Expenditure (SCNE) to the deficit recognised for funding and budgeting purposes. The budgeted deficit of £0.823m was to be funded by a general reserve balance built up in previous years to assist with funding our business and digital transformation programme and invest in ICT modernisation. The actual surplus is £1.692m less than budgeted deficit. This is mainly due to longer than normal recruitment processes and limited travel due to the impact of Covid-19. This additional general reserve balance will assist with the additional expenditure and budget pressures in 2021/22.

| | **Ref** | **£000** | **£000** |
|---|---|---|---|
| Deficit per the SCNE | SCNE | | 14,800 |
| Revenue funding from grants and grant in aid | Note 15 | | (25,205) |
| Reverse IAS 19 pension accounting adjustments | Note 5b | | 9,586 |
| To fund depreciation and asset disposals | Note 6 | | (50) |
| **(Surplus)/deficit on budget basis** | | | **(869)** |
| **Movement of general reserve balance:** | | | |
| **Opening general reserve balance** | **Note 15** | | **(2,251)** |
| (Surplus)/deficit on budget basis | | | (869) |
| Depreciation | | | 50 |
| **Closing general reserve balance** | **Note 15** | | **(3,070)** |

**Supplier payment policy**
The Care Inspectorate is committed to the Confederation of British Industry Prompt Payment Code for the payment of bills for goods and services we receive. It is our policy to make payments in accordance with the Scottish Government's instructions on prompt payment and a target of payment within 10 days. We paid 97.37% (2019/20: 98.60%) of invoices within 10 days.

**The Scottish Regulators' Strategic Code of Practice**
The Care Inspectorate is subject to the Scottish Regulators' Strategic Code of Practice ('the Code'). The Code is made by the Scottish Ministers and laid before the Scottish Parliament in accordance with the provisions of the Regulatory Reform (Scotland) Act 2014. The Code sets out how regulators should exercise their functions in a way that is consistent with the principles of better regulation and promotes sustainable economic growth. The Care Inspectorate is committed to mainstreaming compliance with the Code in all its regulatory work. The Care Inspectorate takes account of the Code in the development and review of its policies, procedures and methodologies. It complies fully with the Code in making its regulatory decisions, particularly in relation to registration and enforcement actions, which may impact significantly upon businesses.

# 2. Performance analysis

## 2.1 How do we measure performance

Typically, we monitor our performance against:
- the three strategic outcomes in the corporate plan for 2019 to 2022
- the key performance indicators (KPIs) associated with our strategic outcomes.

~~Where possible, we~~We have continued to monitor performance against our KPIs but where this had to be revised due to Covid-19, we have provided regular updates and relevant data to our Board to enable them to have confidence in the organisation's response and hold performance to account.

Regular monthly and quarterly reports on our performance, structured around our strategic outcomes, priorities and KPIs, provide our ~~Executive~~Strategic Leadership Team ~~and managers~~ with information to monitor progress and act where necessary. The following section provides a summary of our performance over the year – fuller detail can be found here:
http://www.careinspectorate.com/index.php/publications-statistics/35-corporate-annual-reports-accounts/corporate-board-meeting-papers

## 2.2 Detailed analysis of development and performance

Covid-19 resulted in changes to practice and policies which were different from our pre-pandemic activities. To limit the spread of the virus, we had to restrict our physical presence in services and our offices. Additionally, certain service types closed completely during the pandemic or substantially changed how they operated. These changes resulted in it not being possible to report in the normal way on some of our KPIs (1, 2 and 3(a)) and performance in others was impacted due to the response required to the Covid-19 pandemic. The table below shows our end of year performance in our KPIs.

We had to change the way that we monitored some KPIs due to the impact of Covid-19 and the restrictions around infection prevention control and not being able to routinely access services or survey people and staff in care services with our paper questionnaires (KPI1 – % of people telling us that our scrutiny will improve care).

Due to a combination of services being closed and restrictions on non-essential visiting, complaints and inspections could only be done physically on location when these were deemed absolutely essential, following an enhanced risk assessment (KPI2 – % of statutory inspections completed). This change in policy was to ensure the safety of people experiencing care and care staff.

End of year KPI performance 2020/21

| **Strategic Outcome 1: People experience high-quality care** | **Strategic Outcome 2: People experience positive outcomes** | **Strategic Outcome 3: People's rights are respected** |
|---|---|---|
| | | **KPI8:** Days per quarter that inspection volunteers and care experienced people are involved in our work<br>**62 days (average per quarter)**<br>[Benchmark 65 days] |

| | | |
|---|---|---|
| | **KPI5:** % of registration applications completed within timescales<br>**78.3%**<br>[Target 80%] | |
| **KPI 3(a):** % of complaints about care that were investigated within the relevant timescales (full investigation only) | **KPI6:** Level of investment in learning and development for our workforce<br>**3.8 hours on average per employee**<br>[Benchmark 4.6 hours] | |
| **KPI 3(b):** % of complaints about care that were resolved within the relevant timescales (includes all methods of resolution)<br>**90.4%**<br>[Target 80%] | **KPI7:** % of inspection hours spent in high and medium risk services<br>**89.8%**<br>[Target 25%] | |
| **KPI4:** % staff absence<br>**3.6%**<br>[Target 3.8%: Range 2.4% to 5.7%] | | |

Performance on KPI3b and KPI7 increased due to the focus on high-risk services. Staff absence performance (KPI4) increased as staff were working continuously to support the pandemic response and was likely initially improved by working from home with the organisation actively promoting staff health and wellbeing and how we can support people to remain healthy and well at work and at home during the pandemic.

In the KPIs where we were slightly below target performance was impacted by the focus on the pandemic response and the related restrictions. Training (KPI6) and involvement (KPI8) opportunities had to be carried out remotely which made normal performance difficult to maintain as in-person training or volunteer inspection activity was not possible. In terms of percentage of registrations completed within timescales (KPI5) the fewer registrations being applied for, combined with work on our digital app and variation work in relation to the pandemic response resulted in the target just being missed.

**Our response to Covid-19 pandemic: Impact on people experiencing care and services**

At 31 March 2021, there were 12,133 registered care services operating in Scotland. 88% of services had grades of good or better for every theme. More information about numbers and types of services, and their grades is available on our website at http://www.careinspectorate.com/index.php/statistics-and-analysis.

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This ~~Last~~ year, we undertook ~~15,342~~ 8,355 care service scrutiny interventions, including inspections~~,~~ (835), new registrations~~,~~ (477), complaints~~,~~ 4,618), and variations~~. This year due~~ 2,425)

**New registrations completed**: Contributing factors to this decrease include the impact of Covid-19, especially on-site visits, and the work on developing and testing our new digital App and associated new processes.

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**Inspections completed**: To limit the spread of Covid-19 our routine inspection plans were affected with some service types closed and others not safe to inspect. However, we ~~completed 8,355~~ intensified scrutiny ~~interventions – a decrease of 46% year on year.~~

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~~**Total scrutiny and quality improvement interventions completed up to 31 March 2021**~~

| | ~~Number completed up to 31 March 2020~~ | ~~Number completed up to 31 March 2021~~ | ~~Comparison of 2020/21 vs 2019/20 year to date~~ |
|---|---|---|---|
| ~~New registrations completed~~ | ~~721~~ | ~~477~~ | ▼↓ |
| ~~Inspections completed~~ | ~~5,694~~ | ~~835~~ | ▼↓ |
| ~~Complaints received~~ | ~~5,831~~ | ~~4,618~~ | ▼↓ |
| ~~Number of variations to registration completed (not including typographical changes to certificates).~~ | ~~3,096~~ | ~~2,425~~ | ▼↓ |
| ~~**Total scrutiny interventions completed**~~ | ~~**15,342**~~ | ~~**8,355**~~ | ▼↓ |


~~In addition to the above activity, we made regular contact with services and our inspectors made over 74,000 remote contacts and held 2,800 virtual meetings during the inspection year to support services and ensure they were coping in the pandemic.~~in other ways: there were 142 additional continuation visits and 34 monitoring visits made to services, 821 self-evaluations, and over 74,000 contacts with services including 346 'Near Me' calls. These virtual contacts allowed us to support services during this unprecedented time while minimising the risk of spreading the virus to the people ~~using these services, their~~experiencing care, care staff and our own staff.

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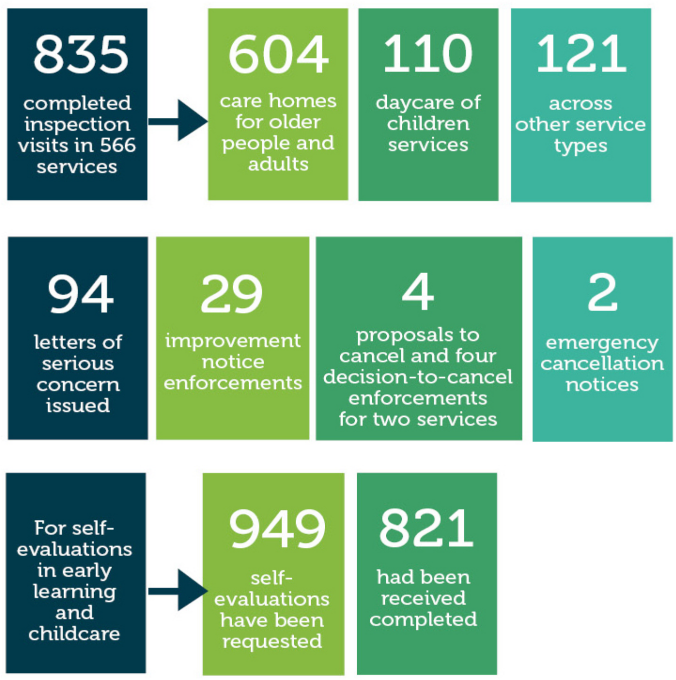
**Complaints received**: The number of complaints received decreased by 1,213 (21%) from Q4 last year. Several service types such as childminding, daycare of children and adult daycare had most of their services closed due to Covid-19. Complaints from relatives or carers continue to occupy the greatest proportion of complainants but has decreased by almost a third (32%) compared to Q4 last year. These factors have all contributed to the fall in complaints received.

**Variations to registration completed**: The number of variations completed decreased 671 from Q4 last year largely due to increased numbers in Q1 19/20 following a project to implement new ways of managing conditions of registration. There are some changes this year that have resulted in reduced need for variations. We have continued with adapted practice during the pandemic, reducing the requirement for a variation to make it easier for services to adapt to meet peoples' needs. We have prioritised the migration of cases that were in progress in our legacy system onto our new App, and once complete, will begin to progress a recent increase in variations to extend 'covid related time-limited conditions' (e.g., to provide a different service type / operate from a different premises).

THESE INTERVENTIONS COMPRISED:




**Complaints**
Covid-19 impacted on the operating hours of many services contributing to the overall number of complaints received decreasing by 1,213 from last year (down 21%). Many services closed or ran at lower capacity due to Covid-19. Fewer visitors to services also contributed to lower number of complaints and we worked with Scottish Government to support the development and implementation of opening care homes to allow visiting and put in place action to support services to develop safe visiting practices.

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Under normal circumstances, we would report on KPI3(a): % of complaints about care that were investigated with a full Care Inspectorate investigation within the relevant timescales. ~~However, due to Covid-19 and the limitations on investigating a complaint on-site, we were not able to report on this KPI for 2020/21.~~However, the Care Inspectorate had to change the way we worked to prevent the risk of spreading Covid-19 in care services.  We could not carry out non-essential visits and had to restrict onsite complaint investigations to those that were deemed essential following an enhanced risk assessment. The Care Inspectorate actioned every complaint that it received and responded appropriately in the context of the pandemic to keep people safe: more complaints were resolved quickly through direct provider action, and more were logged as intelligence.  Crucially, all intelligence from complaints was assessed and used to inform and focus our wider scrutiny work.  This included onsite inspections, the majority of which focussed in depth on Covid-19 related issues along with assessing the overall wellbeing of people experiencing care.

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Up to the end of Q4 2020/21:

- 220 complaints were completed and of these 167 (76%) were upheld.

90% of complaints were resolved by any method within the relevant timescales (KPI3b) compared to 75% last year. This showed that we resolved complaints quickly; to achieve this, we assigned more staff to support people raising concerns, assess complaints, support resolution by providers and ensure we made relevant authorities aware of complaints.

Our mid-year complaints report for 2020/21 covering Q1 and Q2 can be found here: https://www.careinspectorate.com/images/documents/5915/Board%20meeting%2017-12-20.pdf

**Strategic inspection activity**

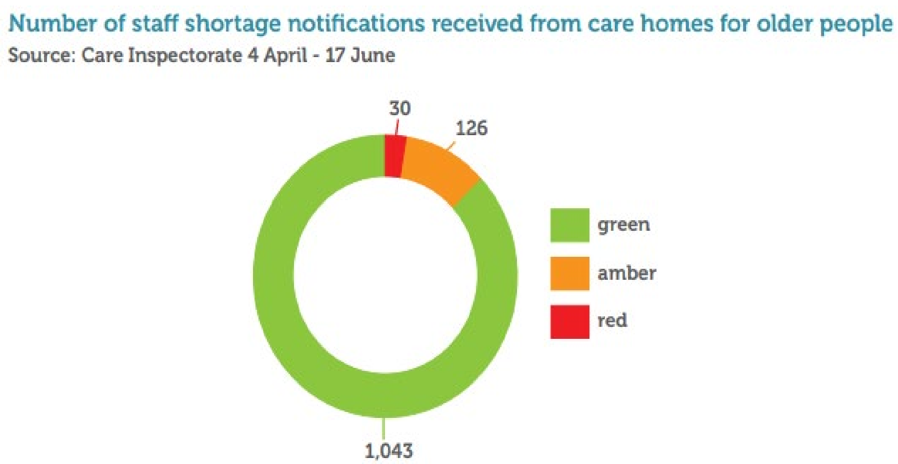
Our Strategic scrutiny programme was heavily impacted by Covid-19. The Strategic scrutiny team leading on adult support and protection used the available time to work alongside our scrutiny partners to develop a modified methodology which allows remote reviewing of case records on a multi-agency basis. The new approach was successfully tested in scrutiny work in Inverclyde, and we are hopeful that its deployment will help to transform our inspection activity at strategic level across the range of programmes.

Our Strategic Scrutiny team leading on justice concluded its inspection of justice services in Aberdeen City completing the inspection virtually.

You can find copies of all strategic reports under ‘Inspection reports’ here: http://www.careinspectorate.com/index.php/publications-statistics

**Supporting care services**

Early in March 2020, we put an early warning system of enhanced notifications in place, requiring services to tell us about both suspected and confirmed cases of Covid-19, and staffing levels affected by Covid-19. The Red, Amber, Green system was unique across the UK regulators and meant we were immediately alerted to issues and could provide scrutiny, guidance and support to services directly, as well as directing resources to services from other key agencies where needed~~. We introduced seven-days-a-week working to monitor staff shortage notifications to enable us to support the sector.~~




- Green – sufficient staff numbers/skill mix to meet the needs of people who use the service.
- Amber – staff are stretched and only just able to provide the staff levels/skill-mix to meet the needs of people who use the service
- Red – no longer have adequate levels and skill-mix of staff to meet the needs of those you provide care for.

Due to the significant requirement for PPE as an infection prevention and control measure, we put in place a professional lead who responds to more specialist enquiries about PPE. Our data and close working supported NSS hubs for PPE being set up across the country. We provided responses and escalated areas of concern where a national response was needed. We also supported Scottish Government's pandemic response team with scoping and contacting services around staff testing in care services.

**Covid winter support webinars**
The Improvement Support team working with the Covid-19 Flexible Response team to develop and deliver a three-phase package of support around our Covid-19 response and winter preparedness. The aim was to support care homes and care at home services for older people and adults in Scotland for winter and to understand and implement Covid-19 guidance into their settings. The series was delivered through 13 webinars, covering a range of topics, to 1,288 attendees. The webinars had significant reach and were well received by the sector.

**Near Me**
The Scottish Government introduced Near Me ~~as a means~~ to provide clinical appointments remotely in 2017. The Care Inspectorate was given the opportunity to use Near Me with care providers early in 2020. However, due to the Covid-19 restrictions implemented in March, access to the facility was immediately provided to all Care Inspectorate staff who would ~~normaly~~normally have a need to visit the premises of a care provider, potential care provider, person experiencing care, or a family member in order to

reduce the risk of introducing Covid-19 to a care setting. The Care Inspectorate supported the national ‘rapid roll out of Near Me’ as part of the response to the pandemic by contacting ~~1097~~1,097 care providers to raise awareness of Near Me and provide the opportunity to participate in a test call.

**Supporting and shaping the Covid-19 response**
We worked closely with the Scottish Government and other national bodies including Health Protection Scotland, Healthcare Improvement Scotland, Scottish Social Services Council, NHS Scotland and COSLA to deliver a coordinated response to Covid-19. To ensure the care sector was heard and supported, we consulted and worked closely with care sector representative bodies and others. ~~We strongly influenced and~~We contributed to discussions on key topics related to supporting the care sector as well as sharing intelligence and data. This approach helped reduce duplication and improve consistency of advice and guidance. More detail can be found in our public Board reports: https://www.careinspectorate.com/index.php/publications-statistics/35-corporate-annual-reports-accounts/corporate-board-meeting-papers

We contributed to the Independent Review of Adult Social Care in Scotland. The Care Inspectorate had thorough engagement through documentary submissions and in person discussions including discussions with the Board and Chief Executive. The findings of the review included a core recommendation to establish a ~~national care service.~~National Care Service. This is likely to have a direct impact on the Care Inspectorate’s role and functions as the proposals are developed, debated and implemented in the coming years. The report can be read here: https://www.gov.scot/publications/independent-review-adult-social-care-scotland/

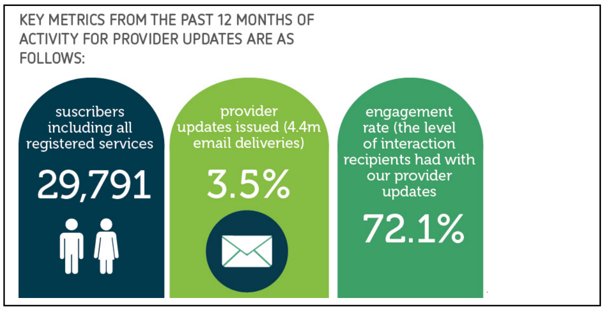
The Chief Executive and Executive Director of Scrutiny and Assurance gave evidence to the Health and Sport Committee as part of its pre-budget scrutiny, while also considering the impact of Covid-19. ~~The evidence presented by the Care Inspectorate was well received.~~ The session can be viewed here: https://www.scottishparliament.tv/meeting/health-and-sport-committee-august-25-2020

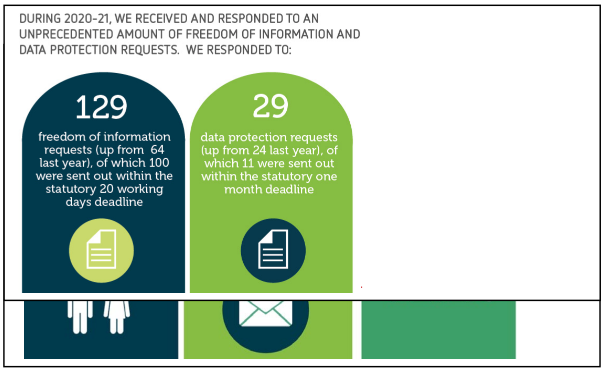
**Guidance and resources to support services and inform the public**
In response to Covid-19 we created a specific section of the website to inform and help services and the public stay up to date with the ever-changing situation. The link to this is: https://www.careinspectorate.com/index.php/covid19

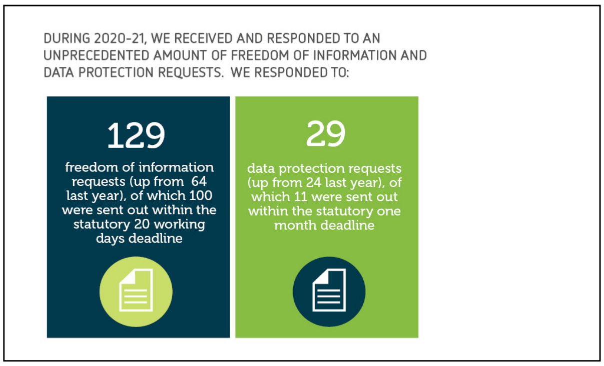
We produced a series of reports detailing how the Care ~~Inspectorate's~~Inspectorate changed its role~~,~~ and purpose ~~and how we responded~~to respond to the pandemic. The detailed reports can be found here: https://www.careinspectorate.com/index.php/publications-statistics/53-public/reviews

Field Code Changed

We also sent out provider updates to support services throughout the ~~Covid-19~~ pandemic. Our provider updates have been in the top five or ten for ~~opens~~open and ~~clicks~~click rates consistently throughout the pandemic across ~~Granicus'~~the whole UK client base~~.~~ of Granicus (a digital communication platform used by local authorities and public bodies which we use to publish and distribute our digital newsletters).

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We have regular information sharing arrangements in place with a wide range of other bodies. Copies of our formal agreements are available on our website. http://www.careinspectorate.com/index.php/publications-statistics/79-corporate-annual-reports-accounts/data-sharing-memorandums-of-understanding?limitstart=0

**New reporting requirements following Coronavirus (Scotland) Act 2020**

The Bill for the Coronavirus (Scotland) (No.2) Act 2020 placed additional duties on the Care Inspectorate.

- The Care Inspectorate must lay a report before Parliament every two weeks, setting out which care homes it inspected during these two weeks and the findings of those inspections. We published 21 of these fortnightly reports in 2020/21 which can be found here: ~~https://www.careinspectorate.com/index.php/publications-statistics/139-inspection-reports-local-authority/reports-to-scottish-parliament-on-care-inspectorate-inspections?start=20~~https://www.careinspectorate.com/index.php/publications-statistics/139-inspection-reports-local-authority/reports-to-scottish-parliament-on-care-inspectorate-inspections?start=20
- Care home providers must report daily to the Care Inspectorate on numbers of deaths (suspected or confirmed due to Covid-19) and total number of deaths irrespective of Covid-19. The Care Inspectorate must report this information weekly to Scottish Ministers. We have provided this information to Scottish Government since the last week in May 2020. The report can be found here:~~https://www.gov.scot/publications/coronavirus-covid-19-additional-data-about-adult-care-homes-in-scotland/~~https://www.gov.scot/publications/coronavirus-covid-19-additional-data-about-adult-care-homes-in-scotland/
  - We also published a statistical bulletin on Covid-19 related deaths in care homes 2020/21 available here: https://www.careinspectorate.com/images/documents/6106/Covid-19%20related%20deaths%20in%20care%20homes%202020-21.pdf

**Crown Office and Procurator Fiscal Service (COPFS) investigation into deaths due to Covid-19 in care homes in Scotland**
The Care Inspectorate supported the Crown Office and Procurator Fiscal Service (COPFS) investigation into deaths due to Covid-19 in care homes in Scotland codenamed Operation Koper. After preliminary discussions with COPFS and Police Scotland, we started sharing relevant information with Police Scotland in June 2020. Feedback from Police Scotland on the quality and assistance given by the Care Inspectorate to Operation Koper has been very positive. ~~During 2020-21, we received requests for information on 491 services (3,651 individuals) and we completed all of these. By the end of the year, Police Scotland had requested information from us on 95% of adult care homes that had submitted a Covid-19 death notification in 2020-21 (staff and people living in the care homes).~~

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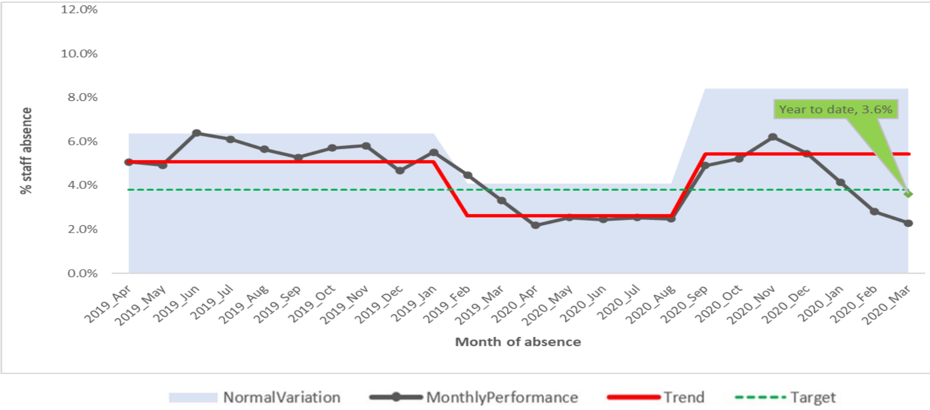
**Our internal response to Covid-19 pandemic:**

**Staff absence**
At the onset of the Covid-19 pandemic our offices closed, and staff moved to homeworking. Due to the pandemic response the organisation was operating seven days a week with staff working evenings, weekends, and holidays to support the response. Homeworking combined with the intense effort in responding to the first wave of the pandemic saw our staff absence rate fall significantly. As the second wave started absence returned to pre-Covid-19 levels but dropped back down as the situation improved across Scotland. For 2020/21 the average staff absence was 3.6%; below the target of 3.8%

**KPI4: % staff absence by month of absence over last 2 years**




**Investing and supporting staff**
Working from home greatly expanded and accelerated the use and uptake of remote working and technology used within the Care Inspectorate. Examples include various video conference technology, remote collaboration software and new interactive reporting dashboards. To support colleagues in using this technology online courses and webinars were provided. For 2020/21, the Care Inspectorate invested on average 3.8 hours per staff member, down from the 10.7 hours on average for Q3 and Q4 last year (KPI6). The average number of hours was lower than last year, reflecting the changing priorities and that all learning was completed remotely online. Although lower on average the training was highly specified to supporting colleagues in responding to Covid-19 and working effectively from home.

Some key themes and learning topics included:

- supporting staff including sessions on mental health and wellbeing, working from home and sessions on remote technology and Office 365
- infection prevention and control training specific to Covid-19,
- the Professional Development Award in Scrutiny and Improvement (PDA) which is having a positive impact on scrutiny practice and achieving our strategic outcomes (since the last report, the PDA has been the subject of verification and compliance assessments from the Scottish Qualifications Authority (SQA) and SSSC.

In addition, to the training and sessions on offer for colleagues around wellbeing there were regular staff events where the focus was not on work but on tips and strategies for supporting each other and improving wellbeing. These events were greatly appreciated by staff during this difficult period and there are plans for them to become a regular event in the future.

**Involving people in our work**
We recognise the importance and numerous benefits that involving people who have experienced care has for the work we do in the Care Inspectorate. During 2020-21, our care-experienced inspection volunteers spent an average of 62 days each quarter on a range of involvement activity (KPI8). The work was restricted as there was no on-site

inspection volunteer activity due to Covid-19. The Involvement team continued to involve the inspection and young inspection volunteers during the Covid-19 restrictions to provide continuity and support where required. Projects moved online and volunteers were provided with technology and training so they could continue to provide support. Inspection volunteers were involved with telephone inspections, distribution of new guidance and advising and supporting new inspectors on the inspection volunteer role.

**Other work outwith Covid-19 response:**

**Publishing our findings**
We continued to inform local and national policy as well as the general public with our publications. All our publications are available in the publications section of our website: http://www.careinspectorate.com/index.php/publications-statistics. Examples include:

- Complaints about care services in Scotland 2015/16 to 2019/20
- Fostering and Adoption 2019-20
- Early Learning and Childcare Statistics 2019
- Staff vacancies in care services 2019
- Corporate Parenting Report (Children and Young People) 2017-20

**Early Learning and Childcare (ELC) Improvement Programme**

This project supports funded ELC settings across Scotland to improve the quality of their provision and meet the ELC National Standard. The programme uses Quality Improvement (QI) approaches, and focuses on providing targeted support to those settings not currently meeting, or at risk of not meeting, the National Standard. The programme has created learning communities, quality improvement clinics and offers one-to-one support to ensure services focus on areas for improvement which will have the biggest impact on outcomes for children and their families. The programme is now working with 121 individuals from 89 funded services across Scotland.

In addition to the targeted support, a suite of universal online resources is available to support all settings with an improvement focus. These 'bite-size' recordings cover common, functional areas for improvement which have been identified through inspection. Services can view these sessions in their own time and select areas relevant to their own service. The first in our series of bite size sessions was recorded to support services in completing their key question 5 self-evaluations. Session 1 was viewed 5,236 times. In total the series of 4 was viewed 16,740 times. Subsequent learning and support sessions have reached similar figures.

The ELC improvement programme work closely with our inspection colleagues, local authority leads and national stakeholders such as the Scottish Government ELC delivery team to share intelligence and signpost services to all available resources which can support improvements. Another vital component of the programme is to support building capacity, knowledge and experiences in quality improvement.

**New Registrations app**
We delivered a huge digital transformation project with the launch of our new registration app. Initial functionality was released in Q3, with more functionality released in Q4. The new digital registration app now covers a range of processes taking over from our legacy system including:

- our new register of services
- variations
- change of details including a self-service process for some elements
- inactive services
- illegally operating services
- pre-registration advice
- proposal to cancel.

This app will be used by internal colleagues as well as external providers and applicants who will now be able to access, update and maintain some information directly. This will provide improved functionality and choice for providers as well as offering performance improvements for the Care Inspectorate. We completed 78% of new registrations within the agreed timescales, narrowly missing our target of 80%. Performance was slightly below target but up 2% points on last year. Performance on this KPI was impacted by preparation for and launch of the registration app.

**Corporate parenting**
We published our corporate parenting report 2017-2020, which outlines our achievements and progress against our previous corporate parenting plan. We also released our corporate parenting plan (2021-2023) which demonstrates how we intend to continue to meet our statutory duties and responsibilities to be the best corporate parents we can be. The report and plan can be found here:
**https://www.careinspectorate.com/index.php/publications-statistics/36-corporate-annual-reports-accounts/corporate-corporate-plans**

**Proud Scotland Employer Award**
We were delighted to be nominated for the Proud Scotland Employer Award, which recognises an employer that has led the way in creating a culture conducive to happiness and security within the workplace.

# Spotlight: Complaints app

**The previous platform used for recording complaints (PMS) was a central database which had become antiquated having been in place since the inception of the Care Inspectorate. With the development of new self-evaluation frameworks, Health and Social Care standards and the development of a new risk-based approach to the complaints process we recognised the need to develop a new recording platform. It would provide additional functionality that could benefit the recording process and the users experience, one that would enable us to fully report on all complaint work, the different methods used to resolve complaints and provide better intelligence on the nature of complaints. This led to the proposal for the development of a new complaint app.**

The complaints app was developed using the Agile methodology. This is an iterative, adaptive approach to software delivery that builds software incrementally instead of trying to deliver it all at once near the end. It works by breaking projects down into smaller bits of user functionality, prioritising them, and then continuously delivering them in short cycles essentially starting with an idea and building on it incrementally over time with regular consultation along the way. From initial consultation a list of key features or stories were developed that we would like to see in the app. These were continually prioritised with the build starting with the most important aspects at the top first and working to the bottom to deliver value. This building, iterating, and getting feedback as the build progresses means that the app will continue to evolve and improve as time passes.

The complaint app was introduced on the 21st March 2019 and the change to the new recording platform did present some challenges in the transitional period in the first half of 2019/20. Each iteration of the app brought new functionality that was not present on release such as reporting capabilities and the ability to record complaint delays which, thanks to the Agile approach, were teased out and improved as time went on. At the same time there was training required and familiarisation not only with the new app but with new equipment which was rolled out at the same time. Staff also had to work between two recording platforms (as our pre-March 2019 complaint cases had to remain on our old recording platform for completion).

Following this transitional period in the first half of the year, all cases in our previous recording platform were cleared and staff could focus on new cases logged within the app timeously. As staff became more familiar with the new equipment and the app increased in functionality the complaints process became more efficient and simpler for our staff. This has been borne out in the results which whilst still below our target have improved on last year despite an 18% increase in the volume of complaints received, ongoing capacity issues and performance earlier in the year being impacted by the need to use two systems.

# Spotlight: The Register and Registration Application

**The Practice Management System (PMS) is a legacy platform that is now over 20 years old, historically used to support the registration process and the register of providers. PMS was highlighted as a system which posed significant risk to operations and needed to be replaced. Stage 1 of the Transformation Programme tended to this risk by supporting the development and release of the new cloud-based applications; the Complaints app in 2019 and a new Register and registration application, with releases spanning 2020 and 2021. The development of the Register and registration application was one of the biggest and most technically complex changes ever to have taken place at the Care Inspectorate. This was delivered in three main releases.**

The first release involved digitising our paper application form. This allowed applicants to make their application fully online for the first time. This was released in January 2020. Initial feedback from providers suggested a high level of satisfaction with over 68% of applicants being satisfied with the new online application process.

The digital development team uses a blended approach of agile and waterfall delivery methods. This means working in collaboration with operational colleagues, developing the assessment and decision-making aspects of the processing of the online application to the online Register. This second release went live in December 2020.

The last and most complex of the releases was broken down into separate elements and were released in March 2021. The benefit of delivering in this way meant our staff have a single platform for our registration process that links direct with our Register, with appropriate workflow integrity integrated in the system.

**Data migration**

The migration of data from the incumbent PMS system involved moving all the core Register data from PMS to the new application, migrating approximately 12,000 registered services and c. five million data entries. Key challenges included poor data quality from the source system, with PMS holding inaccurate, out of date and incomplete data. The migration presented an opportunity to improve the information published to our public Register, via the website.

**The Register**

The Register offers providers of care services the opportunity to advise of changes to their service via an online portal, changes that would have been previously paper based or processed via another system. This included changes to the provider, service or managers of care services, or variations to the conditions of registration. The benefit for providers means they can now make changes to their service online on a single system, with enhancements developed based on their feedback.

### Registration application

The registration application supports the processing of a registration, enabling an end-to-end online process which culminates in the creation of a service in our Register. For our staff this means they have a single digital platform that manages the registration process from initial application through to decision state, incorporating all supporting correspondence. This will lead to efficiency improvements over time but delivering the immediate benefit of providing a clear audit trail for compliance and training.

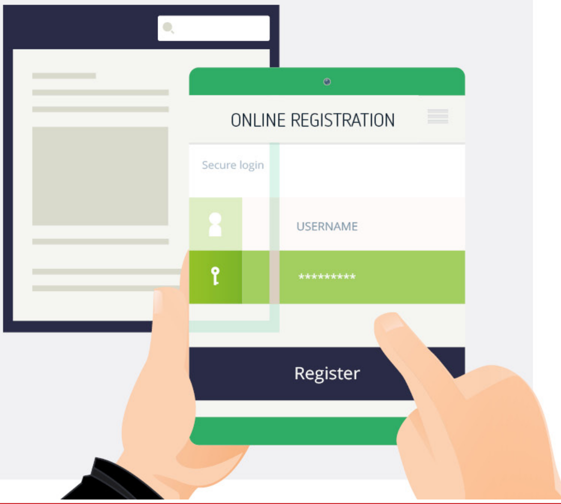
Work to support the adoption and evolution of the Register and registration application continues to be a priority for the digital development team. Development to resolve issues and deliver enhancements is achieved through an iterative review process, working in close collaboration with operations.

Although this has been a challenging period of change for all parties involved, digital development teams, operations and stakeholders, compounded by an extended remote working arrangement, the willing partnership continues to deliver opportunities and targeted benefits. Change has been supported by guidance, regular communication, collaborative working with operational colleagues, feedback, "show and tell" sessions and focussed surgeries to help support and embed the changes.

The recent release of the new Register and registration application and the release of the complaints app in 2019, further reduces the dependency and risk associated with the legacy PMS system. Work has started to find new ways of supporting the administration of our Enforcement cases, to allow for the full retirement and decommissioning of PMS.

Stage 2 is the next exciting step on our transformation journey. The full business case to secure funding is currently progressing through the approval cycle including a Digital First Standards assessment. This will provide the next step in our digital journey with a business led transformation that will replace the last remaining legacy system, RMS.

These changes all contribute to the corporate plan to deliver efficiencies through innovation, building digital solutions that support accessible, streamlined processes.



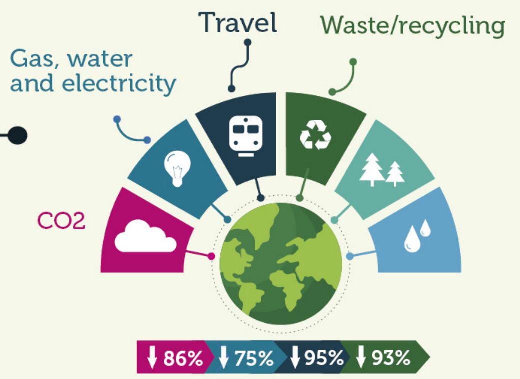
## 2.3 Sustainability report 2020/21

# Sustainability report 2020/21

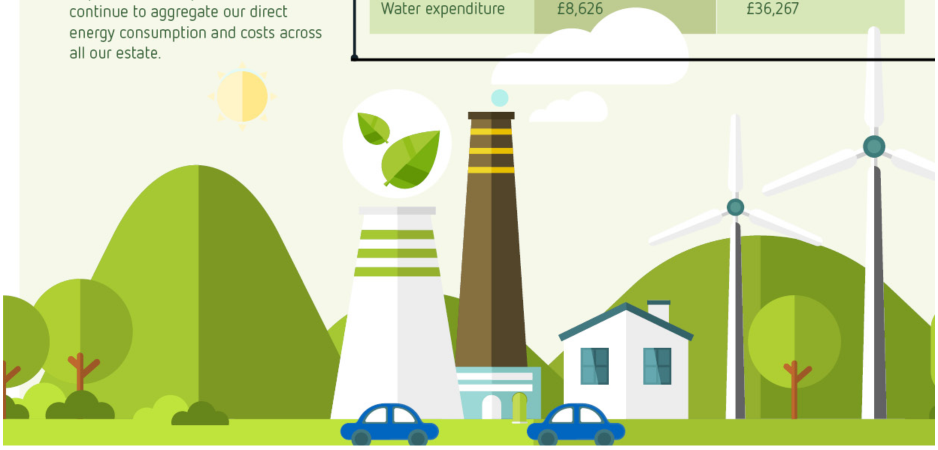
A Carbon Management Plan covering the period 2018-2023 was launched in 2018. This plan identified a target reduction of 28% from the 2015/16 baseline data to 956 tCO2e. The objectives of the plan are considered annually alongside the sustainability report.

As a regulatory body, our core business is to inspect social care and social work services throughout Scotland, leading to high travel related CO2 emissions. We also have a presence in 14 locations from as far north as Shetland to as far south as Dumfries. These properties are of varying sizes, from 30m2 to 2,819m2 on a variety of lease terms, making control of our stationary CO2 emissions difficult.

We have continued to exceed our target across all scopes. In response to the Covid-19 pandemic, our staff have largely worked from home and our offices have remained closed for all but essential requirements. This means there has been a considerable reduction of carbon emissions for 2020/21. Although this has been an exceptional year, we expect some of the positive actions taken because of the pandemic to continue and do not expect the CO2 emissions to return to previous levels post Covid-19. We continue to aggregate our direct energy consumption and costs across all our estate.

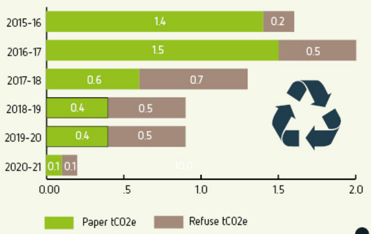



| Area | Actual Performance | 2015/16 Baseline |
|---|---|---|
| Total CO2 Emissions | 180.2 tCO2e | 1,328 tCO2e |
| Travel Related CO2 | 37.1 tCO2e | 756 tCO2e |
| Total Travel Cost | £55,077 | £990,873 |
| Total Energy CO2 | 143.0 tCO2e | 569 tCO2e |
| Energy Consumption (gas and electricity) | 671,764 kWh | 1.68 MWh |
| Energy Expenditure (gas and electricity) | £68,500 | £145,509 |
| Total Waste CO2 | 0.1 tCO2e | 1.6 tCO2e |
| Waste | 5.3 tonnes | 87.4 tonnes |
| Waste Expenditure | £624 | £21,279 |
| Total Water CO2 | 0.2 tCO2e | 1.3 tCO2e |
| Water consumption | 516.5 m3 | 3,830 m3 |
| Water expenditure | £8,626 | £36,267 |



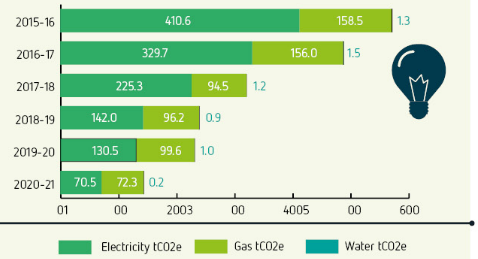
## Waste/recycling

Refuse is not weighed but by the size of the bin and the number of collections. As there was a reduction in the waste collections there is a corresponding reduction in emissions.




## Gas, water and electricity

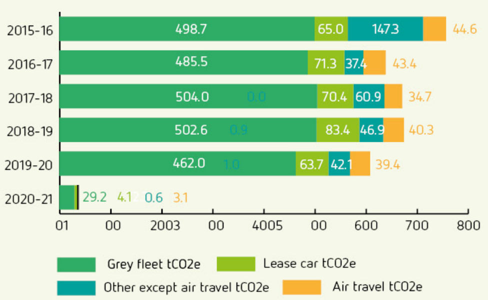
The utilities consumption has reduced significantly as the offices have, for the most part, been unoccupied due to Covid-19. Heating and electricity have been consumed to maintain buildings, and for essential access when required. Water, through automatic flushes on urinals and running of taps for health and safety reasons, has been used, but at a vastly reduced level.




## Travel

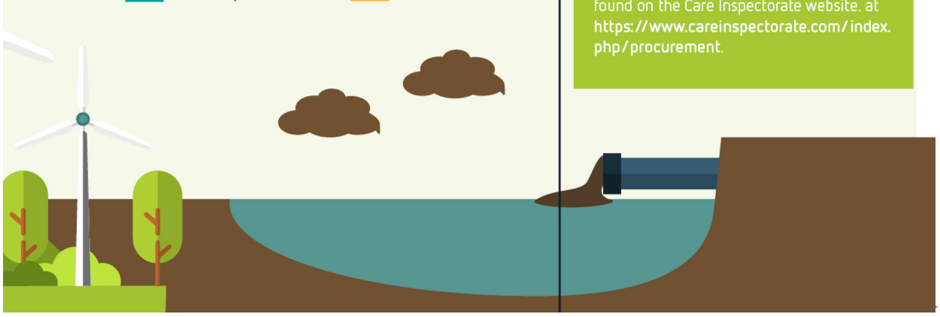
Grey Fleet is employees use of private cars for business journeys. The carbon emissions from grey fleet are at their lowest ever level, reflected in the continued reduction in travel emissions to 37 tCO2e. 'Other' includes trains, ferries, buses and taxis, showing a reduced requirement to use public transport and an overall decrease.

Covid-19 had a significant impact on our ability to inspect services and travel for other work-related reasons such as training and attending meetings. However, it has also required us to use technologies such as Microsoft Teams and Sharepoint better, reducing the requirement to meet in person and attend offices for access to files. This will be continued post pandemic.




## Sustainable procurement

Sustainable procurement means considering social, economic and environmental considerations as part of the procurement process. Our published procurement strategy details the Care Inspectorate's procurement priorities, one of which is sustainable procurement. An annual procurement report is published showing progress against our strategy and can be found on the Care Inspectorate website. at **https://www.careinspectorate.com/index.php/procurement**.



## ~~2.4 Summary of performance~~

~~This performance summary reflects our performance during our emergency response to Covid-19. During this challenging period, we provided significant scrutiny and support to the social care sector while operating remotely from home. To carry out our duties while restricting our physical presence in services and our offices, to limit the spread of the virus, we quickly adapted our way of working and intensified our oversight of services to provide scrutiny, assurance and improvement support during this time. To achieve this, our staff made a swift transition to work effectively at home and we operated seven days a week service. As our operating model changed to respond to the pandemic, we also changed what we measured to reflect this. As a result, several of our existing Key performance Indicators (KPIs) as set out in our corporate plan had to be suspended while we focused our efforts on supporting the emergency response to the pandemic. Our report setting out our revised performance measures and the rationale behind it can be viewed on our website.~~

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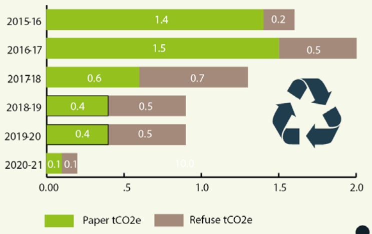


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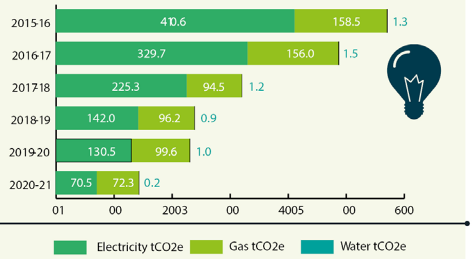


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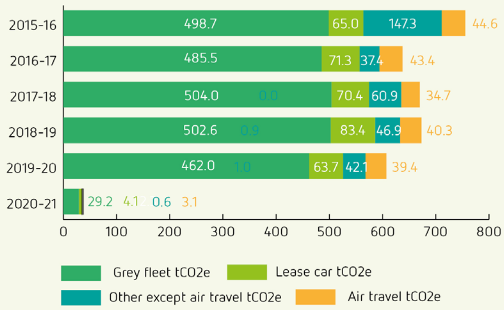


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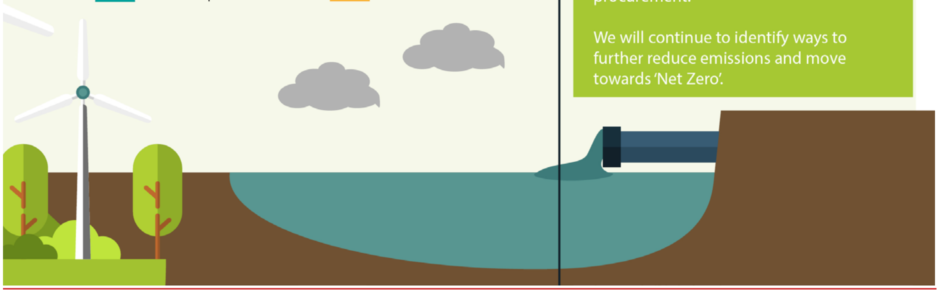
We will continue to identify ways to further reduce emissions and move towards 'Net Zero'.



**Agenda item 14**
**Appendix 2**

~~This performance summary is not typical due to the impact that Covid-19 had on our normal business activities and our ability to assess performance against our usual KPIs. Instead, this summary will set out how the Care Inspectorate repurposed and carried out its supporting and monitoring role of social care services throughout the year. Section 2 below provides an overview of our performance throughout the year highlighting our key performance outcomes along with some key achievements.~~

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~~Peter Macleod~~
~~Chief Executive~~
~~23 September 2021~~

# Section B: Accountability report

In this section of the report we set out:

- Our Corporate governance report, including the:
  - Directors' report
  - Statement of Accountable Officer's Responsibilities
  - Governance statement
- Remuneration and staff report
- Parliamentary Accountability Report
- Independent Auditor's Report

# 3. Corporate Governance Report

## 3.1 Directors' report

The Executive Directors of the Care Inspectorate and the Board Members details are set out in the Governance Statement (Section 3.3) and the Remuneration Report (Section 4.1).

**Register of interests**
A register of members' interests is maintained and is available for inspection by members of the public. Declarations of conflicts of interest are standing agenda items at each Board and Committee meeting.

**Personal data related incidents**
There were no data protection breaches reported to the Information Commissioner's Office for the year to 31 March 2021.

**Disclosure of information to auditors**
So far as I, the Accountable Officer, am aware, our auditors have all relevant information.

I have taken all reasonable steps to make myself aware of any relevant information and to establish that our auditors are aware of that information.

**Non-audit fees**
Grant Thornton UK LLP provided services solely relating to the statutory audit. No further assurance, tax or other services were provided.

**Pensions**
The Care Inspectorate is an admitted body to the local government pension scheme and accounts for pensions under IAS 19 'Employee Benefits' standard as adapted for the public sector. Further information on pensions can be found in the remuneration and staff report, accounting policy note 1.11 and the accounting disclosure note 5.

**Property**
As at 31 March 2021, the Care Inspectorate leased 14 properties. Of these, 10 are shared with other public sector bodies. The Estate Management Plan for 2017-20 sets out our commitment to reduce our estate through shared opportunities where possible.

## 3.2 Statement of Accountable Officer's responsibilities

Under paragraph 14(1) of Schedule 11 to the Public Services Reform (Scotland) Act 2010, the Care Inspectorate is required to prepare a statement of accounts for each financial year in the form as directed by Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Care Inspectorate and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual, and, in particular, to:

- Observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on a 'going concern' basis, unless it is inappropriate to presume that the Care Inspectorate will continue in operation.

Scottish Ministers designated the Chief Executive as the Accountable Officer for the Care Inspectorate. The responsibilities of the Chief Executive as Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the Care Inspectorate's assets, are set out in the Non-Departmental Public Bodies' Accountable Officer Memorandum issued by the Scottish Government and published in the Scottish Public Finance Manual.

The Accountable Officer has confirmed that the annual report and accounts as a whole are fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

For the purposes of the audit, so far as the Accountable Officer is aware, there is no relevant audit information of which the auditors are unaware and all necessary steps have been taken by the Accountable Officer to ensure awareness of relevant audit information and to establish that the Care Inspectorate's auditors are aware of that information.

## 3.3 Governance statement

**Introduction**
As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Care Inspectorate's policies, aims and objectives. I am also responsible for safeguarding the public funds and assets assigned to the Care Inspectorate, in accordance with the responsibilities set out in the Memorandum to Accountable Officers for Other Public Bodies.

This annual governance statement explains the Care Inspectorate's governance and risk management framework.

### Governance framework

**Organisation**

**Organisational structure**
The Board is the governing body responsible for ensuring that the Care Inspectorate fulfils its aims and objectives, for promoting the efficient and effective use of staff and other resources and for identifying and managing risk.

The Board must approve the making, revision or revocation of standing orders, the code of conduct for members, the reservation of powers and scheme of delegation, and financial regulations. It must approve the annual report and accounts, budget, corporate plan, risk register and risk management strategy for each financial year.

The Board is also responsible for the approval of the appointment of internal auditors to the Care Inspectorate.

The Board oversees how the Care Inspectorate conducts its business to ensure operation in accordance with the principles of Better Regulation and Best Value.

The Board comprises the Chair and 10 members. The Chair and eight of the members are appointed by Scottish Ministers through the public sector appointment process. The Convener of the Scottish Social Services Council and the Chair of Healthcare Improvement Scotland also sit on the Board. It is a statutory requirement that appointments to the Board must have at least one member who uses or has used a care service and at least one member who cares for, or has cared for, a person using care services. The Board remains ultimately responsible and accountable for all the decisions taken in its name, whether directly or through its Audit and Risk Committee. The Board meets in public at least four times per year.

**Board committees**
The Board has one standing committee.

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**Appendix 2**

Audit and Risk Committee
This committee consists of a Convener along with a minimum of four and up to a maximum of six Board members. Executive officers can be in attendance but are not members of the committee. The committee meets at least four times per year.
The committee makes recommendations to the Board with respect to the financial reporting arrangements of the Care Inspectorate, the external and internal audit arrangements, ensuring that there is sufficient and systematic review of internal control arrangements of the organisation, including arrangements for risk management and business continuity planning. The committee is also responsible for advising the Board on the development of the strategic performance management framework and the arrangements for securing Best Value.

**Board members and attendance**
Board members are subject to the Ethical Standards in Public Life (Scotland) Act 2000 and the Care Inspectorate Code of Conduct which has been approved by Scottish Ministers.

The Board and its committee review their effectiveness at least annually. There is a Board member performance appraisal process in place and from this each Board member has a development plan. Board and committee thematic development events are also regularly arranged and attended by Board members.

Board meetings are held in public and the minutes of each meeting are available on ~~our website.~~ our website.

**Board Member attendance at meetings and events, 1 April 2020 to 31 March 2021**

| Board Member | Board | Audit | | Appeals Sub Committee | Board Development Events | Total |
|---|---|---|---|---|---|---|
| Number of meetings and events | 8 | 5 | | 0 | 5 | 18 |
| | Attended | Member | Attended | Attended | Attended | ~~Attended~~ Actual Attendance / Expected Attendance |
| Paul Edie, Chair | 8 | No | 2 | 0 | 5 | 15 / 14 |
| Naghat Ahmed | 8 | No | 1 | 0 | 5 | 14 / 14 |
| Gavin Dayer | 8 | Yes | 5 | 0 | 5 | 18 / 18 |
| Anne Houston | 8 | Yes | 4 | 0 | 5 | 17 / 18 |
| Bernadette Malone (until 31/07/2020) | 2 | No | 0 | 0 | 1 | 3 / 3 |
| Keith Redpath | 5 | Yes | 3 | 0 | 3 | 11 / 17 |
| Carole Wilkinson | 7 | No | 1 | 0 | 5 | 13 / 14 |
| Rognvald Johnson | 8 | Yes | 5 | 0 | 5 | 18 / 18 |
| Bill Maxwell | 8 | Yes | 5 | 0 | 5 | 18 / 18 |
| Paul Gray | 7 | Yes | 5 | 0 | 5 | 17 / 18 |
| Rona Fraser | 8 | Yes | 2 | 0 | 5 | 15 / 15 |
| Sandra Campbell | 8 | No | 1 | 0 | 5 | 14 / 14 |

**Accountable Officer**
The Care Inspectorate's Chief Executive, Peter Macleod, is the designated Accountable Officer taking up this responsibility with effect from 7 January 2019. The Accountable Officer is personally responsible to the Scottish Parliament for securing propriety and regularity in the management of public funds and for the day-to-day operations and management of the Care Inspectorate.

The detailed responsibilities of the accountable officer for a public body are set out in a memorandum from the Principal Accountable Officer of the Scottish Administration which is issued to the Chief Executive on appointment and updated from time to time.

**Executive Directors**
The Executive Directors support the Chief Executive in his Accountable Officer role through the formal scheme of delegation. In addition to the Chief Executive, the Executive Directors for the financial year 2020/21 comprised:

- Edith Macintosh, Executive Director of Strategy and Improvement and Deputy Chief Executive
- Gordon Mackie, Interim Executive Director of IT, Transformation and Digital
- Kevin Mitchell, Executive Director of Scrutiny and Assurance
- Jacqueline Mackenzie, Executive Director of Corporate and Customer Services (from 1 November 2020)
- Gordon Weir, Executive Director of Corporate and Customer Services (to 9 August 2020)

Each of these officers has responsibility for the development and maintenance of the governance environment within their own areas of control.

**Internal audit**
The Care Inspectorate's internal audit function has been contracted out. Internal audit forms an integral part of the Care Inspectorate's internal control and governance arrangements. The internal audit service operates in accordance with public sector internal audit standards and undertakes an annual programme of work approved by the Audit and Risk Committee. The Audit and Risk Committee reviews and approves the three-year Strategic Internal Audit Plan on an annual basis.

Each year our internal auditors provide the Audit and Risk Committee with assurance on the whole system of internal control. In assessing the level of assurance to be given for 2020/21, our internal auditors consider:

- all reviews undertaken as part of the 2020/21 internal audit plan
- matters arising from previous reviews and the extent of follow-up action taken
- the
- effect of any significant changes in the Care Inspectorate's objectives or systems
- the proportion of the Care Inspectorate's review needs covered to date.

The internal auditor's overall opinion for 2020/21 was:

"The Care Inspectorate has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks."

**Whistleblowing**

Our employee Staff Code of Conduct Policy and associated Whistleblowing Guidance informs and encourages staff to raise serious concerns about wrongdoing or alleged impropriety. The policy is consistent with, and makes explicit references to, the Public Interest Disclosure Act 1998.

**Risk and risk management**

The Care Inspectorate has a risk management policy. The main priorities of this policy are the identification, evaluation and control of risks which threaten our ability to deliver our objectives. The policy provides direction on a consistent, organised and systematic approach to identifying risks, the control measures that are already in place, the residual risk, the risk appetite and action that is necessary to further mitigate against risks.

Risks identified are maintained on a Strategic Risk Register and addressed in the preparation of the Corporate Plan. The Corporate Plan has been developed to show clear links between risks identified on the Risk Register and the Care Inspectorate's strategic outcomes. As a result, the risks identified become embedded in managers' work plans for the year. The Board has agreed a risk appetite statement to underpin the Care Inspectorate's approach to risk management and control.

**System of internal financial control**

Within the Care Inspectorate's overall governance framework, specific arrangements are in place as part of the system of internal financial control. This system is intended to ensure that reasonable assurance can be given that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period.

The Care Inspectorate's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is the responsibility of managers within the Care Inspectorate. In particular, the system includes:

- financial regulations
- comprehensive budgeting systems
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- the preparation of regular financial reports which indicate actual expenditure against the forecasts
- clearly defined capital expenditure guidelines
- scheme of delegation.

**Information security**
The Care Inspectorate has a duty to ensure that the personal information entrusted to it is safeguarded properly.

We have information governance policies and procedures in place to ensure we handle data responsibly and comply with data protection and freedom of information laws. ~~We also have a procedure to respond to suspected data breaches. In the year to 31 March 2021, there were 44 data security incidents which were:~~

- ~~27 data breaches~~
- ~~17 near misses.~~

~~A near miss is where an incident is reported to the information governance team, but the incident was prevented, or it did not meet the definition of a personal data breach under GDPR.~~

~~However, no breaches reached the threshold for reporting to the Information Commissioner's Office.~~

**Counter fraud, bribery and corruption**
The Care Inspectorate has a Counter Fraud, Bribery and Corruption Framework, including a counter fraud and corruption policy, strategy and response plan together with a formal action plan. We also maintain a fraud and corruption risk register to document the controls in place to mitigate fraud.

We have an agreement with NHS Counter Fraud Services (CFS) to provide fraud prevention, detection and investigation services.

**Review**
The effectiveness of our governance framework is reviewed annually as part of the preparation of this Governance Statement. Individual policies and procedures that contribute towards the overall governance framework are also subject to periodic review.

This review is informed by:
- The views of the Audit and Risk Committee on the assurance arrangements.
- The opinions of internal and external auditors on the quality of the systems of governance, management and risk control.
- 'Certificates of assurance' supplied by Executive Directors following a review of the governance arrangements within their specific areas of responsibility
- regular formal monitoring of progress against corporate plan, business plan and budget
- feedback from managers and staff within the Care Inspectorate on our performance, use of resources, responses to risks, and the extent to which in-year budgets and other performance targets have been met
- integrated formal reviews of the effectiveness of the Board and its committee
- periodic staff surveys.

**Developing the governance framework**
The following developments were identified for 2021/22.

- We will continue to develop our risk management framework and adapt our processes to suit the recently constituted Strategic Leadership Team (SLT) and Operational Leadership Team (OLT).
- We will build on the assurance mapping work already undertaken.
- Our testing and review of our Business Continuity Management System will continue.
- We will develop a new Corporate Plan for 2021 to 2024.
- Aligned with the new Corporate Plan, we will continue the development of the Strategic Performance Management Framework.
- We are reviewing our cyber security during 2021/22.
- We will submit a business case for stage 2 of our Transformation Programme and will ensure that appropriate governance arrangements are in place to support the delivery of stage 2 objectives.
- We continue to work with the Scottish Social Services Council (SSSC) to review our shared services and the governance arrangements. We will seek final approval from the SSSC Council and our Board in early 2021/22.

**Impact of the pandemic**

When the Covid-19 pandemic took hold in Scotland in early March 2020, we acted quickly to change our approach to scrutiny and improvement support and implement different approaches, in order to keep people safe in the face of the escalating pandemic.

Given the evident risk that our staff could contract and/ or spread Covid-19 in services, we took the decision, with advice from directors of public health, that it would have been untenable to carry on business as usual and continue with onsite scrutiny interventions at that time.

Our response included the following:

- The introduction of Gold and Silver management teams that met very frequently. The Gold and Silver teams maintained comprehensive policy and decision logs to ensure we could manage the pace of developments.
- We adjusted and suspended some of our key performance measures.
- We included the impact of Covid-19 as risk on our Strategic Risk Register.
- We initially agreed a suspension of our Inspection Programme (including statutory inspections) with the Minister and subsequently agreed a revised Inspection Plan that was deliverable within the constraints enforced by the pandemic.
- A concerted and sustained effort was implemented to ensure the health, safety and wellbeing of our staff, people who experience care, care workers and other stakeholders.

**Certification**
The Care Inspectorate's governance framework has been in place for the year ended 31 March 2021 and up to the date of signing of the accounts.

It is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Care Inspectorate's systems of governance. The annual review has provided sufficient evidence that the Care Inspectorate's governance arrangements have operated effectively and that the Care Inspectorate complies with all relevant laws, regulations, guidance and generally accepted best practice in all significant respects.

# 4. Remuneration and staff report

## 4.1 Remuneration report

This report provides information on the remuneration of Care Inspectorate Board members, the Chief Executive and Executive Directors.

The sections marked (Audited) in this Remuneration and staff report are subject to a separate opinion by Grant Thornton UK LLP. The other sections of the Remuneration and staff report were reviewed by Grant Thornton UK LLP to ensure they were consistent with the financial statements.

The Board agrees the pay strategy for all staff excluding Board members and the Chief Executive. The pay strategy for staff is decided within the framework provided by the Scottish Government's Public Sector Pay Policy for Staff Pay Remits. The pay strategy for the Chair, Board members and the Chief Executive is decided within the framework provided by the Scottish Government's Public Sector Pay Policy for Senior Appointments. Increases in pay are subject to satisfactory performance.

During the year, the Board was advised by the following officers for pay remit matters:

- Chief Executive
- Executive Director of Corporate and Customer Services.

**Remuneration policy**

**Members**
The remuneration (payment) of Board members is determined by Scottish Ministers. Increases in pay are subject to satisfactory performance.

**Chief Executive**
The Chief Executive’s remuneration is determined by the Chair in accordance with Senior Public Pay Policy Guidelines. Performance is assessed through an annual appraisal performed by the Chair and this appraisal is submitted to the Scottish Government to allow the Chief Executive’s remuneration to be agreed.

**Executive Directors**
Executive Directors were on a fixed salary point of £90,500 throughout the year. There is no incremental progression or performance related pay adjustments applied to Executive Directors’ pay. The Executive Director of Strategy and Improvement also carries out the role of Deputy Chief Executive and receives an additional annual payment of £3,300 for this.

The Care Inspectorate’s pay strategy must be approved by the Scottish Government. Subject to that approval, a pay award package is negotiated with trade unions through the Partnership Forum. When the pay award package has been agreed, it is applied to the remuneration of directors and the main body of Care Inspectorate staff.

## Notice periods

### Members
Board members are appointed for a period determined by Scottish Ministers. Board members are eligible to be re-appointed following the end of a period of Board membership. Either party may terminate early by giving notice.

Normally there is no payment available in the event of early termination of the contract. However, where special circumstances exist, Scottish Ministers may decide that compensation for early termination is appropriate and instruct the Care Inspectorate to make a payment. The amount of the payment would also be decided by Scottish Ministers.

Details of the service contracts for Board members serving during the year are detailed below.

### Chief Executive
Peter MacLeod was appointed as the Care Inspectorate's Chief Executive on 7 January 2019. Termination of the contract requires a notice period of six months by either party. There is no compensation payment specified in the contract in the event of early termination of the contract.

### Executive Directors
The Care Inspectorate has four Executive Director posts:
- Executive Director of Scrutiny and Assurance
- Executive Director of Strategy and Improvement and Deputy Chief Executive
- Executive Director of Corporate and Customer Services
- Executive Director of ICT, Transformation and Digital.

All executive directors have permanent contracts, except the Executive Director of ICT, Transformation and Digital, whose temporary contract is scheduled to expire on 28 February 2022. Termination of the contract requires a notice period of three months by either party.

There are no compensation payments specified in the contract in the event of early termination of the contract.

### Retirement policy
The Chief Executive and executive directors do not have any contractual rights to early termination compensation payments but the Care Inspectorate operates a retirement policy that is applicable to all staff (excluding Board members).

This policy allows additional years of pensionable service to be awarded to those members of the pension scheme who have more than five years' pensionable service and meet an age-related criteria. The award of additional pensionable service is limited in order to ensure employees will not receive an enhancement that will take their service beyond that which would be earned up to normal retirement age, nor would take them beyond 40 years' service.

Alternatively, pension scheme members aged over 18 with more than two years' pensionable service may be paid compensation of up to 104 weeks' pay.

The number of years added, or the amount of compensation paid, if any, is determined on the basis of individual circumstances and the employee's age and length of service. All awards of additional service and compensation for early termination are subject to a two year pay-back period and must be approved by the Board.

**Care Inspectorate Board members' remuneration (Audited)**

| Name | Salary 2020/21 | Salary 2019/20 |
|---|---|---|
| | **£000** | **£000** |
| Anne Houston | 5-10 | 0-5 |
| Bernadette Malone (until 31/07/2020) | 0-5 | 0-5 |
| Carole Wilkinson | 0-5 | 0-5 |
| Dr Bill Maxwell | 0-5 | 0-5 |
| Gavin Dayer | 0-5 | 0-5 |
| Keith Redpath | 0-5 | 0-5 |
| Naghat Ahmed | 5-10 | 5-10 |
| Paul Edie (Chair) | 45-50 | 40-45 |
| Paul Gray | 0-5 | 0-5 |
| Rognvald Johnson | 0-5 | 5-10 |
| Rona Fraser | 0-5 | 0-5 |
| Sandra Campbell | 0-5 | 0-5 |

Carole Wilkinson and Sandra Campbell are Board members through reciprocal membership arrangements with Healthcare Improvement Scotland and Scottish Social Services Council. No remuneration is paid by the Care Inspectorate for these Board members.

Board members are not eligible to join the pension scheme available to employees of the Care Inspectorate.

**Chief Executive and Executive Directors' remuneration (Audited)**

The salaries and pension entitlements of the Chief Executive and Executive Directors are disclosed in the table below.

| | Single Total Figure of Remuneration | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary | | Benefits in Kind (to nearest £100) | | Pension Benefits* | | Total | |
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| | £000 | £000 | £ | £ | £000 | £000 | £000 | £000 |
| Peter MacLeod<br>Chief Executive | 120-125 | 115-120 | 0 | 0 | 36 | 37 | 155-160 | 155-160 |
| Gordon Weir**<br>Executive Director of Corporate and Customer Services (to 09/08/2020) | 30-35 | 85-90 | 0 | 0 | n/a | (53) | 30-35 | 35-40 |
| Jaqueline Mackenzie,<br>Executive Director of Corporate and Customer Services (from 01/11/2020) | 35-40 | n/a | 0 | n/a | 156 | n/a | 190-195 | n/a |
| Kevin Mitchell***<br>Executive Director of Scrutiny and Assurance | 95-100 | 95-100 | 0 | 0 | 22 | 58 | 120-125 | 155-160 |
| Edith Macintosh<br>Executive Director of Strategy and Improvement and Deputy Chief Executive<br>(from 20/10/20/20) | 90-95 | 85-90 | 0 | 0 | 27 | 28 | 115-120 | 115-120 |
| Gordon Mackie, Interim Executive Director of ICT, Transformation and Digital<br>(from 01/04/2020) | 90-95 | n/a | 0 | 0 | 29 | n/a | 115-120 | n/a |

* The value of pension benefits accrued during the year is a calculated as (the real increase in pension multiplied by 20) plus (the real increase in lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to transfer of pension rights.

** The pension benefits accruing to this postholder have been aggregated into his new employment. This postholder was also Interim Chief Executive for the period 01/09/18 to 06/01/19. This has impacted on his pension benefit figures in 2018/19 and 2019/20.
***Kevin Mitchell receives an additional payment to compensate him for having to move from the Civil Service Pension Scheme to the Local Government Pension Scheme when his employment transferred at the commencement of the Care Inspectorate.

**Salary**
Salary includes gross salary, overtime, recruitment and retention allowances along with any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Care Inspectorate as recorded in the annual accounts.

**Benefits in kind**
The monetary value of benefits in kind covers any benefits provided by the Care Inspectorate and treated by HM Revenue and Customs as a taxable emolument.

**Fair pay disclosure (Audited)**
We are required to disclose the relationship between the remuneration of the highest paid director and the median remuneration of our workforce. The Chief Executive was the highest paid director in the financial year 2020/21. The full-time annual salary for the Chief Executive is in the salary band £120,000 to £125,000. The mid-point of this band is £122,500 which is 2.88 times greater than the median remuneration of the workforce. In 2020/21, no employees received remuneration in excess of the Chief Executive.

| | **2020/21** | **2019/20** |
|---|---|---|
| Band of highest paid employee | £120,000 - £125,000 | £115,000 - £120,000 |
| Staff median remuneration | £42,528 | £40,242 |
| Remuneration ratio | 2.88 | 2.92 |
| Staff minimum full-time equivalent Remuneration | £18,714 | £17,964 |
| Staff maximum full-time equivalent remuneration | £98,595 | £96,416 |

Total remuneration includes salary, overtime and other taxable allowances as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

**Local Government Pension Scheme (LGPS)**
Details of the LGPS and the Care Inspectorate's status as an admitted body to Tayside Superannuation Fund are contained in note 5 of the annual accounts.
The Chief Executive and Executive Directors are all members of the LGPS.

**(Audited)**

| | As at 31 March 2021 | | As at 31 March 2021 | | Cash Equivalent Transfer Values (CETV) | | |
|---|---|---|---|---|---|---|---|
| | Accrued Pension at Age 65 £000 | Related Lump Sum at Age 65 £000 | Real Increase in Pension at Age 65 £000 | Real Increase in Related Lump Sum at Age 65 £000 | As at 31 March 2021 £000 | As at 31 March 2020 £000 | Real increase £000 |
| Peter MacLeod Chief Executive | 25-30 | - | 0-5 | - | 71 | 39 | 31 |
| Gordon Weir * Executive Director of Corporate and Customer Services (to 09/08/2020) | n/a | n/a | n/a | n/a | n/a | 765 | n/a |
| Jacqueline Mackenzie, Executive Director of Corporate and Customer Services (from 01/11/2020) | 10-15 | - | 10-15 | - | 125 | - | 125 |
| Kevin Mitchell** Executive Director of Scrutiny and Assurance | 25-30 | - | 0-5 | - | 283 | 255 | 21 |
| Edith Macintosh Executive Director of Strategy and Improvement and Deputy Chief Executive (from 20/10/2020) | 15-20 | - | 0-5 | - | 114 | 88 | 24 |
| Gordon Mackie, Interim Executive Director of ICT, Transformation and Digital | 30-35 | | 30-35 | - | 20 | - | 20 |

* The pension benefits accruing to this postholder have been aggregated into his new employment.
**The Executive Director of Scrutiny & Assurance is in the process of transferring pension rights from the Civil Service Pension Scheme. When this transfer is completed, the pension entitlements disclosed above will increase accordingly.

**Cash Equivalent Transfer Values**
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the LGPS. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**Real increase in CETV**
This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Payment of compensation for loss of office**
No Board members or senior management received any payment or other compensation for loss of office.

## 4.2 Staff report

### 4.2.1 Staff numbers by permanent and other (Audited)

The table below provides analysis of permanent and non-permanent staff engaged to work for the Care Inspectorate during 2020/21. Staff numbers are expressed as the average Full Time Equivalents (FTE) employed during the year.

| | 2020/21 | | |
|---|---|---|---|
| | **Permanently Employed** | **Others** | **Total** |
| Senior managers | 26 | 2 | 28 |
| Other employees | 488 | 33 | 521 |
| Agency workers | 0 | 7 | 7 |
| Secondments inward | 0 | 0 | 0 |
| Total staff engaged | 514 | 42 | 556 |
| Secondments outwards | (1) | 0 | (1) |
| **Net staff engaged on Care Inspectorate activity** | 513 | 42 | 555 |

| | £000 | £000 | £000 |
|---|---|---|---|
| Salaries | 22,131 | 1,258 | 23,389 |
| Social security costs | 2,496 | 128 | 2,624 |
| Pension service costs | 6,870 | 192 | 7,062 |
| Total cost directly employed staff | 31,497 | 1,578 | 33,075 |
| Board members[1] | 0 | 81 | 81 |
| Agency workers | 0 | 627 | 627 |
| Secondments inward | 0 | 0 | 0 |
| **Total cost of staff engaged on Care Inspectorate activity** | 31,497 | 2,286 | 33,783 |
| Voluntary early severance/retirement costs | 43 | 0 | 43 |
| Other staff costs | 430 | 0 | 430 |
| **Staff costs (SCNE)** | **31,970** | **2,286** | **34,256** |
| Secondments outwards | (33) | 0 | (33) |
| **Net staff costs** | **31,937** | **2,286** | **34,223** |

Details of the pension arrangements for Care Inspectorate are contained in note 5 to the Accounts. It should be noted that the pension service costs in the tables above include adjustments for International Accounting Standard 19 (IAS19) 'Employee Benefits' pension valuations. The difference between the employer contributions actually paid and the pension cost figure adjusted for IAS19 is detailed in note 3 to the Accounts.

[1]There were 10 Board Members and a Chair contributing during the year. The Chair of HIS and the Convener of the SSSC are not remunerated by the Care Inspectorate. The Chair and nine remunerated Board Members are office holders and are not included in the staff numbers.

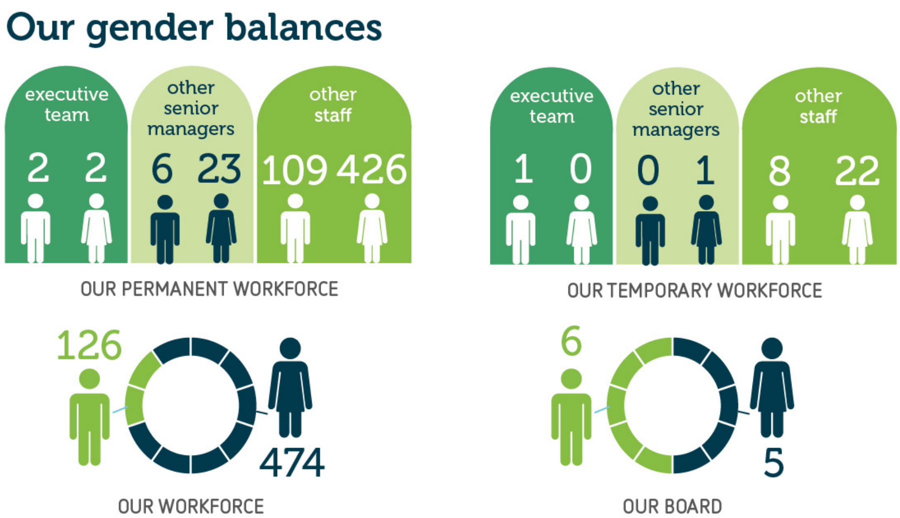
| | 2019/20 | | |
|---|---|---|---|
| | **Permanently Employed** | **Others** | **Total** |
| Senior managers | 23 | 0 | 23 |
| Other employees | 502 | 34 | 536 |
| Agency workers | 0 | 11 | 11 |
| Secondments inward | 0 | 3 | 3 |
| Total staff engaged | 525 | 48 | 573 |
| Secondments outwards | (3) | | (3) |
| **Net staff engaged on Care Inspectorate activity** | 522 | 48 | 570 |

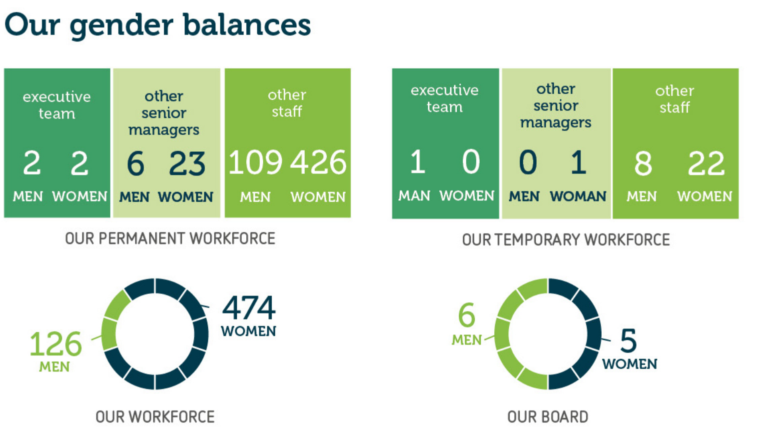
| | | | |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Salaries | 21,184 | 1,096 | 22,280 |
| Social security costs | 2,372 | 107 | 2,479 |
| Pension service costs | 7,280 | 162 | 7,442 |
| Total cost directly employed staff | 30,836 | 1,365 | 32,201 |
| Board members[2] | 0 | 84 | 84 |
| Agency workers | 0 | 670 | 670 |
| Secondments inward | 0 | 199 | 199 |
| **Total cost of staff engaged on Care Inspectorate activity** | 30,836 | 2,318 | 33,154 |
| Voluntary early severance/retirement costs | 18 | 0 | 18 |
| Other staff costs | 510 | 0 | 510 |
| **Staff costs (SCNE)** | **31,364** | **2,318** | **33,682** |
| Secondments outwards | (183) | 0 | (183) |
| **Net staff Costs** | **31,181** | **2,318** | **33,499** |

[2]There were 11 Board Members and a Chair contributing during the year. The Chair of HIS and the Convener of the SSSC are not remunerated by the CI. The Chair and nine remunerated Board Members are office holders and are not included in the staff numbers.

### 4.2.2 Staff breakdown by gender and sickness absence

The gender breakdown as at 31 March 2021 and sickness absence information for the year to 31 March 2021 is shown below. Staff numbers are provided on a headcount basis.




Our board is already 50:50 in terms of gender representation. Through our new equality outcomes 2021-2025 and the subsequent action plan, we will be taking steps to increase the diversity of our people to achieve a more representative gender balance in our workforce profile.



XpertHR quote the latest public sector averages as 3.8% (both mean and median).

We are committed to working positively in partnership with our trade unions to improve sickness absence rates across the organisation.

**4.2.3 Policies in relation to disabled persons**

The General Equality Duty (Section 149) of the Equality Act 2010, requires public authorities to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Equality Act 2010
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not
- foster good relations between people who share a protected characteristic and those who do not.

As a public body we are also covered by The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. This helps us to support the better performance of the General Equality Duty. Details of how we continued to meet these obligations and of the three equality outcomes we are working towards can be found in our Equalities Mainstreaming Report April 2019- March 2021, Our Equality Outcomes 2021-2025 and our Equality, Diversity and Inclusion Strategy 2021-2025.

Our commitment to equality takes into consideration all nine protected characteristics in the Equality Act. It is our aim that everyone who comes into contact with the Care Inspectorate is treated with fairness, dignity and respect, regardless of age, disability, sex, gender reassignment, marital status, maternity and pregnancy, race, religion or belief and sexual orientation.

We are required to monitor our workforce by protected characteristic and publicly report on this every two years. This allows us to ensure that we know the demographics of our workforce and can address any imbalances that are highlighted by the data.

Through our inclusive working practices, we provide support to disabled people to enter, stay and progress in work. We are proud to have achieved the Disability Confident Committed Scheme award.

We have a clear ambition for the Care Inspectorate to be an inclusive employer of choice and are keen to explore different ways of working and supporting employees in the workplace through a flexible approach to work. To ensure that we do this in practice we have developed a number of policies as detailed below.

- Annual leave
- Carers leave
- Flexible working
- Homeworking
- Special leave

**Equality and diversity policy**

This policy covers all protected characteristics. We have also developed specific guidance for managers and provide appropriate training.

This policy sets out how we will manage and advance equality and diversity within our organisation. We are committed to creating an inclusive and respectful workforce by preventing and eliminating unlawful and unfair discrimination, harassment and victimisation. We will prevent these in every way possible. This policy aims to provide clear advice on how to promote equality and diversity within our organisation and employee responsibility when using our key employment processes (for example, disciplinary, learning and development, managing sickness absence, maternity, paternity and adoption leave, our performance and development system, requests for flexible working and recruitment and selection).

We will treat all workers and job applicants with dignity and respect recognising the value of each individual and embracing the values of diversity. Equality and diversity is not about treating everyone the same. It's about acknowledging and respecting differences and changing the way we work if necessary. We will ensure all our people management policies follow the guiding principles set out in this policy.

The aim of this policy is to create a working environment where:
- all people have the opportunity and support to give their best
- there is no discrimination (direct or indirect), harassment or victimisation
- all decisions are merit-based.

In addition to the Equality and Diversity policy, we also have a range of other policies that support people with the protected characteristics listed in the Equality Act. These include the following:
- Carers Leave - this provides access to paid time off for employees with caring responsibilities, to help avoid any disability discrimination by association.
- Adoption, fostering, maternity, paternity & parental leave - family friendly policies, so that regardless of sex or sexual orientation there is a leave option available.
- Flexible working, flexi time and special leave to help people balance their personal life with their working life.

The options above allow employees to manage and attend health or wellbeing-related appointments for themselves or their dependents without the need to take a full day's annual leave. Our policies provide a flexible range of options to access time off which is of particular benefit to individuals living with disabilities and those with caring responsibilities.

Other policies such as Capability, Maximising Attendance and Recruitment also have provisions to help employees and job applicants living with a disability. We are also members of the Disability Confident Committed Scheme.

### 4.2.4 Expenditure on consultancy

Consultancy expenditure of £126k was incurred in 2020/21 as follows:

- Digital transformation development consultancy services (£103k)
- ICT Consultancy (£6k)
- Job evaluation services (£7k)
- Shared services future strategy consultation (£5k)
- Tax advisory services (£3k)
- Analysis and scoping of pay and reward practices (£2k)

In 2019/20 there was consultancy expenditure of £140k as follows:

- Care About Physical Activity Programme (CAPA) measurement framework (£46k)
- ICT Consultancy (£46k)
- Shared services future strategy consultation (£22k)
- Job evaluation services (£23k)
- Tax advisory services (£2k)
- HR consultancy (£1k)

### 4.2.5 Exit packages (Audited)

The Care Inspectorate granted compensatory payments to three (2019/20: one) individuals leaving the organisation during the year.

| **Year to 31 March 2021** | | |
|---|---|---|
| **Exit Package Cost Band** | **Number of Departures Agreed** | **Total Cost £'000** |
| < £10,000 | 1 | 7 |
| £10,000 to £25,000 | 2 | 35 |
| **Totals** | **3** | **42** |

| **Year to 31 March 2020** | | |
|---|---|---|
| **Exit Package Cost Band** | **Number of Departures Agreed** | **Total Cost £000** |
| £10,000 to £25,000 | 1 | 18 |
| **Totals** | **1** | **18** |

Exit package costs include:
- redundancy payments
- payments to the pension fund where early retirement has been agreed (strain on fund)
- compensation for reduced notice.

Exit costs are accounted for in full when the decision to grant compensation cannot be withdrawn. Redundancy and other departure costs have been paid in accordance with the Care Inspectorate's retirement policy, the Local Government Pension Scheme Regulations for Scotland and the NHS Pension Scheme Regulations. Where the Care Inspectorate has agreed early retirements, the additional costs are met by the Care Inspectorate and not the Local Government Pension Scheme.

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### 4.2.6 Trade union activity

The Trade Union (Facility time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations require public sector employers to publish specific information related to facility time provided to trade union officials. The information for 2020/21 follows.

**Table 1 Relevant union officials**
The table below details number of employees who were relevant union officials during 2020/21.

| Number of employees who were relevant union officials during the relevant period | Full-time equivalent employee number |
|---|---|
| 12 | 11.3 |

**Table 2 Percentage of time spent on facility time**
The table below provides details of the facility time spent by employees who were relevant union officials during 2020/21.

| Percentage of time | Number of employees |
|---|---|
| 0% | 1 |
| 1%-50% | 10 |
| 51%-99% | 1 |
| 100% | 0 |

**Table 3 Percentage of pay bill spent on facility time**
The tables below give details of the percentage of time spent on facility time as a percentage of our pay bill.

| | |
|---|---|
| Total cost of facility time | £38,384 |
| Total pay bill | £29,148,857 |
| Facility time as a percentage of total pay bill | 0.13% |

**Table 4 Paid trade union activities**

The table below provides hours spent by employees who were relevant union officials during the 2020/21 financial year as a percentage of total paid facility time hours.

| | |
|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time hours. | 11.4% |

The facility time statement outlining the value of facility time can be found on our website here.

# 5. Parliamentary accountability report

## 5.1 Losses and special payments

There were no losses and special payments incurred by the Care Inspectorate in the year to 31 March 2021 (nil for the year to 31 March 2020).

## 5.2 Fees and charges

**Fees**
The Care Inspectorate charges fees to care service providers applying to register a service and once registered an annual continuation of registration fee is charged.

The Scottish Government sets the maximum fees the Care Inspectorate may charge. Changes to maximum fee rates require a public consultation exercise. The maximum fees chargeable to care service providers have not increased since the 2005/06 financial year.

The Care Inspectorate has authority to charge care service providers for new certificates, variations to conditions of service and for the cancellation of a service. Currently no charge is made for these activities.

Our budget is funded mainly by a mixture of grant in aid from the Scottish Government and fees paid by service providers. The 2020/21 budget was based on funding of 65% from grants and grant in aid, 33% from fees charged to service providers and general reserve funding of 2%. (2019/20 67% grants and grant in aid; 33% fees).

Income collected from fees charged to service providers is as follows:

| | 2020/21 | | | 2019/20 | | |
|---|---|---|---|---|---|---|
| | **Budget £000** | **Actual £000** | **Variance £000** | **Budget £000** | **Actual £000** | **Variance £000** |
| Application to Register | 529 | 504 | (25) | 566 | 633 | 67 |
| Continuation of Registration | 11,350 | 11,222 | (128) | 11,350 | 11,430 | 80 |
| **Total** | **11,879** | **11,726** | **(153)** | **11,916** | **12,063** | **147** |

**Charges**
The Care Inspectorate provides shared services to the Scottish Social Services Council (SSSC) and the Office of the Scottish Charity Regulator. We also share several of our properties with other public sector organisations and a charge is made for this occupancy. Charges are intended to recover the cost to the Care Inspectorate.

Income from shared services and property sharing charges was £0.9m in 2020/21 (2019/20; £1.1m).

### 5.3 Remote contingent liabilities

There were no contingent liabilities as at 31 March 2021 which require disclosure under AIS 37 or the Scottish Public Finance Manual (nil as at 31 March).

**Peter MacLeod**
**Chief Executive**
**23 September 2021**

# 6. Independent auditor's report ~~– to be updated~~

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

### Reporting on the audit of the financial statements

### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of the Care Inspectorate for the year ended 31 March 2021 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 notes to the financial statements, including a summary of significant accounting policies. 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 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In our opinion the accompanying 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 2021 and of its net expenditure 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 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Public Sector Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

### Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

## Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Reporting on regularity of expenditure and income**

**Opinion on regularity**

In our 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.

**Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

**Reporting on other requirements**

**Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report**

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

**Statutory other information**

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

## Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been 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 Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Services Reform (Scotland) Act 2010 and directions made thereunder by the Scottish Ministers.

## Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

## Use of our report

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 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd, for and on behalf of Grant Thornton UK LLP
Date:
110 Queen Street
Glasgow
G1 3BX

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# 7. Annual accounts

**Social Care and Social Work Improvement Scotland (Care Inspectorate)**
**Financial Accounts for the Year Ended 31 March 2021**

**Contents**

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2020/21<br>£000 | 2019/20<br>£000 |
|---|---|---|---|
| **Income** | | | |
| Fees charged to service providers | 2a | (11,726) | (12,063) |
| Other operating income | 2b | (992) | (1,352) |
| | | **(12,718)** | **(13,415)** |
| **Expenditure** | | | |
| Staff costs | 3a | 34,256 | 33,682 |
| Operating expenditure | 6 | 6,222 | 7,751 |
| | | **40,478** | **41,433** |
| Net operating cost on ordinary activities before interest and (return)/cost on pension scheme assets and liabilities | | **27,760** | **28,018** |
| Bank charges (net of interest) | | 8 | 9 |
| Net interest on defined pension liability/(asset) | 5b | 428 | 394 |
| Net operating cost on ordinary activities after interest and net interest on pension scheme net liabilities | | **28,196** | **28,421** |
| Total actuarial re-measurements on defined pensions liability | 5b | (13,396) | (2,403) |
| **Total comprehensive net expenditure / (surplus) before Scottish Government funding*** | | **14,800** | **26,018** |

All operations are continuing.

The notes on pages 66 to 88 form an integral part of these accounts.

*The table on page 14 provides a reconciliation between the SCNE and our budgeted position.

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## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

| | Notes | 2020/21 £000 | 2019/20 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 61 | 111 |
| Trade and other receivables falling due after more than one year | 9 | 72 | 25 |
| **Total non-current assets** | | **133** | **136** |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | 9 | 4,~~808~~717 | 3,707 |
| Cash and cash equivalents | 10 | 2,190 | 1,517 |
| **Total current assets** | | **6,~~998~~907** | **5,224** |
| | | | |
| **Total assets** | | **7,~~131~~040** | **5,360** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | (3,~~362~~271) | (3,027) |
| **Total current liabilities** | | **(3,~~362~~271)** | **(3,027)** |
| | | | |
| **Non-current assets plus/less net current assets/liabilities** | | **3,769** | **2,333** |
| | | | |
| **Non-current liabilities** | | | |
| Other payables greater than one year | 11 | (37) | (82) |
| Other provisions | 16 | (662) | 0 |
| Pension assets/(liabilities) | 5a | (10,466) | (20,052) |
| | | | |
| **Total non-current liabilities** | | **(11,165)** | **(20,134)** |
| | | | |
| **Assets less liabilities** | | **(7,396)** | **(17,801)** |
| | | | |
| **Taxpayers' equity** | | | |
| Pensions reserve | SOCTE | (10,466) | (20,052) |
| General reserve | 15 | 3,070 | 2,251 |
| | | **(7,396)** | **(17,801)** |

**Peter MacLeod**
**Chief Executive**
**23 September 2021**

The notes on pages 66 to 88 form an integral part of these accounts

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## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2021

| | Note | 2020/21 | 2019/20 |
|---|---|---|---|
| **Cash flows from operating activities** | | **£000** | **£000** |
| Total comprehensive net expenditure before Scottish Government funding | SCNE | (14,800) | (26,018) |
| | | | |
| Adjustments for non-cash items: | | | |
| Pension actuarial adjustments | 5b (table 2) | (9,586) | 1,926 |
| Depreciation and amortisation | 7,8 | 50 | 50 |
| (Increase)/decrease in trade and other receivables | 9 | (1,~~148~~057) | (253) |
| Increase/(decrease) in trade and other payables | 11 | ~~335~~244 | (398) |
| Increase/(decrease) in non-current liabilities | 11 | (45) | (59) |
| Increase/(decrease) in provisions | 16 | 662 | 0 |
| | | | |
| **Net cash outflow from operating activities** | | (24,532) | (24,752) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 7 | 0 | 0 |
| **Net cash outflow from investing activities** | | 0 | 0 |
| | | | |
| **Cash flows from financing activities** | | | |
| Grants from Scottish Government | 12 | 25,205 | 24,727 |
| **Net financing** | | 25,205 | 24,727 |
| | | | |
| Net increase/(decrease) in cash and cash equivalents in the period | 10 | 673 | (25) |
| Cash and cash equivalents at the beginning of the period | 10 | 1,517 | 1,542 |
| Cash and cash equivalents at the end of the period | 10 | 2,190 | 1,517 |

The notes on page 66 to 88 form an integral part of these accounts

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## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
## FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | Pension Reserve £'000 | General Reserve £'000 | Total Reserves £'000 |
|---|---|---|---|---|
| **Balance at 31 March 2019** | | (18,126) | 1,616 | (16,510) |
| **Changes in taxpayers' equity for 2019/20** | | | | |
| Adjustment between accounting basis and funding basis for actuarial pension valuation adjustments | 5b (table 2) | (1,926) | 1,926 | 0 |
| Total comprehensive net expenditure | | 0 | (26,018) | (26,018) |
| **Total recognised income and expense for 2019/20** | | **(1,926)** | **(24,092)** | **(26,018)** |
| Grant from Scottish Government | 12 | 0 | 24,727 | 24,727 |
| **Balance at 31 March 2020** | | **(20,052)** | **2,251** | **(17,801)** |
| **Changes in taxpayers' equity for 2020/21** | | | | |
| Adjustment between accounting basis and funding basis for actuarial pension valuation adjustments | 5b (table 2) | 9,586 | (9,586) | 0 |
| Total comprehensive net expenditure | | 0 | (14,800) | (14,800) |
| Total recognised income and expense for 2020/21 | | 9,586 | (24,386) | (14,800) |
| Grant from Scottish Government | 12 | 0 | 25,205 | 25,205 |
| **Balance at 31 March 2021** | | **(10,466)** | **3,070** | **(7,396)** |

The notes on pages 66 to 88 form an integral part of these accounts

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## Notes to the accounts

### 1. Statement of accounting policies

#### 1.1 Basis of accounts

The accounts have been prepared in accordance with the Accounts Direction issued by the Scottish Ministers. The Accounts Direction (reproduced at Appendix 1) requires compliance with the Government's Financial Reporting Manual (FReM) which follows International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) Interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Care Inspectorate are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts are prepared using accounting policies and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles set out in International Accounting Standard 8 (IAS 8): Accounting Policies, Changes in Accounting Estimates and Errors.

#### 1.2 Accounting standards issued not yet effective

In accordance with IAS 8, changes to IFRS that have been issued but not yet effective have been reviewed for impact on the financial statements in the period of initial application. There is one standard not yet effective that will have an impact on the Care Inspectorate's accounts which is IFRS 16 Leases. This standard requires all significant leases to be recognised in the Statement of Financial Position.

**IFRS 16 – Leases**

The standard has been adopted by the FReM and was planned to be effective from 1 April 2020. However, HM Treasury has agreed with the Financial Reporting Advisory Board (FRAB) to defer implementation of IFRS 16 Leases until 1 April 2022 due to the circumstances caused by the Covid-19 pandemic.

Assessment of the new standard concludes that the Care Inspectorate has significant leases relating to the use of property and vehicles. The Care Inspectorate has short term leases for office space throughout Scotland that will require an adjustment to the Statement of Financial Position for the recognition of a right of use asset and a liability for future lease payment commitments. The current estimate is that we will need to recognise a right of use asset and related liability of approximately £4.5 million for property leases.

In respect of vehicles the Care Inspectorate operates a closed scheme where eligible staff are able to lease a vehicle for a four-year period with Care Inspectorate making an agreed annual contribution towards lease costs. The current estimate is that we will need to recognise a right of use asset and related liability of approximately £0.2 million for vehicle leases.

#### 1.3 Accounting convention

The accounts have been prepared under the historical cost convention except for ~~certain financial instruments and~~ pensions that have been measured at fair value as determined by the relevant accounting standard.

## 1.4 Going concern
The accounts have been prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

## 1.5 Property, plant and equipment

### 1.5.1 Capitalisation
The capitalisation threshold for individual assets is £5,000. This applies to all asset categories.

### 1.5.2 Valuation
Property, plant and equipment assets are carried at cost, less accumulated depreciation and any recognised impairment value. The Care Inspectorate does not have any assets held under finance leases.

Depreciated historic cost has been used as a proxy for the current value. All property, plant and equipment have low values and short useful economic lives which realistically reflect the life of the asset, and a depreciation charge which provides a realistic reflection of consumption.

### 1.5.3 Depreciation
Depreciation is provided on property, plant and equipment on a straight-line basis using the expected economic life of the asset. A full year's depreciation is charged in the year the asset is first brought into use and no depreciation is charged in the year of disposal. The economic life of an asset is determined on an individual asset basis. The asset cost is written off as follows:

| | |
|---|---|
| Furniture and fittings | remaining period of lease (from one to two years) |
| Plant and equipment | remaining period of lease (from one to two years) |

## 1.6 Intangible assets
Acquired intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Acquired intangible assets tend to be software. The economic life of an asset is determined on an individual basis.

## 1.7 Impairment of tangible and intangible assets
All tangible and intangible non-current assets are reviewed for impairment ~~in accordance with IAS 36 'Impairment of Assets'~~ when there are indications that the carrying value may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value, less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses this is recognised as income immediately.

## 1.8 Government grants receivable
Grants and grant in aid in respect of revenue and capital expenditure are treated as a source of financing and are credited to the general reserve.

**1.9 Leases**
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Care Inspectorate currently only holds operating leases.

**1.9.1 The Care Inspectorate as a lessor**
The Care Inspectorate provides finance, human resources, procurement, estates and health and safety services to the Scottish Social Services Council and this arrangement is disclosed as an operating lease. The Care Inspectorate also sub-lets offices to other public bodies.

Income from operating leases to the value of £0.739m has been recognised in the SCNE.

**1.9.2 The Care Inspectorate as a lessee**
Costs, in respect of operating leases, are charged to the operating cost statement on a straight-line basis over the term of the lease.

Costs for operating leases to the value of £0.915m have been recognised in the SCNE.

**1.10 Cash and cash equivalents**
Cash and cash equivalents in the statement of financial position consist of cash at bank and cash in hand.

**1.11 Pensions**
The Care Inspectorate accounts for pensions under IAS 19 ‘Employee Benefits’ as adapted to the public sector.

The Care Inspectorate is an admitted body to the local government pension scheme, and this is a defined benefit scheme. Obligations are measured at discounted present value whilst scheme assets are recorded at fair value. The operating and financing costs of such schemes are recognised separately in the SCNE. Service costs are spread systematically over the expected service lives of employees. Financing costs and actuarial gains and losses are recognised in the period in which they arise.

The Care Inspectorate’s funding rules require the general reserve balance to be charged with the amount payable by the Care Inspectorate to the pension scheme and not the amount calculated according to the application of IAS 19. Therefore, there are appropriations to/from the pensions reserve shown in the statement of changes in taxpayers’ equity to reverse the impact of the IAS 19 entries included in the statement of comprehensive net expenditure to ensure the general reserve balance is charged with the amount payable by the Care Inspectorate.

**1.12 Short-term employee benefits**
The Care Inspectorate permits the carry forward of unused annual leave entitlement and accumulated flexible working hours scheme balances. Entitlement to annual leave and flexible working hours are recognised in the accounts at the time the employee renders the service and not when the annual leave and accumulated hours balances are actually used.

**1.13 Shared services**
The Care Inspectorate shares its headquarters and some services with the Scottish Social Services Council (SSSC). There is a service level agreement (SLA) between the SSSC and Care Inspectorate and the Care Inspectorate charges the SSSC for property, finance,

procurement and human resources costs based on this SLA. The SLA contains arrangements akin to a lease. This is accounted for as an operating lease.

### 1.14 Value added tax (VAT)

The Care Inspectorate can recover only a nominal value of VAT incurred on purchases, with irrecoverable VAT being charged to the SCNE.

### 1.15 Revenue and capital transactions

Revenue ~~and capital~~ transactions are recognised in accordance with IFRS 15, so they are recorded in the accounts on an income and expenditure basis, meaning they are recognised as they are earned or incurred, not as money is received or paid. All specific and material sums payable to and due by the Care Inspectorate as at 31 March 2021 have been brought into account. Similarly, capital transactions are recognised as they are agreed or incurred, not as money is received or paid.

### 1.16 Financial instruments

The Care Inspectorate does not hold any complex financial instruments. As the cash requirements of the Care Inspectorate are met through grant in aid provided by the Health and Social Care Integration Directorate, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with our expected purchase and usage requirements and the Care Inspectorate is therefore exposed to little credit, liquidity or market risk.

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Care Inspectorate becomes a party to the contractual provisions of the instrument.

#### 1.16.1 Trade receivables

Trade receivables are non-interest bearing and are recognised at ~~fair value~~amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

#### 1.16.2 Trade payables

Trade payables are non-interest bearing and are stated at fair value.

#### 1.16.3 Provisions

Provisions are recognised when the Care Inspectorate has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provisions is presented in the SCNE, net of any reimbursement.

### 1.17 Change in accounting policy

There have been no changes in accounting policy during the year.

### 1.18 Operating segments

Financial reporting to senior decision makers is at an organisation wide level and therefore segmental reporting under IFRS 8 is not required.

### 1.19 Contingent assets / liabilities

Contingent assets and liabilities are disclosed in accordance with IAS 37.

## 2. Operating income

| 2.a | Fees charged to service providers | 2020/21 £000 | 2019/20 £000 |
|---|---|---|---|
| | Continuation of registration | (11,222) | (11,430) |
| | Application to register | (504) | (633) |
| | | **(11,726)** | **(12,063)** |

| 2.b | Other operating income | 2020/21 £000 | 2019/20 £000 |
|---|---|---|---|
| | Recharges for services provided to other organisations | (776) | (983) |
| | Secondee recharges | (33) | (184) |
| | Lease income | (87) | (86) |
| | Other income | (96) | (99) |
| | | **(992)** | **(1,352)** |

## 3. Staff numbers and costs

### 3.a Analysis of staff costs

An analysis of staff numbers and costs is disclosed in Section 4.2.1 (staff numbers by permanent and other) of this report. A summary of cost is provided in the table below:

| Staff cost summary | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Directly employed staff | 33,075 | 32,201 |
| Indirectly employed staff | 708 | 953 |
| Severance costs | 43 | 18 |
| Other staff costs | 430 | 510 |
| **Total staff costs** | **34,256** | **33,682** |

### 3.b Analysis of impact of actuarial pension valuation adjustments (see note 5)

The table below provides details of the difference between the employers' contributions we actually paid to the pension scheme administrator and the service cost disclosed in the Annual Report and Accounts. Our budget is based on employer contributions payable. Service cost is a figure derived from actuarial analysis in accordance with IAS 19.

| | 2020/21 | | | 2019/20 | | |
|---|---|---|---|---|---|---|
| | Local Government Scheme £000 | NHS Scheme £000 | Total £000 | Local Government Scheme £000 | NHS Scheme £000 | Total £000 |
| Employer pension contributions actually paid | 3,700 | 45 | 3,745 | 3,517 | 51 | 3,568 |
| **Accounting entries (IAS19 note 5)** Service cost (actuarial basis) | 7,017 | 45 | 7,062 | 7,390 | 51 | 7,441 |
| **Pension costs included in staff costs (SCNE)** | **7,017** | **45** | **7,062** | **7,390** | **51** | **7,441** |
| Variance between actual cost and accounting basis | 3,317 | 0 | 3,317 | 3,873 | 0 | 3,873 |

## 4. Reporting of voluntary early severance/voluntary early retirement scheme

The total cost of exit packages in 2020/21 was £42k (2019/20: £18k). Details of exit packages are disclosed in Section 4.2.5 (exit packages) of this report.

## 5. Post-employment benefits: pension

International Accounting Standard 19 (IAS 19) 'Employee Benefits' sets out the accounting treatment to be followed when accounting for the costs of providing a pension scheme.

### NHS pension scheme

As at 31 March 2021 the Care Inspectorate employed 5 people who were members of the NHS Superannuation Scheme (Scotland). The scheme is an unfunded multi-employer defined benefit scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions. The next valuation will be as at 31 March 2020, and this will set contribution rates from 1 April 2023. The Care Inspectorate is unable to identify its share of underlying assets and liabilities, therefore is treated for accounting purposes as a defined contribution scheme.

- The Care Inspectorate has no liability for other employers' obligations to the multi-employer scheme.
- As the scheme is unfunded there can be no deficit or surplus to distribute the wind-up of the scheme or the withdrawal from the scheme.

During the year ended 31 March 2021, the Care Inspectorate paid an employer's contribution of £45k (2019/20 £51k) into the NHS scheme at a rate of 20.9% of pensionable pay (2019/20 20.9%). The employer contribution rate for the year to 31 March 2022 will remain at 20.9%.

**Tayside Superannuation Fund**

The Tayside Superannuation Fund is a multi-employer scheme which includes local authorities and admitted bodies.

The fund is administered by Dundee City Council and the pension scheme is part of the Local Government Pension Scheme. It is a defined benefit scheme, which means the benefits to which members and their spouses are entitled are determined by pensionable pay and length of service.

The employer contribution rate for 2020/21 was 17% based on the actuarial valuation for financial years 2018/19 to 2020/21. Employer contributions are set every three years as a result of an actuarial valuation of the Fund required by the Regulations. The most recent actuarial valuation of the Fund was carried out as at 31 March 2020. This set the contribution rate at 17% for 2021/22 to 2023/24. The next valuation of the fund will be carried out as at 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The contributions paid by the Care Inspectorate for the year to 31 March 2021 were £3,700k (2019/20 £3,517k) representing 17.0% of pensionable pay. The employer contribution rate for the year to 31 March 2022 will remain at 17.0%. Employee contribution rates for the LGPS were in the range 5.5% to 10.1% based on earnings bands.

Participation in the defined benefit scheme exposes the Care Inspectorate to the following risks:

- **Investment risk**. The fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- **Interest rate risk.** The fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- **Inflation risk.** All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

- **Longevity risk.** In the event that the members live longer than assumed, a deficit will emerge in the fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the fund, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Care Inspectorate, for example higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

The Court of Appeal ruled transactional protections granted to older members of the Judicial Pension Scheme and the Firefighters Pension Scheme give rise to unlawful discrimination. As the Local Government Pension Scheme (Scotland) (LGPSS) has similar transitional protection arrangements there is likely to be a read across and the implications of remedying the unlawful discrimination will be similar. The implications are it is likely to result in increases to scheme liabilities and service costs. Ultimately this may lead to future increases in employer contribution rates.

The pension disclosure notes include the actuarial assessment of the impact on the Care Inspectorate's share of the fund.

### 5.a Employee benefits – statement of financial position recognition

| | Year to 31 March 2021 | Year to 31 March 2020 |
|---|---:|---:|
| | **£000** | **£000** |
| Present value of funded obligation | (244,640) | (195,769) |
| Fair value of scheme assets (bid value) | 234,174 | 175,717 |
| **Net liability** | **(10,466)** | **(20,052)** |

### 5.b Statement of comprehensive net expenditure (SCNE) costs for the year to 31 March 2021

**Table 1 - The amounts recognised in the SCNE are as follows:**

| | | Year to 31 March 2021 | | Year to 31 March 2020 |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Service cost | | 7,017 | | 7,390 |
| Administration expenses | | 65 | | 62 |
| Net interest on the defined liability/(asset) | | 428 | | 394 |
| Difference between actual employer's contributions and actuarial employer's contributions | 19 | | 37 | |
| Return on plan assets less interest | (53,210) | | 14,500 | |
| Change in financial assumptions | 48,732 | | (16,940) | |
| Changes in demographic assumptions | (2,640) | | 0 | |
| Experience gain on defined benefit obligation | (4,728) | | 0 | |
| Other actuarial gains | (1,569) | | 0 | |
| Total remeasurements | | (13,396) | | (2,403) |
| **Total** | | **(5,886)** | | **5,443** |
| Total return on scheme assets | | (57,335) | | (10,054) |

The Care Inspectorate recognises the cost of retirement benefits in the reported operating cost when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made under the Care Inspectorate's funding rules is based on the cash payable in the year. This requires the real cost of post-employment/retirement benefits to be reversed out of the general reserve via the statement of changes in taxpayers' equity. The following transactions have been made in the SCNE and the general reserve balance via the statement of changes in taxpayers' equity during the year.

Table 2

| **Actuarial Adjustments for:** | **Note** | **2020/21** | **2019/20** |
|---|---|---|---|
| | | **£000** | **£000** |
| Staff Costs | 3b | 3,317 | 3,873 |
| Administration charges | 5b Table 1 | 65 | 62 |
| Net interest on defined liability | 5b Table 1 | 428 | 394 |
| Remeasurements | 5b Table 1 | (13,396) | (2,403) |
| Total actuarial adjustment | | **(9,586)** | **1,926** |

The net interest on defined liability / (asset) effectively sets the expected return equal to the IAS19 discount rate (note 5g).

### 5.c Benefit obligation reconciliation for the year to 31 March 2021

Changes in the present value of the defined benefit obligations are as follows:

| | Year to 31 March 2021 | | Year to 31 March 2020 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Opening defined benefit obligation | | 195,769 | | 202,818 |
| Current service cost | 7,017 | | 7,359 | |
| Past service costs, including curtailments | 0 | | 31 | |
| Total service cost | | 7,017 | | 7,390 |
| Interest cost | | 4,553 | | 4,840 |
| Estimated benefits paid net of transfers in | (5,553) | | (3,784) | |
| Contributions by scheme participants | 1,490 | | 1,445 | |
| Total scheme transactions | | (4,063) | | (2,339) |
| Changes in financial assumptions | 48,732 | | (16,940) | |
| Changes in demographic assumptions | (2,640) | | 0 | |
| Experience gain on defined benefit obligation | (4,728) | | 0 | |
| Total actuarial (gains)/losses | | 41,364 | | (16,940) |
| **Closing defined benefit obligation** | | **244,640** | | **195,769** |

### 5.d Fair value of scheme assets reconciliation for the year to 31 March 2021

**Changes in the fair value of scheme assets are as follows:**

| | Year to 31 March 2021 | | Year to 31 March 2020 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Opening fair value of scheme assets | | 175,717 | | 184,692 |
| Interest on assets | | 4,125 | | 4,446 |
| Estimated benefits paid net of transfers in | (5,553) | | (3,784) | |
| Employer contributions | 3,681 | | 3,480 | |
| Contributions by scheme participants | 1,490 | | 1,445 | |

| | | | | |
|---|---|---|---|---|
| Total scheme transactions | | (382) | | 1,141 |
| Return on assets less interest | | 53,210 | | (14,500) |
| Other actuarial gains | | 1,569 | | |
| Administration expenses | | (65) | | (62) |
| **Closing defined benefit obligation** | | **234,174** | | **175,717** |

### 5.e Projected pension expense for the year to 31 March 2022

| | **Year to 31 March 2022** |
|---|---|
| | **£000** |
| Service cost | 9,491 |
| Net interest on the defined liability | 172 |
| Administration expenses | 86 |
| **Total** | **9,749** |
| | |
| Employer contributions | 3,681 |

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021.

### 5.f Care Inspectorate fund assets

The table below provides details of the estimated asset allocation of the fund for the Care Inspectorate.

| Asset class | Assets as at 31 March 2021 | | Assets as at 31 March 2020 | |
|---|---|---|---|---|
| | **£000** | **%** | **£000** | **%** |
| Equities | 167,678 | 72 | 116,173 | 66 |
| Gilts | 9,260 | 4 | 2,438 | 1 |
| Other bonds | 30,566 | 13 | 31,048 | 18 |
| Property | 21,403 | 9 | 21,613 | 12 |
| Cash | 4,933 | 2 | 5,314 | 3 |
| Alternatives | 334 | 0 | (869) | (0) |
| **Total** | **234,174** | **100** | **175,717** | **100** |

Based on the above, the Care Inspectorate's share of the assets of the fund is approximately 5%.

Tayside Superannuation Fund has relied on valuations provided by its advisors for its property holdings, which have been reported on the basis of 'material valuation uncertainty'. Given the unknown future impact that COVID-19 might have on the real estate market, the Fund is keeping the valuation of its property portfolio under frequent review.

### 5.g Financial assumptions as at 31 March 2021

The financial assumptions used for IAS19 calculations are below. These assumptions are set with reference to market conditions at 31 March 2021. The estimated duration of the Care Inspectorate's past service liability is 18 years. Estimated cashflows (based on this duration) are used to derive a Single Equivalent Discount Rate (SEDR). The discount rate is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the last accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the estimated cashflows described above. The SEIR derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.4% below RPI ie 2.85% per annum. The actuary believes this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Care Inspectorate's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030.

Salary increases are assumed to be 1.0% above CPI. This is consistent with the approach at the previous accounting date. However, in line with the latest Fund valuation as at 31 March 2020 any allowance for promotional salary increases has been removed.

| **Assumptions as at** | **31 March 2021** | **31 March 2020** | **31 March 2019** |
|---|---|---|---|
| | **% p.a.** | **% p.a.** | **% p.a.** |
| Discount rate | 2.00 | 2.35 | 2.40 |
| Pension increases | 2.85 | 1.90 | 2.40 |
| Salary increases | 3.85 | 2.90 | 3.40 |

**5.h Demographic/statistical assumptions**

The previous accounting disclosure as at 31 March 2020 used the following post retirement mortality assumptions:

- The S2PA tables with a multiplier of 130%.
- The CMI_2018 model to project these tables forward, allowing for a long-term rate of improvement of 1.5%, a smoothing parameter of 7.0 and an initial addition parameter of 0.0%.

These assumptions were updated as part of the most recent Fund valuation as at 31 March 2020 and the following post retirement mortality assumptions at the 2020 valuation were as follows:

- The S3PA heavy tables with a multiplier of 110%.
- The CMI_2019 Model to project these tables forward, allowing for a long-term improvement of 1.25%, a smoothing parameter of 7.5 and an initial addition to improvements of 0.0%.

For the accounting disclosure as at 31 March 2021 the actuary updated these assumptions again using the CMI2020 model, allowing for a long-term rate of improvement of 1.25%, a smoothing parameter of 7.5, an initial addition parameter of 0.0% and a 2020 weighting of 25%.

This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The exceptional mortality experienced due to the coronavirus pandemic has been incorporated without having a disproportionate impact on results.

The assumed life expectations from age 65 are:

| Life Expectancy from Age 65 (years) | | 31 March 2021<br><br>(after CME2020 update) | 31 March 2020 (consistent with 2020 valuation and before CMI_2020 update) | 31 March 2020 |
|---|---|---|---|---|
| Retiring today | Males | 18.9 | 19.2 | 19.7 |
| | Females | 22.2 | 22.5 | 21.7 |
| Retiring in 20 years | Males | 20.2 | 20.7 | 21.4 |
| | Females | 23.8 | 24.0 | 23.5 |

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The actuary has also made the following assumptions.

- Members will exchange half of their commutable pension for cash at retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

### 5.i Sensitivity Analysis

The following table sets out the impact of a change in the discount rates on the defined benefit obligation and projected service cost along with a +/- one-year age rating adjustment to the mortality assumption.

| | £000 | £000 | £000 |
|---|---|---|---|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 240,456 | 244,640 | 248,901 |
| Projected service cost | 9,242 | 9,491 | 9,745 |
| | | | |
| Adjustment to long-term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 245,259 | 244,640 | 244,024 |
| Projected service cost | 9,496 | 9,491 | 9,485 |
| | | | |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 248,242 | 244,640 | 241,102 |
| Projected service cost | 9,742 | 9,491 | 9,246 |
| | | | |
| Adjustment to life expectancy assumptions | +1 Year | None | -1 Year |
| Present value of total obligation | 256,572 | 244,640 | 233,279 |
| Projected service cost | 9,962 | 9,491 | 9,038 |

## 6. Analysis of operating costs

| **Operating expenditure** | **2020/21** | **2019/20** |
|---|---|---|
| | **£000** | **£000** |
| Property costs | 2,163 | 2,241 |
| Administration costs[1] | 1,462 | 1,835 |
| Supplies & services | 1,687 | 2,044 |
| Transport costs | 143 | 1,531 |
| Pension administration costs (IAS 19) | 65 | 62 |
| Depreciation & amortisation of assets | 50 | 50 |
| Provision for dilapidations | 662 | 0 |
| Changes in debt impairment allowance | (10) | (12) |
| | **6,222** | **7,751** |

1. Administration costs includes £33.7k for external auditor's remuneration (2019/20 £32.9k). External audit provided no services in relation to non-audit work.

## 7. Property, plant and equipment

**Property, Plant & Equipment**

**2020/21**

| | **Furniture and fittings £000** | **Plant and equipment £000** | **Information technology £000** | **Total £000** |
|---|---|---|---|---|
| **Cost or Valuation:** | | | | |
| At 1 April 2020 | 549 | 143 | 288 | 980 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | (7) | (7) |
| **At 31 March 2021** | 549 | 143 | 281 | 973 |
| | | | | |
| **Depreciation:** | | | | |
| At 1st April 2020 | (445) | (136) | (288) | (869) |
| Charged in year | (48) | (2) | 0 | (50) |
| Disposals | 0 | 0 | 7 | 7 |
| **At 31 March 2021** | (493) | (138) | (281) | (912) |
| | | | | |
| **Net book value:** | | | | |
| **At 31 March 2021** | **56** | **5** | **0** | **61** |
| | | | | |
| At 31 March 2020 | 104 | 7 | 0 | 111 |

**Asset Financing:** All assets are owned

| | 2019/20 | | | |
|---|---|---|---|---|
| | Furniture and fittings | Plant and equipment | Information technology | Total |
| | £000 | £000 | £000 | £000 |
| **Cost or Valuation:** | | | | |
| At 1 April 2019 | 549 | 143 | 373 | 1,065 |
| Additions | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | (85) | (85) |
| **At 31 March 2020** | 549 | 143 | 288 | 980 |
| **Depreciation:** | | | | |
| At 1st April 2019 | (397) | (134) | (373) | (904) |
| Charged in year | (48) | (2) | 0 | (50) |
| Disposals | 0 | 0 | 85 | 85 |
| **At 31 March 2020** | (445) | (136) | (288) | (869) |
| **Net book value:** | | | | |
| **At 31 March 2020** | **104** | **7** | **0** | **111** |
| At 31 March 2019 | 152 | 9 | 0 | 161 |

**Asset Financing:** All assets are owned

## 8. Intangible assets

| | 2020/21 | | |
|---|---|---|---|
| | Computer software licences | Information technology | Total |
| **Cost or Valuation:** | £000 | £000 | £000 |
| At 1st April 2020 | 21 | 121 | 142 |
| Additions | 0 | 0 | 0 |
| Disposals | (21) | 0 | (21) |
| At 31 March 2021 | 0 | 121 | 121 |
| **Depreciation:** | | | |
| At 1st April 2020 | (21) | (121) | (142) |
| Charge for year | 0 | 0 | 0 |
| Disposals | 21 | 0 | 21 |
| At 31 March 2021 | 0 | (121) | (121) |
| **Net book value:** | | | |
| **At 31 March 2021** | **0** | **0** | **0** |
| At 31 March 2020 | 0 | 0 | 0 |

There are no internally developed intangible assets

**2019/20**

| | Computer software licences | Information technology | Total |
|---|---|---|---|
| **Cost or Valuation:** | **£000** | **£000** | **£000** |
| At 1st April 2019 | 21 | 187 | 208 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | (66) | (66) |
| At 31 March 2020 | 21 | 121 | 142 |
| | | | |
| **Depreciation:** | | | |
| At 1st April 2019 | (21) | (187) | (208) |
| Charge for year | 0 | 0 | 0 |
| Disposals | 0 | 66 | 66 |
| At 31 March 2020 | (21) | (121) | (142) |
| | | | |
| **Net book value:** | | | |
| **At 31 March 2020** | **0** | **0** | 0 |
| | | | |
| At 31 March 2019 | 0 | 0 | 0 |

There are no internally developed intangible assets

## 9. Trade and other receivables

| | 2020/21 | | 2019/20 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Amounts falling due within one year:** | | | | |
| Prepayments and accrued income | | ~~866~~775 | | 829 |
| Trade receivables | 3,937 | | 2,870 | |
| Other receivables | 5 | | 8 | |
| | | 3,942 | | 2,878 |
| | | **4,~~808~~717** | | **3,707** |
| **Amounts falling due after more than one year:** | | | | |
| Prepayments and accrued income | | **72** | | **25** |
| | | | | |
| **Total trade and other receivables** | | **4,~~880~~789** | | **3,732** |

Trade and other receivables are non-interest bearing. Credit terms are generally 30 days. Trade and other receivables are recorded at fair value, reduced by appropriate allowances for estimated irrecoverable amounts. Amounts falling due after more than one year relate to prepaid expenditure.

| Provision for impairment of receivables: | 2020/21 | 2019/20 |
|---|---|---|
| | £000 | £000 |
| As at 1 April | (35) | (47) |
| Charge for the year | (83) | (48) |
| Unused amounts reversed | 7 | 13 |
| Uncollectable amounts written off | 86 | 47 |
| As at 31 March | **(25)** | **(35)** |

As at 31 March 2021, trade and other receivables of £25k (2019/20 £35k) were past due and impaired. The amount provided is £25k (2019/20 £35k). The aging analysis of these receivables is as follows:

| | 2020/21 | 2019/20 |
|---|---|---|
| | £000 | £000 |
| Up to 3 months past due | (3) | (4) |
| 3 to 6 months past due | (1) | (6) |
| Over 6 months past due | (2) | (1) |
| Over 12 months past due | (19) | (24) |
| | **(25)** | **(35)** |

As at 31 March 2021, trade and other receivables of £3,942k (2019/20 £2,878k) were due but not impaired. The aging analysis of these receivables is as follows:

| | 2020/21 | 2019/20 |
|---|---|---|
| | £000 | £000 |
| Not yet due | 2,496 | 2,733 |
| Up to 3 months past due | 422 | 43 |
| 3 to 6 months past due | 340 | 19 |
| Over 6 months past due | 412 | 8 |
| Over 12 months past due | 272 | 75 |
| | **3,942** | **2,878** |

**Analysis of trade and other receivables:**

| Amounts falling due within one year: | 2020/21 | 2019/20 |
|---|---|---|
| | £000 | £000 |
| Bodies external to government | 4,~~329~~237 | 3,082 |
| Other central government bodies | 141 | 180 |
| Local authorities | 255 | 411 |
| NHS bodies | 84 | 34 |
| | **4,~~808~~717** | **3,707** |
| **Amounts falling due after more than one year:** | | |
| Bodies external to government | **72** | **25** |
| **Total trade and other receivables** | **4,~~880~~789** | **3,732** |

## 10. Cash and cash equivalents

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| Balance as at 1 April | 1,517 | 1,542 |
| Net change in cash and cash equivalent balance | 673 | (25) |
| Balance as at 31 March | **2,190** | **1,517** |
| | | |
| The following balances as at 31 March were held at: | | |
| Government Banking Service | 1,265 | 1,044 |
| Commercial banks and cash in hand | 925 | 473 |
| Balance as at 31 March | **2,190** | **1,517** |

## 11. Trade and other payables

| | 2020/21 £000 | 2019/20 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade payables | 339 | 254 |
| Accruals and deferred income | 1,~~256~~165 | 1050 |
| Other taxation and social security | 689 | 671 |
| Other payables | 1,078 | 1052 |
| | **3,~~362~~271** | **3,027** |

| **Amounts falling due after more than one year:** | **£000** | **£000** |
|---|---|---|
| Lease Incentives | **37** | **82** |

**Analysis of trade and other payables:**

| **Due within one year:** | **2020/21 £000** | **2019/20 £000** |
|---|---|---|
| Bodies external to government | ~~2,078~~1,987 | 1,786 |
| Other central government bodies | 798 | 783 |
| Local authorities | 448 | 432 |
| NHS bodies | 38 | 26 |
| | **3,~~362~~271** | **3,027** |

| **Falling due after more than one year:** | **£000** | **£000** |
|---|---|---|
| Bodies external to government | **37** | **82** |

Trade and other payables due after more than one year include the lease incentives which are accounted for over more than one year.

## 12. Grants from Scottish Government

| Scottish Government grants | 2020/21 | 2019/20 |
|---|---|---|
| | **£000** | **£000** |
| Grant in aid operating costs | 23,054 | 22,129 |
| Scrutiny approach for Community Justice | 325 | 325 |
| Appropriate Adults | 137 | - |
| Support to early learning and childcare expansion | 537 | 259 |
| Adult Support and Protection Inspection Programme | 601 | 338 |
| National Child Death Review Hub | 122 | 189 |
| ELC Improvement | 196 | 98 |
| Safer Staffing | 65 | 50 |
| Adult Significant Case Reviews | 56 | - |
| Transformation delivery programme grant | - | 350 |
| National health and social care standards grant | - | 50 |
| Barnahus project | - | 24 |
| Cessation of shared ICT services | - | 205 |
| Child contact centres – feasibility study | - | 56 |
| **Total grant in aid funding** | **25,093** | **24,073** |
| Care About Physical Activity (CAPA) project funding | 42 | 499 |
| Technology enabled care programme funding | 70 | 67 |
| ELC evaluation | - | 54 |
| Improvement Adviser | - | 22 |
| Delivery of indoor and outdoor setting guidance | - | 12 |
| **Total grants from Scottish Government** | **25,205** | **24,727** |

## 13. Capital commitments

There were no capital commitments as at 31 March 2021.

## 14. Commitments under leases

### 14.a Operating leases

The total future minimum lease payments under operating leases are shown below. The commitments are shown net of VAT.

| **Obligations under operating leases comprise:** | **2020/21** | **2019/20** |
|---|---|---|
| | **£000** | **£000** |
| Buildings: | | |
| Within 1 year | 689 | 758 |
| Within 2 to 5 years | 1,524 | 1,926 |
| Beyond 5 years | 275 | 557 |
| Other: | | |
| Within 1 year | 67 | 98 |
| Within 2 to 5 years | 53 | 112 |
| | **120** | **210** |

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**14.b** **Operating lease receivables**

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The Care Inspectorate provides shared services to the Scottish Social Services Council (SSSC) and the Office of the Scottish Charities Regulator (OSCR). Shared services relating to the provision of facilities and administration services are disclosed as lease arrangements. Sub lease arrangements are also in place with the Scottish Government.

Anticipated rental commitments under operating leases are shown in the table below. The rental commitments are shown net of VAT.

| **Commitments under operating leases comprise:** | **20** |
|---|---|
| Buildings: | |
| Within 1 year | |
| Within 2 to 5 years | |
| Beyond 5 years | |

In Dundee, our buildings are shared with the Scottish Social Services Council and the Office of the Scottish Charities Regulator. We also share our Aberdeen building with Education Scotland. The anticipated rental commitments are based on these lease arrangements continuing until the end of the lease terms.

**14.c** **Finance leases**

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There are no obligations or commitments under finance leases.

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## 15. Sources of financing

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| 2019/20 | | | 2020/21 | |
|---|---|---|---|---|
| £000 | | £000 | £000 | £000 |
| General Reserves | | Revenue Transactions | Capital Transactions | General Reserve |
| 1,616 | Opening Balance | 2,140 | 111 | 2,251 |
| (26,018) | Surplus/(Deficit) for the year | (14,750) | (50) | (14,800) |
| 1,926 | Pension actuarial adjustments | (9,586) | 0 | (9,586) |
| (22,476) | Total before grants | (22,196) | 61 | (22,135) |
| 24,073 | Grant-in-aid funding | 25,093 | 0 | 25,093 |
| 654 | Other Scottish Government grants | 112 | 0 | 112 |
| 24,727 | Total Grants | 25,205 | 0 | 25,205 |
| **2,251** | **Total** | **3,009** | **61** | **3,070** |

## 16. Other provisions

Other provisions comprise property dilapidations in respect of lease obligations.

| | £000 |
|---|---|
| Balance at 1 April 2020 | 0 |
| Provided in year | 662 |
| **Balance at 31 March 2021** | **662** |

## 17. Contingent assets

The contingent asset from 2019/20 with one of our telecoms providers to recover backdated payments for cancelled services was settled during the year. A refund of £72k was received.

## 18. Related-party transactions

The Care Inspectorate is a non-departmental public body sponsored by the Scottish Government Health and Social Care Integration Directorate. The Care Inspectorate has shared services arrangements with the Scottish Social Services Council and the Office of the Scottish Charities Regulator. In addition, the Care Inspectorate sub-lets accommodation to Scottish Government and Education Scotland. There are no other bodies or organisations that are regarded as related parties with which the Care Inspectorate has had material transactions during the year.

A register of interests is maintained and updated annually. None of the Board members or key managerial staff have undertaken material transactions with the Care Inspectorate during the year.

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| **Related Party** | **2020/21** | **2019/20** |
|---|---|---|
| | **£000** | **£000** |
| Scottish Social Services Council | 649 | 844 |
| Office of the Scottish Charities Regulator | 127 | 139 |
| Scottish Government | 56 | 56 |
| Education Scotland | 30 | 30 |
| **Total** | **862** | **1,069** |

We also received procurement services from the Scottish Government's Central Government Procurement Shared Service to the value of £2k (2019/20: £24k).

## 19. Post statement of financial position events

There were no events after the statement of financial position date relating to the 2020/21 financial year.

# Appendix One: Accounts Direction by the Scottish Ministers

The Scottish Government

SOCIAL CARE AND SOCIAL WORK IMPROVEMENT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 14(1) of Schedule 11 of the Public Services Reform (Scotland) Act 2010 hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2012, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 1 June 2012

## Glossary

| | |
|---|---|
| CETV | Cash equivalent transfer value |
| CMI | The continuous mortality investigation |
| COSLA | Convention of Scottish Local Authorities |
| CPI | Consumer price index |
| FReM | Government financial reporting manual |
| FTE | Full time equivalent |
| HIS | Healthcare Improvement Scotland |
| IAS | Internal Accounting Standard |
| ICT | Information and communications technology |
| IFRIC | International Financial Reporting Interpretation Committee |
| IFRS | International Financial Reporting Standards |
| KPI | Key performance indicator |
| LGPS | Local Government Pension Scheme |
| PSR Act | Public Services Reform Act (2010) |
| RPI | Retail price index |
| SCNE | Statement of comprehensive net expenditure |
| SLA | Service level agreement |
| SOCTE | Statement of changes in taxpayers' equity |
| SSSC | Scottish Social Services Council |

Grant Thornton

# Care Inspectorate

Financial year ended 31 March 2021

Prepared for the Accountable Officer and the Auditor General for Scotland

Draft External Audit Report for the Audit and Risk Committee

# Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Care Inspectorate or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Key messages

This is our final report to the Accountable Officer and the Auditor General For Scotland and concludes our audit on the financial year ended 31 March 2021. We have issued an unmodified audit opinion on the annual report and accounts, including an unmodified opinion on regularity and the Remuneration Report. We thank management for all their assistance during the audit process.

## 01 Materiality

We re-calculated our materiality based on the unaudited annual report and accounts. The benchmark of 2% of gross expenditure remained the same. This resulted in:

- Materiality of £796,000 and a performance materiality (75% of materiality) of £597,000
- All audit adjustments above £39,800 were reported to management and captured in this report.
- Lower materiality of banding on Staff Remuneration Report (being £1,000)

## 02 Financial statement audit risks

At planning, in accordance with the ISAs (UK) and FRC Practice Note 10 we have identified the following significant financial statement audit risks:

- Management override of controls (ISA UK 240)
- Risk of fraud in revenue (cut-off) (ISA UK 240)
- Risk of fraud in expenditure (cut-off) (FRC PN10)
- Risk of misstatement of defined benefit pension scheme liabilities

We have no matters to bring to your attention arising from our work over these significant audit risks.

## 03 Other audit matters

Our final report summarises a number of other audit matters, including:

- We have concluded that Care Inspectorate meets the definition of a going concern, reflecting on FRC Practice Note 10 considerations.
- The accounts contain areas of estimation and judgement. Significant estimates relate to defined benefit pension liabilities. Our testing over these did not identify any indication or management bias.
- We set out our roles and responsibilities on fraud. During the course of our work we did not identify fraud and/or material error.

We identified two adjusted misstatements to the draft accounts as well as a number of disclosure adjustments. These are detailed in Appendix 1 and not considered material to the accounts.

## 04 Wider Scope Audit

In accordance with the Code we determined that the Care Inspectorate meet the definition of a smaller body. This is based on Care Inspectorate's income and expenditure transactions and balances held being relatively smaller than other public bodies and the financial statements are considered less complex.

In accordance with the Code we have concluded in this report on your governance statement and Care Inspectorate's financial sustainability arrangements. During our audit we did not identify any further areas of wider scope risk.

## 05 Our Audit Fee

Our audit fee, set out in our audit plan, of £33,740 was our final audit fee. There were no non-audit services (fees) during the year and we did not need to vary our agreed fee.

# Introduction

## Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2021 at Care Inspectorate. The scope of our audit was set out in our External Audit Plan communicated to the Audit and Risk Committee on the 4 March 2021 and finalised and submitted to Care Inspectorate on the 31 March 2021.

The main elements of our audit work in 2020/21 have been:

- An audit of Care Inspectorate's annual report and accounts for the financial year ended 31 March 2021; and
- Consideration financial sustainability and the Governance Statement, as required under the smaller body classification, within the Audit Scotland Code of Practice (2016).

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

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

[Status of the audit

As at the 24 August 2021 our audit is substantively complete subject to the following outstanding audit procedures:

- Final disclosure review
- Final documentation and auditor assurances around pension liability
- Final subsequent events procedures
- Final Engagement Leader review.]

## Responsibilities

The Care Inspectorate is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. The Care Inspectorate is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Adding value through our audit work

We aim to add value to the Care Inspectorate throughout our audit work. In delivering our audit we use a dedicated public sector audit team. This ensures our team have a comprehensive understanding of Care Inspectorate and the wider public sector to focus on key areas of risk relevant to your financial statements.

As a result of the social distancing and travel restrictions implemented in response to the Covid-19 pandemic our audit work was delivered remotely. We continue to share recommended practices with management, where relevant, and contribute to wider discussions at the Audit and Risk Committee during the year.

# Audit of the annual report and accounts

## Key messages and judgements

We have issued an unmodified audit opinion on the annual report and accounts.

There were two adjustments to the primary financial statements. There were no unadjusted differences to the financial statements. We raised a number of minor disclosure adjustments identified from our review of the annual report and accounts. We do not consider these to be material. Further details are provided in *Appendix 1.*

We would like to thank management for all their assistance during the year in ensuring the delivery of the audit, to the timescales agreed at the start of the financial year.

## Our audit opinion

For the financial year ended 31 March 2021 we [plan to] issue an unmodified opinion on the annual report and accounts. 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 audit process

In accordance with our annual external audit plan, our audit work commenced in June 2021. We received the draft primary financial statements in line with our agreed timetable. There was one audit adjustments to the draft primary financial statements in relation to provide for dilapidations on leasehold buildings. There were no unadjusted differences to the draft financial statements. We also identified a number of disclosure adjustments in respect of the draft financial statements. A full listing of disclosure misstatements is detailed in Appendix 1. We do not consider these to be material to the financial statements.

## Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our audit approach was set out in our audit plan communicated to the Audit and Risk Committee on the 4 March 2021 and finalised and submitted 31 March 2021. We updated our audit materiality to reflect the 2020/21 draft financial statements. It is set at £796,000, representing 2% of gross expenditure. Performance materiality was set at £597,000), representing 75% of our calculated materiality. We report to management any difference identified over £39,800 (Being 5% of overall materiality).

We applied a lower materiality threshold for Directors Remuneration disclosures within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £1,000).

## Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Management override of controls**<br><br>As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override Care Inspectorate's controls for specific transactions.<br>We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement. This includes manual journals as well as critical judgements or estimates. | • We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.<br>• We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2021 and retrospective review of those estimates as at 31 March 2020. This included valuation of defined benefit pension scheme liabilities.<br>Journals testing including:<br>• Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;<br>• Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they are appropriate and suitably recorded in the financial ledger;<br>• Target testing of transactions around the financial year end, reviewing large journals and those which appear unusual to understand the rationale for the transaction.<br><br>**Conclusion**<br>Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions tested. We did not identify indication of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement. |

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Risk of fraud in revenue recognition (occurrence/completeness)**<br><br>Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities. Care Inspectorate receives Grant in aid funding through resource allocations direct from the Scottish Government. The risk of management manipulation and fraud is therefore limited. We focus our significant risk of material misstatement on the Care Inspectorates material revenue streams being registration fees and service recharges. Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of reporting in-year to Scottish Government and the need to achieve the financial targets set. We therefore our testing on the occurrence of revenue recognised at year end including existence of receivables at the year end. | • We performed walkthroughs of the controls and procedures over registration fees and service recharges.<br>• For these income streams, substantive testing over income recognised in the final two months of the year where there is an inherently higher susceptibility of fraudulent recognition<br>• Sample testing of receivable balances held at 31 March 2021 through agreeing balances held to invoices and/or other supporting records.<br>• Reviewed Management's assessment of bad debts through ensuring consistent with underlying records and based on assessment of outstanding debt and forecast recovery including key assumptions supporting the provider accrued income.<br>• Performed income cut-off procedures and substantive testing over pre and post year end balances, over non GIA funding income streams.<br><br>**Conclusion**<br>Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of income. We did not identify any exceptions in the occurrence and accuracy of receivables balances at year end and are satisfied that income is free from material misstatement.<br>Through our substantive procedures and sample testing we did not identify any income which was not in accordance with the nature of the Care Inspectorate (regularity testing). |

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Risk of fraud in expenditure recognition (completeness/Occurrence)**<br><br>As set out in Practice note 10 (revised) which applies to public sector entities we consider there to be an inherent risk of fraud in expenditure recognition. As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of misstatement in this expenditure stream. We therefore focus on material non-pay expenditure including administration costs, property costs, supplies and services and transport costs. We consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of these expenditure streams ensuring the completeness and occurrence of expenditure.<br>Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of reporting in-year to Scottish Government and the need to achieve the financial targets set. | • We performed walkthroughs of the controls and procedures over material non-pay expenditure streams;<br>• Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording;<br>• Focused substantive testing of non-pay expenditure recognised pre and post year end at an elevated level to identify if there is any potential overstatement or understatement to address the risk of cut-off; and<br>• Review of accruals and payables, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates.<br><br>**Conclusion**<br>Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals or payables balances at year end.<br>Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of the Care Inspectorate (regularity testing). |

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **IAS 19 Defined Benefit Pension Liabilities (valuation)**<br><br>Care Inspectorate participates in the Tayside Pension Fund, a local government pension scheme (LGPS). The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, Care Inspectorate is required to recognise its share of the scheme assets and liabilities on the statement of financial position. As at 31 March 2020 the Authority had pension fund liabilities of £20.052 million.<br>Barnett Waddingham provide an annual IAS 19 actuarial valuation of the Authority's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme liability could be materially misstated within the financial statements. | • From year end planning review our risk focused predominantly around the key assumptions used in the actuarial valuation, where there was an increased risk of material misstatement.<br>• We performed walkthroughs of the controls and procedures over the valuation of defined benefit pension liabilities, including Management oversight of the valuation;<br>• We considered the work of the actuary (Barnett Waddingham), including the assumptions applied, using the work performed by PricewaterhouseCoopers (PwC) (commissioned on behalf of Audit Scotland to review actuarial assumptions proposed by LGPS actuaries), as well as local audit assessment.<br>• We obtained assurances from Audit Scotland as Auditors of the Pension Fund over the information supplied to the actuary in relation to the Care Inspectorate, including assets held and membership data, and confirm joint assurances in respect of employer and employee contributions in the year.<br>• We performed substantive analytical procedures in the year over the pension fund movements, investigating any deviations from audit expectation.<br>• We reviewed the accounting entries and disclosures made within Care Inspectorate's financial statements in relation to IAS 19.<br><br>Conclusion [subject to outstanding auditor assurances from Audit Scotland, auditor of Tayside Pension Fund and completion of audit procedures over actuarial movements]<br>Through our audit procedures performed we did not identify any exceptions in our review and testing over IAS 19 defined benefit pension liabilities recognised in the financial statements. Through considering the work performed by PwC, we are satisfied that the assumptions applied by the actuary are reasonable.<br><br>The IAS 19 defined benefit valuation represents a material liability within the financial statements (2021: £10.466 million). The valuation is subject to significant estimation and thus sensitive to movements in underlying assumptions. While we recognise that Management utilise Barnett Waddingham to provide actuarial expertise in determining actuarial valuation, there is an opportunity to enhance the processes and controls around the valuation to enable Management greater oversight of the estimates made and assurances around the accuracy of the calculation. In particular, assurances from the actuary around the controls in place at the actuary to ensure data used in the valuation is complete and accurate and controls in place at the actuary to ensure underlying calculations are correct.<br><br>***Action Plan Recommendation 1.*** |

## Significant estimates and judgements

Care Inspectorate's annual report and accounts contain limited areas of estimation and judgement. The one material area of estimation is in relation to IAS 19 defined benefit pension liabilities. This has been confirmed by Management and confirmed in our audit testing including review of disclosures.

| judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|---|---|---|
| IAS 19 Defined benefit pension liabilities | Care Inspectorate engage Barnett Waddingham provide an annual IAS 19 actuarial valuation of the Authority's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. These key assumptions are discussed with the actuary to inform the report. These are predominantly informed by the actuaries recommended assumptions.<br>Management review the draft actuarial valuation. | As noted in our Response to significant risk section, using the work of PwC we reviewed the key assumptions underpinning the actuarial valuation.<br>We are satisfied that the assumptions adopted were appropriate for Care Inspectorate and that those applied were considered reasonable i.e. within our acceptable tolerances.<br>We did not identify any indication of management bias in the underlying assumptions applied in the estimate and found that Management have disclosed the key sensitivities surrounding these in the draft financial statements. | [Light purple] |

**Assessment**

| | |
|---|---|
| ● Dark Purple | We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated |
| ● Blue | We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic |
| ● Grey | We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious |
| ● Light Purple | We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

## Internal control environment

In accordance with ISA requirements we have developed an understanding of the control environment in place within Care Inspectorate. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We did this through a walkthrough of key controls within Care Inspectorate including payroll, income, expenditure, valuation of IAS 19 defined benefit pension scheme liabilities and journals. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

## Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Care Inspectorate and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2020/21 HM Treasury Financial Reporting Manual (FReM).
- We enquired of management and the Audit and Risk Committee, concerning Care Inspectorate's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of Care Inspectorate's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered Care Inspectorate's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 6.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in expenditure recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - Care Inspectorate's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - Care Inspectorate's control environment, including the policies and procedures implemented to ensure compliance with the requirements of the financial reporting framework.

## Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

| Issue | Commentary |
| --- | --- |
| Matters in relation to fraud and irregularity | It is Care Inspectorate's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. |
| Accounting practices | We have evaluated the appropriateness of Care Inspectorate's accounting policies, accounting estimates and financial statement disclosures. Disclosures and accounting policies are in line with the FReM and we have no matters to report. |
| Matters in relation to related parties | We are not aware of any related parties or related party transactions which have not been disclosed. |
| Matters in relation to laws and regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| Other information | We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.<br>No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect. |
| Opinion on other aspects of the annual report and accounts [subject to final Engagement Leader review] | We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the FReM, and the Accounts directions thereunder. We have audited the elements of the Remuneration Report and Staff Report , as required and are satisfied that these have been properly prepared in accordance with applicable legislation.<br>The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the FReM and directions made thereunder by the Scottish Ministers. The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the directions made thereunder by the Scottish Ministers. |

| Issue | Commentary |
|---|---|
| Matters on which we report by exception | We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters. |
| Governance statement | The governance statement is included within the Accountability Report. The report outlines the governance framework in place at the Care Inspectorate. The Report includes the Statement of the Accountable Officer's responsibilities and had been prepared in accordance with the FReM. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value and this is confirmed in the narrative in the annual report and accounts. There was no matters arising from our review of the governance statement that we want to draw attention to. |
| Written representations | A letter of representation has been requested from the Accountable Officer, including specific representations, which is included in the Audit and Risk Committee papers. Specific representations have been requested from management in line with prior years and confirms as auditors all records have been made available to us. |
| Going concern | In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.<br>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by Care Inspectorate meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management's assessment of the appropriateness of the going concern basis of accounting and conclude that:<br>• a material uncertainty related to going concern has not been identified<br>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |
| Regularity | The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our 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. |

# Wider scope audit – Smaller body

As set out in our Audit Plan, Care Inspectorate meets the definition of a smaller body in accordance with the Audit Scotland Code of Practice (2016). Therefore, as auditors we are required to include in our annual report commentary on arrangements as they relate to financial sustainability and the Governance Statement. Our work on the governance statement, and conclusions are set out on page 13 of this report. Below we have captured our commentary and conclusions on financial sustainability and other matters of interest during the year.

| Wider scope dimension | Wider scope risk identified in our audit plan | Wider scope audit response and findings | Grant Thornton conclusion |
|---|---|---|---|
| Governance arrangements (Audit Scotland planning guidance consideration) | No significant risks identified within our audit planning. | Governance<br><br>During 2020/21 Care Inspectorate's governance arrangements continued to operate as intended, and as in prior year. Care Inspectorate responded to the Covid-19 pandemic through continuing with existing governance arrangements, working remotely through holding Board and supporting Committees via video conferencing. During 2020/21 there was a degree of change of membership at the Board. | We did not identify any concerns around Care Inspectorate's governance arrangements or disclosures within the draft Governance Statement. |

| Wider scope dimension | Wider scope risk identified in our audit plan | Wider scope audit response and findings | Grant Thornton conclusion |
|---|---|---|---|
| Financial Sustainability, (as applicable to a smaller body) | No significant risks identified within our audit planning. | For 2020/21 Care Inspectorate reported net expenditure of £14.8 million. Following recognition of government grant in aid funding and IAS 19 adjustments, the outturn position reflected an underlying surplus against budget of £869,000. This has increased Care Inspectorate's General Reserve Balance to £3.070 million. The underspend primarily reflects the impact of unfilled vacancies as a result of longer than normal recruitment processes and reduced levels of travel as a result of Covid-19.<br><br>For 2021/22 Care Inspectorate have budgeted for an deficit of £0.872 million with planned use of reserves to meet these costs. Over the medium term, Care Inspectorate budgeted for a deficit of £1.699 million and £2.001 million in 2022/23 and 2023/24 respectively. However, this incorporated estimated property costs that have subsequently been provided for in the current year.<br><br>Management recognise the financial pressures facing the organisation. The financial projections include the assumption that the Transformational Funding of £2.3 million received from the Scottish Government will not require repayment. In addition, with over 83% of operating expenditure relating to staff costs, the nature of Care Inspectorate's operations mean that delivering budget savings would likely curtail/stop services. Consequently, Care Inspectorate is exploring options around fee levels and securing additional grant in aid.<br><br>It is important that Care Inspectorate ensure they continue to engage with the Scottish Government to obtain agreement around Transformational Funding as well as any additional funding required to meet cost pressures in the coming years. In addition it is important that there is continued close management of costs alongside targeting additional funding / income streams to ensure Care Inspectorate establish a sustainable operating model. | Through our audit procedures we have not identified any significant risks in relation to Care Inspectorate's financial sustainability.<br><br>Care Inspectorate's operating expenditure is funded through a combination of grant in aid funding as well as income from fees and charges. Management have recognised the financial challenges facing the organisation and it is important there is ongoing engagement with the Scottish Government and consideration of the fee regime to ensure financially sustainable operating model.<br><br>(*See Follow up of 2019/20 Recommendations – Appendix 3*) |

# Appendices

# 1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were two corrected misstatement to the primary financial statements in relation to the recognition of a provision for dilapidations on buildings held on leases as at 31 March 2021 and grossing up of debtors and creditors. There were no uncorrected misstatement to the financial statements arising during our audit.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

| Detail | Statement of Comprehensive Net Expenditure £'000 | Statement of Financial Position £' 000 |
|---|---|---|
| Being adjustment to recognise a provision in the financial statements in respect of Care Inspectorate's estimate of dilapidations costs as at 31 March 2021 (see Action Plan and recommendations – Point 2) | Dr operating expenditure 662 | Cr Provisions for dilapidations (662) |
| Being adjustment to remove prepayments and accrued income where transaction relates to 2021/22. | | Dr Payables – 91<br>Cr Prepayments (91) |
| Overall impact | 662 | |

[subject to finalisation of audit procedures]

## Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. [subject to finalisation of audit procedures]

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| Annual Report | In accordance with the FReM a number of presentational adjustments were required to the Annal Report including the Performance Report and Accountability Report. These were primarily presentational updates. | Partly – Minor presentational changes have been made to the draft Annual report. There is an opportunity for Management to review the structure of the report, particularly in relation to the Performance Analysis section, to follow the requirements of the FReM. |
| Remuneration and Staff Report | Minor presentational adjustment noted in the draft financial statements. | ✓ |
| Income accounting policies | There is an opportunity to enhance the current accounting policies and disclosures around Care Inspectorate's income streams to reflect the requirements of IFRS 15: revenue from contracts with customers around recognition across material revenue streams. | Partly – Changes have been made to the draft accounts to reflect some of the requirements of IFRS 15. There are opportunities to further enhance the disclosure to cover all material revenue streams and basis of recognition. Audit are satisfied that this is not material to the financial statements. |
| Intangible assets / Property, plant and equipment | Clarification around basis of initial recognition and valuation basis in accordance with the FReM. | ✓ |

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| Critical judgements | International Financial Reporting standards prescribe the required disclosures in relation to critical judgements. It also requires separate consideration of accounting estimates.<br>Care Inspectorate should disclose judgements that Management makes when applying its accounting policies that have the most significant effect on carrying amounts in the financial statements. The most significant accounting estimate is in relation to defined benefit pension liabilities, in particular the assumptions underpinning the IAS 19 actuarial valuation. While information is included in the pensions note to the accounts, this should be clearly defined within the accounts identifying the key areas of estimation.<br>Significant Estimates relate to assumptions and estimates at 31 March that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There is an opportunity to enhance the disclosure to focus on those key areas of estimation that may have a significant risk of material misstatement in the next 12 months. This should focus on those key areas of assumptions such as pension fund discount rate or key assumptions in the valuation. | No – Management consider the disclosure within Note 5 to the accounts sufficient to provide the reader of the accounts an understanding of the significant estimate. However, there are further opportunities to enhance the disclosure in accordance with the accounting standards. In particular we would expect a specific note to inform the reader of the accounts around the estimates and judgements in the financial statements. The focus in relation to pension scheme liabilities should be those estimates where there is a significant risk of material misstatement in the next 12 months. As auditors we are satisfied that this does not represent a material disclosure misstatement given the most significant estimate relates to defined benefit pension liabilities and there is disclosure around estimates and sensitivities around these in the notes to the accounts. |
| Staff costs note | The Staff Costs note to the accounts should disclose the key elements of staff costs: payroll, National Insurance and Pensions. While this information is included in the Remuneration and Staff Report, the Notes to the accounts should provide information to support the Primary Financial Statements. | No – Management are satisfied that there is sufficient detail contained within the remuneration report to allow the reader an understanding of the costs. As auditors we are satisfied that this does not reflect a material omission or misstatement. |

There were minor presentational (rounding / formatting) changes recommended to Management. These are not considered material to the accounts.

# 2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2020/21, the significant recommendations arising from our audit work.

| Recommendation | Agreed management response |
|---|---|
| **1. Pension Fund**<br>The IAS 19 defined benefit valuation represents a material liability within the financial statements (2021: £10.466 million). The valuation is subject to significant estimation and thus sensitive to movements in underlying assumptions. While we recognise that Management utilise Barnett Waddingham to provide actuarial expertise in determining actuarial valuation, there is an opportunity to enhance the processes and controls around the valuation to enable Management greater oversight of the estimates made and assurances around the accuracy of the calculation. In particular, assurances from the actuary around the controls in place at the actuary to ensure data used in the valuation is complete and accurate and controls in place at the actuary to ensure underlying calculations are correct. | We will agree with the actuaries that in future years there will be a specific statement in the actuary's report that reasonableness checks have been completed on membership data as submitted by Tayside Pension Fund.<br>Action owner: Head of Finance & Corporate Governance<br>Timescale for implementation: 31 March 2022 |
| **2. Dilapidations provisions**<br>Care Inspectorate operate from a number of leased properties in Scotland. The lease agreements which are due to end over the next 5 years contain a number of contractual obligations for Care Inspectorate to return the building to its condition at the outset of the lease. During 2020 Management engaged Avison young to independently assess the condition of the property and arrive at an estimate of the cost of the works that would be incurred to return the property to is original condition in accordance with the lease agreements. Management have used the report to arrive at the estimate of the present value of the future costs that would be incurred. As some of the premises are shared with Scottish Social Services Council and OSCR the provision reflects Care Inspectorates assumed share of any future costs. This is based on underlying lease split or agreed budgeted share of costs for 2021/22. While we are satisfied that the assumed split is reasonable for the 2021 accounts, Management should look to ensure that there is a formal agreement in place between the parties around how the costs will be split at the end of the lease term. | A formal dilapidations agreement will be drafted and circulated for agreement between Scottish Government Property Division, Care Inspectorate, Scottish Social Services Council and Office of the Scottish Charities Regulator.<br>Action owner: Head of Finance & Corporate Governance<br>Timescale for implementation: 30 September 2021 |

# 3. Follow up of 2019/20 recommendations

We set out below our follow up of our 2019/20 recommendation and this is reflected below for information.

### (Follow up of 2018/19 Recommendation) Recognising the impact of Covid and publication of the future strategy

ICT savings and efficiencies (raised 2018/19) Care Inspectorate to date have received additional Scottish Government funding of £0.970 million with a further £1.089 million and £0.241 million expected in 2019/20 and 2020/21 respectively. The total additional funding of £2.300 million from the Scottish Government is required to be repaid in later years (starting in financial year 2021/22) from the savings and efficiencies generated by the business and digital transformation programme and investment in ICT modernisation. These savings will need to be closely monitored and measured by Care Inspectorate Management in order to meet the terms of the Scottish Government in repaying the additional funding from savings made.

Initial management response: This is being considered as an element of the financial strategy work as described in the "Financial Sustainability" section earlier in this report. Cash releasing savings from the transformation programme are being identified separately and used to either supplement the digital transformation programme, reduce the amount drawn down to support the Digital Transformation Programme (this will reduce the repayments due to commence 2021/22 onwards) or to fund nonrecurring expenditure. The Scottish Government have also been requested to review this repayment of funding approach within the context of the Care Inspectorate's projected financial position.

Follow up: ONGOING

During 2020/21 Care Inspectorate agreed with the Scottish Government that the repayment due in 2021/22 was not required. While not formally agreed with Scottish Government, Management have assumed that repayment will not be required in 2022/23 and 2023/24. With cost driver predominantly staffing pressures, it is envisaged that additional revenue (fees) or grant in aid funding will be required rather than achieving financial balance through savings. It is therefore increasingly important that Care Inspectorate carefully consider fee strategy as well as engaging with Scottish Government to ensure appropriate funding in place. In addition, the CI it will be important that there continues to be close cost control in place to avoid additional pressures arising from overspends.

Management update:

The Care Inspectorate's strategy, including the funding repayment and fees strategy, continue to be discussed at the quarterly finance update meeting between the Care Inspectorate, Sponsor and Health Finance.

# 4. Audit fees and independence

## External Audit Fee

| Service | Fees £ |
|---|---|
| External Auditor Remuneration | 26,340 |
| Pooled costs | 6,060 |
| Contribution to Audit Scotland costs | 1,340 |
| Contribution to Performance Audit and Best Value | Nil |
| **2020/21 Fee** | **33,740** |

## Fees for other services

| **Service** | **Fees £** |
|---|---|
| We confirm that for 2020/21 we did not receive any fees for non-audit services | Nil |

## Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

# 5. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

| Our communication plan | Audit Plan | Audit Findings |
|---|---|---|
| Respective responsibilities of auditor and management/those charged with governance | • | |
| Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks | • | |
| Confirmation of independence and objectivity | • | • |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • |
| Significant matters in relation to going concern | • | • |
| Views about the qualitative aspects of Care Inspectorate's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures | | • |
| Significant findings from the audit | | • |
| Significant matters and issues arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | • |
| Non-compliance with laws and regulations | | • |
| Unadjusted misstatements and material disclosure omissions | | • |
| Expected modifications to the auditor's report, or emphasis of matter | | • |

**Agenda item 11.3**

care inspectorate

website: www.careinspectorate.com
telephone: 0345 600 9527
email: enquiries@careinspectorate.gov.scot
Twitter: @careinspect

Grant Thornton UK LLP
Level 8
110 Queen Street
Glasgow
G1 3BX

Date: 23 September 2021
Reference: PM

Dear Sirs

**Care Inspectorate**
**Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Care Inspectorate for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the HM Treasury Financial Reporting Manual (FReM) and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with International Financial Reporting Standards and the FReM in particular the financial statements are fairly presented in accordance therewith.

ii. We have fulfilled our responsibilities in preparing financial statements in accordance with the FReM and direction given by Scottish Minsters under the Public Sector Reform (Scotland) Act 2010.

iii. We have fulfilled our responsibilities for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions in the financial statements conform to the authorities which govern them.

iv. We have complied with the requirements of all statutory directions affecting the Care Inspectorate and these matters have been appropriately reflected and disclosed in the financial statements.

v. The Care Inspectorate has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

vi. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

vii. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include: the valuation of defined benefit pension scheme obligation; and, the estimate of dilapidation provisions.

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the FReM and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions, or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used.

viii. In relation to the dilapidations provisions we are satisfied that this has been appropriately valued to reflect the present value of the Care Inspectorate's liability as at 31 March 2021.

ix. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Care Inspectorate have been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

x. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the FReM.

xi. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the FReM require adjustment or disclosure have been adjusted or disclosed.

xii. We have only accrued for items received before the year-end.

xiii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Care Inspectorate's financial statements have been amended for these misstatements, misclassifications and disclosure changes. We have not adjusted for the disclosure misstatements in the financial statements included in the Audit Findings Report as they are immaterial to the results of the Care Inspectorate and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xiv. The financial statements are free of material misstatements, including omissions.

xv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xvi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xvii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Care Inspectorate's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

   a. the nature of the Care Inspectorate means that, notwithstanding any intention to liquidate the Care Inspectorate or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. The Care Inspectorate's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Care Inspectorate's ability to continue as a going concern need to be made in the financial statements.

**Information Provided**

i. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Care Inspectorate's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Care Inspectorate via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic from whom you determined it necessary to obtain audit evidence.

ii. We have communicated to you all deficiencies in internal control of which management is aware.

iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

iv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

v. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Care Inspectorate and involves:

   a. management

   b. employees who have significant roles in internal control; or

   c. others where the fraud could have a material effect on the financial statements

vi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

vii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

viii. We have disclosed to you the identity of the Care Inspectorate's related parties and all the related party relationships and transactions of which we are aware.

ix. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

i. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Care Inspectorate's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Agenda item 11.3**

## Annual Report

i. The disclosures within the Annual Report fairly reflect our understanding of the Care Inspectorate's financial and operating performance over the period covered by the Care Inspectorate's financial statements.

## Approval

The approval of this letter of representation was minuted by the Care Inspectorate Audit and Risk Committee meeting at its meeting on 9 September 2021.

Yours faithfully

Name……………………………

Position…Chief Executive and Accountable Officer….

Date…………………………….

Signed on behalf of the Care Inspectorate

**AUDIT AND RISK COMMITTEE MEETING 9 SEPTEMBER 2021**

**Agenda item 12**
**Report No: ARC-22-2021**

| | |
|---|---|
| **Title:** | **COVER REPORT: DRAFT AUDIT AND RISK COMMITTEE ANNUAL REPORT TO BOARD 2020/21** |
| **Author:** | *Kenny Dick, Head of Finance and Corporate Governance* |
| **Appendices:** | 1. Draft Audit and Risk Committee Annual Report to Board 2020/21 and appendices |
| **Consultation:** | N/A |
| **Resource Implications:** | No |

**Executive Summary:**

The third draft of the Audit and Risk Committee's Annual Report to the Board is attached at Appendix 1. The Committee considered earlier drafts at its meetings of 20 May 2021 and 12 August 2021. The attached Report has been amended to reflect the Committee's comments.

This covering report highlights areas that the Committee may wish to consider and details the timetable for the agreement of the report prior to its submission to the Board along with the 2020/21 Annual Report and Accounts on 23 September 2021.

**The Committee is invited to:**

| | |
|---|---|
| 1. | Consider and provide comments on the draft Audit and Risk Committee Report to the Board (Appendix 1) |
| 2. | Note the timetable for submitting this report to the Board (Section 4). |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Links:** | Corporate Plan Outcome | | | Risk Register Number | | EIA Y/N | N |
| **For Noting** | x | **For Discussion** | x | **For Assurance** | | **For Decision** | |

**COVER REPORT DRAFT AUDIT AND RISK COMMITTEE ANNUAL REPORT TO BOARD 2020/21**

## 1.0 INTRODUCTION

**1.1** The Scottish Government Audit Committee Handbook identifies an Audit Committee Annual Report as best practice.

**1.2** There needs to be effective communication between the Audit and Risk Committee and the Board. The Care Inspectorate already recognises this through consideration of Audit and Risk Committee Minutes at Board meetings and a narrative summary of key points from Committee meetings.

**1.3** The Annual Report enhances this communication by providing the Audit and Risk Committee's conclusions from the work it has done during the year, an overall assessment of the Care Inspectorate's governance and risk management framework and identifying priorities for the year ahead.

## 2.0 SPECIFIC ISSUES

This is the third draft of the report and is intended for Committee Members' consideration and discussion. The document as a whole is for the Committee to review but, this section draws Members' attention to specific areas of the draft Audit and Risk Committee Annual Report. This version of the report revised for Committee comments will be submitted to the Board on 23 September 2021.

### 2.1 Annual Report and Accounts (Section 7.1)

Section 7.1 of the draft Audit and Risk Committee Annual Report has been prepared to show the Audit and Risk Committee to have the opinion:

"the annual report and accounts taken as a whole is true and fair, balanced and understandable and provides the information necessary for stakeholders to assess the Care Inspectorate's performance and strategy".

The Committee must consider the external auditor's report (also on the agenda of this meeting) when stating this opinion.

### 2.2 Annual Governance Statement (Section 7.2)

The Annual Governance Statement is an integral part of the Annual Report and Accounts and is a statement that requires specific attention from the Audit and Risk Committee.

The draft Annual Governance Statement is contained within Section 3.3 of the draft 2020/21 Annual Report and Accounts (also on the agenda for this meeting of the Committee).

### 2.3 Audit Committee Developments (Section 9)

The narrative is a draft for the Committee to review.

### 2.4 Self-Assessment, Effectiveness and Development Review (Section 10)

The narrative is a draft for the Committee to review with a view to ensuring this accurately reflects the Committee's approach to effectiveness and development.

### 2.5 Priorities for 2021/22 (Section 11)

The narrative is a draft for the Committee to review with a view to ensuring the Board is informed of the Audit and Risk Committee's priorities for 2021/22. There may be other priorities the Committee would like to include in this section.

### 2.6 Audit Committee's Formal Opinion

This opinion is expressed as the opinion of the Audit and Risk Committee Convener, but it is important that the Committee as a whole is content with this opinion.

## 3.0 TIMETABLE

3.1

| | | |
|---|---|---|
| **20 May 2021**<br><br>First draft of Audit & Risk Committee Annual Report to the Board (including draft Annual Governance Statement) | The Committee is requested to take an initial overview of the report and suggest areas where the report can be improved. Comments and feedback from the Audit & Risk Committee will be incorporated into the next iteration of the report. | **Completed** |

| | | |
|---|---|---|
| **30 June 2021**<br><br>Audit and Risk Committee Convener submits "Significant Issues that are Considered to be of Wider Interest" letter along with the draft governance statement to the Director of Health Finance and Governance. | The Committee is requested to note the letter was submitted based on the annual fraud disclosure (Section 8 of the Committee Annual Report to Board) and the draft governance statement as at 20 May 2021. | **Completed** |

| | | |
|---|---|---|
| **12 August 2021 (A&R Committee open to all Board members)**<br><br>Second draft of Audit & Risk Committee Annual Report to Board and initial review of the Annual Report and Accounts. | The Committee is requested to review the report as revised for Committee comments from the 20 May meeting.<br>Comments and feedback from the Audit & Risk Committee will be incorporated into the next iteration of the report. | **Completed** |

| | | |
|---|---|---|
| **9 September 2021 (A&R Committee)**<br><br>Final Draft of Audit & Risk Committee Annual Report to Board, final review of the Annual Report and Accounts and consideration of external Auditor's Report | The Committee is requested to agree the report as being ready for submission to the Board.<br><br>The report includes the Audit and Risk Committee's recommendation that it is appropriate for the Accountable Officer to sign the Accounts and the Annual Governance Statement.<br><br>The draft Annual Report and Accounts and the External Auditor's Report will be available at this meeting to inform these recommendations. | |

| | | |
|---|---|---|
| **23 September 2021 (Board)** | The Board considers the Annual Report and Accounts approval pack. This includes the Audit & Risk Committee Annual Report to the Board. | |

## 4.0 IMPLICATIONS AND/OR DIRECT BENEFITS

### 4.1 Resources

There are no resource implications associated with this report.

### 4.2 Sustainability

There are no sustainability implications associated with this report.

### 4.3 Government Policy

There are no government policy implications associated with this report.

**4.4 People Who Experience Care**

There are no direct benefits for people who experience care.

**4.5 Customers (Internal and/or External)**

There are no direct customer implications or benefits.

**Agenda item 12**
**Appendix 1**

**BOARD MEETING 23 September 2021**

**Agenda item XX**
**Report No: B-XX-2020**

| | | |
|---|---|---|
| **Title:** | **AUDIT COMMITTEE ANNUAL REPORT TO BOARD 2020/21** | |
| **Author:** | *Bill Maxwell, Audit and Risk Committee Convener* | |
| **Appendices:** | 1. | Committee Terms of Reference (approved by Board August 2020) |
| **Consultation:** | | |
| **Resource Implications:** | **No** | |

**Executive Summary:**

In accordance with the Audit and Assurance Committee Handbook, the Audit and Risk Committee prepares an annual report to the Board. This report presents a summary of the work of the Audit and Risk Committee during 2020/2021 and provides the Committee's opinion on the assurance that this work provides.

The report also provides the outcome of the Committee's consideration of the 2020/2021 Annual Report and Accounts including the Annual Governance Statement. Following this consideration, the Committee recommends that the Board approves the 2020/2021 Annual Report and Accounts.

**The Board is invited to:**

| | |
|---|---|
| 1. | Approve the 2020/2021 Annual Report and Accounts. |
| 2. | Agree that it is appropriate for the Chief Executive to sign the Annual Report and Accounts at all appropriate points within the document. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Links:** | Corporate Plan Outcome | | | Risk Register Number | | EIA Y/N | N |
| **For Noting** | | **For Discussion** | | **For Assurance** | | **For Decision** | **X** |

**Agenda item 12**
**Appendix 1**

**AUDIT COMMITTEE ANNUAL REPORT TO BOARD 2020/21**

## 1.0 INTRODUCTION

**1.1** The purpose of this report is to provide evidence to the Board as to how the Audit and Risk Committee has fulfilled its remit, and how effectively it has discharged its responsibilities.

The report details the following:

- Summary of the Audit and Risk Committee's activities relating to the financial year 2020/2021.
- An opinion on the adequacy and effectiveness of the Care Inspectorate's framework of governance, risk and control and how the organisation has secured best value.
- The Committee's priorities for 2021/2022.

Furthermore, this report underpins the Board's own opinions in the Annual Governance Statement in the Annual Report and Accounts.

## 2.0 REMIT AND MEMBERSHIP OF THE AUDIT COMMITTEE

### 2.1 Remit

The Audit and Risk Committee meets at least four times per year. The main purpose of the Audit and Risk Committee is to review and maintain oversight of the Care Inspectorate's corporate governance, particularly with respect to financial reporting, system of internal control and risk management. The Committee's responsibilities also include oversight of the internal audit arrangements; engagement with the external auditors and their work; oversight and evaluation of the management of risks and business continuity planning; and to advise the Board on the development of performance measures which support the implementation of the Corporate Plan. The Committee's current remit is attached in Appendix 1. This was reviewed at the Committee's annual effectiveness and self-evaluation session on 4 March 2021.

### 2.2 Membership

The Board appoints non-executive Board members to the Audit and Risk, Committee. During 2020/2021 the following Board members served on the Audit and Risk Committee:

Gavin Dayer
Rona Fraser
Paul Gray
Anne Houston
Rognvald Johnson
Bill Maxwell Convener
Keith Redpath

Where appropriate, the Committee augments the skills and experience of its members by seeking advice from internal and external auditors, and senior management.

## 3.0 RISK AND INTERNAL CONTROL

### 3.1 Internal Audit Reports

The Care Inspectorate's Internal Auditors, MHA Henderson-Loggie, presented three reports for consideration by the Audit and Risk Committee. 2020/21 was the first year of MHA Henderson-Loggie's engagement and significant time was devoted to an audit needs assessment and the development of the strategic internal audit plan.

MHA Henderson-Loggie use a system for categorising assurance levels. Each internal audit report provides an overall level of assurance and an assurance level for each control objective as follows:

| | |
|---|---|
| **Good** | System meets control objectives. |
| **Satisfactory** | System meets control objectives with some weaknesses present. |
| **Requires improvement** | System has weaknesses that could prevent it achieving control objectives. |
| **Unacceptable** | System cannot meet control objectives. |

In addition to the above control assessments, MHA Henderson-Loggie assign management action grades to demonstrate risk exposure. These are graded in terms of priority and are colour coded as follows:

| | |
|---|---|
| Priority 1 | Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee. |
| Priority 2 | Issue subjecting the organisation to significant risk and which should be addressed by management. |
| Priority 3 | Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness. |

**Agenda item 12**
**Appendix 1**

The following reports were considered by the Committee:

| Report | Committee Date | Control Objective Assurance Level | Management Action Risk Exposure |
|---|---|---|---|
| Risk Management | 10 September 2020 | **Control objectives:**<br>3 Satisfactory<br><br>**Overall Assurance:**<br>Satisfactory | 4 Priority 3 |
| Cash, Bank & Treasury Management | 19 November 2020 | **Control objectives:**<br>3 Good<br><br>**Overall Assurance:**<br>Good | No actions |
| Organisational Development | 4 March 2021 | **Control objectives:**<br>3 Good<br>1 Satisfactory<br>2 Requires Improvement<br><br>**Overall Assurance:**<br>Satisfactory | 1 Priority 2<br><br>1 Priority 3 |

The Internal Audit Annual Report 2020/2021 was considered at the Committee's May 2021 meeting. The overall opinion of internal audit was expressed in this report as:

"In our opinion the Care Inspectorate has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2020/21 including the follow-up of recommendations made by the Care Inspectorate's previous internal auditors".

## 3.2 Implementation of Audit Recommendations

Throughout the year, the Committee monitored management's progress towards implementing audit recommendations. This is achieved by reviewing the recommendations in follow up reports prepared by the internal auditors which summarise progress on completed actions at each meeting of the Committee.

The final follow-up report considered during 2020/2021 at the Committee on 4 March 2021 set out the position on the completion of management actions as at 28 February 2021.

There were 13 management actions brought forward from internal audits performed in previous years. Of these 7 (54%) were fully implemented and 6 (46%) were partially completed. The Committee was informed of progress and sought reasons and justification for revised completion date requests and subsequently approved these.

There were six new management actions agreed as a result of internal audit work performed in 2020/2021. Of these, one (17%) was fully implemented during the year, three (50%) were not completed by the original due date and revised implementation dates are agreed for 2021/22. The agreed implementation dates for the remaining two (33%) management actions are in 2021/2022.

It is recognised that the completion of management actions was affected by the Covid-19 pandemic. The Committee has carefully considered all reports by the Internal Auditors and considers these to be comprehensive.

### 3.3 Committee Opinion

Overall, the Committee is of the view that the system of internal controls and management of risks associated with these is effective.

## 4.0 EFFECTIVENESS OF INTERNAL AUDIT

The Audit and Risk Committee is responsible for monitoring and reviewing the effectiveness of the internal audit function. The Audit and Risk Committee reviews the effectiveness of internal controls and receives reports from the Internal Auditors.

MHA Henderson-Loggie were appointed as internal auditors from 1 April 2020. The first year of MHA Henderson-Loggie's engagement required a detailed audit needs assessment to be completed. The audit needs assessment underpins the three-year Strategic Internal Audit Plan (2020-23) and both the assessment and strategic plan were considered by the Committee at its meeting of 10 September 2020. The annual Internal Audit Plans for 2020/21 and 2021/22 were considered at the Committee meetings of 19 November 2020 and 4 March 2021, respectively.

The review of annual and strategic audit plans strives to ensure a strong relationship between the planned internal audits, the strategic risk register and the Care Inspectorate's duty to provide best value.

## 5.0 ENGAGEMENT WITH EXTERNAL AUDIT

Grant Thornton, our external auditors are appointed by the Auditor General for Scotland.

The Committee engages regularly with external audit. The Committee considers the results of external audit work and the implementation of actions against audit recommendations. In March 2021, the Committee considered and subsequently approved the External Audit Plan for the 2020/2021 Annual Report and Accounts submitted by Grant Thornton. The Committee also monitors co-ordination and engagement between internal and external audit to ensure there is no unnecessary duplication of audit work.

## 6.0 RISK MANAGEMENT FRAMEWORK

A report on strategic risks is a standing item on the Committee agenda providing a facility for the Strategic Leadership Team to escalate any issues pertaining to risk including identifying any emerging issues.

Work on revising the strategic risk register and our risk appetite statement was started in 2020/21 and will continue into 2021/22.

This work will incorporate the implementation of the management actions identified in the internal audit report on Risk Management (overall assurance level of "Satisfactory"). The Strategic Risk Register is published on the Care Inspectorate's website.

The Committee monitor changes in the strategic risk position at each meeting and consider the Strategic Risk Register in full twice per year.

## 7.0 ANNUAL REPORT AND ACCOUNTS

### 7.1 Annual Report and Accounts 2020/2021

The Committee considered the draft 2020/2021 Annual Report and Accounts in detail at a meeting specifically arranged for this purpose in August 2021. This meeting was open to all Board members to attend.

The draft 2020/2021 Annual Report and Accounts were considered again in conjunction with the external auditor's report and management letter at the Audit and Risk Committee meeting of 9 September 2021.

Following this detailed review of the draft document and consideration of the external auditor's report, the external auditor's unmodified opinion and letter to those charged with governance, the Audit and Risk Committee consider the annual report and accounts taken as a whole is true and fair, balanced and understandable and provides the information necessary for stakeholders to assess the Care Inspectorate's performance and strategy.

### 7.2 Annual Governance Statement

The Committee has a specific responsibility to consider the Annual Governance Statement which is contained within the Annual Report and Accounts at section 3.3. The Committee is content the statement addresses all pertinent issues.

The Committee is of the opinion that the Statement fairly reflects the adequacy and effectiveness of the Care Inspectorate's governance and risk framework for the year ended 31 March 2021 and up to the date of approval of the Annual Report and Accounts.

## 7.3 Recommendation

The Committee recommends that the Board approves the Annual Report and Accounts for the year ended 31 March 2021 and the incorporated Governance Statement.

## 8.0 FRAUD, IRREGULARITY, WHISTLEBLOWING

## 8.1 Reported in 2020/2021

The Care Inspectorate's whistleblowing policy enables staff, in confidence, to raise concerns about any matters of possible improprieties and to be protected in doing so. There is also a Counter Fraud and Corruption Framework in place.

The Care Inspectorate has entered into an agreement with NHS National Shared Services Counter Fraud Service to support our efforts in the prevention, detection and investigation of fraud, bribery and corruption.

The Committee has not received any reports detailing fraud, irregularity or whistleblowing.

## 9.0 OTHER MATTERS

## 9.1 Pandemic Response

The Committee had oversight of the Care Inspectorate pandemic response through the addition of a specific Covid-19 strategic risk to the strategic risk register and the position was monitored throughout the year.

The Committee sought assurance that the Care Inspectorate had established and maintained effective arrangements for how it adopted its key decisions made during the pandemic and the ability to explain the rationale behind these decisions. The Committee considered a report by management at its meeting of 19 November 2020 and the Committee agreed this report provided this assurance.

## 9.2 Digital Programme

The Committee considered reports on the progress of the Digital Programme at each meeting of the Committee during 2020/21. The Committee also receives assurance through its participation in the member/officer Assurance and Advisory Group. The response to the pandemic meant resources being diverted to this priority creating delays for the progress of the digital programme.

## 9.3 Workforce Development and Capacity

The Committee considered and discussed capacity, recruitment and development risk and issues relating to the Care Inspectorate workforce.

### 9.4 New Shared Service Governance Arrangements

The Committee recognises the drive to improve the governance and operational arrangements associated with the delivery of shared services between the Care Inspectorate and SSSC. The Committee ensured it was kept informed of progress throughout the year via a series of updates from senior managers on the progress towards agreeing new operational and governance arrangements for the delivery of shared services involving the Care Inspectorate and SSSC.

A member/officer short life working group with the Convener of the Audit and Risk Committee and another Committee member being the Board member representative was set up during the year to maintain oversight of the process when it became clear progress was not as swift as originally anticipated.

## 10.0 SELF ASSESSMENT, EFFECTIVENESS AND DEVELOPMENT REVIEW

In March 2021, the Audit and Risk Committee undertook its annual self-assessment exercise using the Scottish Government's checklist as contained in the Audit and Assurance Handbook for public bodies. Individual assessments informed the Committee's discussion, following which it was agreed that the Committee's approach was largely compliant.

The following areas were identified for improvement and/or further development, including amendments to the remit of the Committee. These were reported to the Board at the annual Board Governance Review on 17 June 2021 and included the following:

- a more explicit role in reporting to Board on the Care Inspectorate's annual accounts and detail of the Committee's remit in reviewing accounting policies
- inclusion of Best Value within the Committee's terms of reference
- the ability for the Committee to co-opt, with the approval of the Board
- specific induction and training on audit for Committee members
- an improved committee administration process through scheduled pre-meeting reviews of final reports by the Convener, lead officer and secretariat.

## 11.0 PRIORITIES FOR 2021/22

In addition to ensuring effective oversight of internal audit, the Committee has agreed the following priorities for 2021/2022:

1. Further development of assurance mapping
2. Close monitoring of change management including the development of the new transformation business case and the subsequent implementation based on the approval of funding. A member/officer oversight group was set up in 2020/21 which will continue into 2021/22 to ensure there is a focus on digital transformation and the development of the stage 2 business case.
3. Consideration of the effectiveness of financial planning and budget monitoring and the risks to the organisation's financial sustainability.

4. Consideration of the impact of COVID-19 on the role and the work of the Care Inspectorate in the medium to long term.
5. Close monitoring of Inspector capacity identified as an escalating risk in 2020/21

## 12.0 AUDIT AND RISK COMMITTEE'S FORMAL OPINION

As Convener of the Audit and Risk Committee, I am satisfied that the frequency of meetings, the breadth of the business undertaken and the diversity of attendees supported by senior officers has allowed the Committee to fulfil its remit. It is important that attendance at meetings of the Committee is maximised to ensure a continued mix of skills appropriate to ensuring an effective Audit and Risk Committee.

The Audit and Risk Committee's review of effectiveness has highlighted some areas for development and I am satisfied that these have all been taken forward effectively.

The Audit and Risk Committee continues to engage formally and regularly with our internal and external auditors. This has ensured the Committee is able to fully understand the effectiveness of our assurance and risk functions and to be advised of any emerging risks.

The Audit and Risk Committee has carefully considered the effectiveness of controls and risk management. There is nothing material to the work of the Care Inspectorate which has been highlighted to the Board over the past year. We will continue to focus on challenging the effectiveness of internal controls and the robustness of risk management processes going forward.

I would pay tribute to the commitment of members of the Audit and Risk Committee and to all attendees. I am especially grateful to those who prepare reports and for the quality of professional advice given by senior management, particularly the Head of Finance and Corporate Governance and the Executive Director of Corporate and Customer Services. I am also extremely grateful to Fiona McKeand, Executive and Committee Support Manager, for her continued guidance and support.

## 13.0 IMPLICATIONS AND/OR DIRECT BENEFITS

### 13.1 Resources

There are no resource implications associated with this report.

### 13.2 Sustainability

There are no sustainability implications associated with this report.

### 13.3 Government Policy

There are no government policy implications associated with this report.

### 13.4 People Who Experience Care

There are no direct benefits for people who experience care.

### 13.5 Customers (Internal and/or External)

There are no direct customer implications or benefits.

**AUDIT AND RISK COMMITTEE MEETING 9 SEPTEMBER 2021**

**Agenda item 13**
**Report Number: ARC-23-2021**

| | | |
|---|---|---|
| **Title:** | **Strategic Risk Register Monitoring** | |
| **Author:** | *Kenny Dick, Head of Finance and Corporate Governance* | |
| **Appendices:** | 1. | Summary Risk Register |
| | 2. | Detailed Risk Register |
| **Consultation:** | N/A | |
| **Resource Implications:** | None | |

| |
|---|
| **Executive Summary:** |
| The Strategic Risk Register monitoring position is presented for the Audit and Risk Committee's consideration.<br><br>There has been no significant change to the strategic risk position since the Board meeting held on 17 June 2021. |
| **The Committee is invited to:** |
| 1. Review the Strategic Risk Register and agree comments and recommendations for the Board to consider at the Board meeting of 23 September 2021. |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Links:** | Corporate Plan Outcome | | Risk Register - Y/N | | Equality Impact Assessment - Y/N | N |
| **For Noting** | | **For Discussion** | | **For Assurance** | | **For Decision** x |

**If the report is marked Private/Confidential please complete section below to comply with the Data Protection Act 2018 and General Data Protection Regulation 2016/679.**

| |
|---|
| **Reason for Confidentiality/Private Report:** |
| **Disclosure after: N/A** |

| Reasons for Exclusion | |
|---|---|
| a) | Matters relating to named care service providers or local authorities. |
| b) | Matters relating to named persons which were they to be discussed in public session, may give rise to a breach of the Data Protection Act 2018 or General Data Protection Regulation 2016/679. |
| c) | Matters relating to terms and conditions of employment; grievance; or disciplinary procedures relating to identified members of staff. |
| d) | Matters involving commercial confidentiality. |
| e) | Matters involving issues of financial sensitivity or confidentiality. |
| f) | Matters relating to policy or the internal business of the Care Inspectorate for discussion with the Scottish Government or other regulatory or public bodies, prior to final approval by the Board. |
| g) | Issues relating to potential or actual legal or statutory appeal proceedings which have not been finally determined by the courts. |

**Agenda item 13**
**Report Number: ARC-23-2021**

# RISK MONITORING REPORT

## 1.0 INTRODUCTION

**1.1** The Care inspectorate's Strategic Risk Register is reviewed at each meeting of the Audit and Risk Committee and the Board. This report highlights changes in the risk position or risk management issues to the Audit and Risk Committee to assist with this review.

## 2.0 RISK REGISTER REVIEW

### 2.1 Strategic Risk 1 – Delivery of Strategy

The is no change to the residual risk score which remains at 8 (medium).

The Board considered the approach to developing the 2022-25 Corporate Plan at its meeting of 12 August 2021.

This risk is at its target level.

### 2.2 Strategic Risk 2 - Financial Sustainability

The is no change to the residual risk score which remains at 9 (medium).

This risk is at its target level.

### 2.3 Strategic Risk 3 - Workforce Capacity

There is no change to the residual risk score which remains at 6 (medium).

Inspector vacancies are currently 53 FTE. It is expected to start 30 new Inspectors in September 2021 and the remainder of the vacancies filled in December 2021.

We are experiencing difficulties in recruiting and retaining staff for digital and business transformation work. This has been reported as an issue to the Transformation Programme Board. There are no obvious solutions due to a very favourable employment market for employees and contractors working in this area.

This risk is at its target level.

### 2.4 Strategic Risk 4 - Partnership Working

There is no change to the residual risk score which remains at 8 (medium).

This risk is at its target level.

**2.5 Strategic Risk 5 – ICT Data Access & Security**

There is no change to the residual risk score which remains at 16 (high).

The target level for this risk is low and our tolerance has been set at medium. This risk therefore exceeds target and tolerance levels. The identified further actions are intended to reduce the risk to at least the tolerance level. This risk has now exceeded tolerance for 2 months.

**2.6 Strategic Risk 6 - Digital Transformation**

There is no change to the residual risk score which remains at 15 (high).

The target level for this risk is low and our tolerance has been set at medium. This risk therefore exceeds target and tolerance levels.

The business justification gateway review (Scottish Government Digital Directorate) is expected to conclude and report by Friday 3 September 2021.

The identified further actions are intended to reduce the risk to at least the tolerance level. This risk has now exceeded tolerance for 2 months.

**2.7 Strategic Risk 7 – Shared Service Governance**

The is no change to the residual risk score which remains at 6 (medium).

The report from the internal audit assignment referred to in “Further Actions” will be considered by the Audit and Risk Committee at its meeting of 12 September 2021. The overall level of assurance is “Good” with no weaknesses or recommendations identified.

This risk is at its target level.

## 3.0 RESIDUAL RISK TOLERANCE RATING

**3.1** The residual risk to risk tolerance rating highlights how long there has been a mismatch between the residual risk score compared to the Board’s stated risk tolerance level. The table below shows the basis of this rating:

| Rating | Descriptor |
|---|---|
| Green | Residual risk is at or lower than the tolerance level. |
| Amber | Residual risk has been higher than the stated risk tolerance for up to six months. |
| Red | Residual risk has been higher than the stated risk tolerance for more than six months. |

The Audit and Risk Committee may decide to rate as “Red” a risk that has been different to the stated tolerance for less than six months if this is considered appropriate.

## 4.0 IMPLICATIONS AND/OR DIRECT BENEFITS

### 4.1 Resources

There are no resource implications associated with this report.

### 4.2 Sustainability

There are no sustainability implications associated with this report.

### 4.3 Government Policy

There are no government policy implications associated with this report.

### 4.4 People Who Experience Care

There are no direct benefits for people who experience care.

### 4.5 Customers (Internal and/or External)

There are no direct customer implications or benefits.

**Agenda item 13**
**Appendix 1**

## SUMMARY RISK REGISTER: 2021/22 (as at 9 September 2021)

| No. | Risk Area | Strategic Outcome/ Principle | Lead Officer | Raw Score (LxI) | Raw Grade | Residual Score (LxI) | Initial Residual Grade | Revised Residual Grade |
|---|---|---|---|---|---|---|---|---|
| 1 | Delivery of Strategy | SO 1,2,3 | CE | 16 | High | 8 | Medium | Medium |
| 2 | Financial Sustainability | P 6 | EDCCS | 16 | High | 9 | Medium | Medium |
| 3 | Workforce Capacity | SO 1,2,3 | EDSI & EDCCS | 16 | High | 6 | Medium | Medium |
| 4 | Partnership Working | SO 1,2,3 P 5 | EDSA | 16 | High | 8 | Medium | Medium |
| 5 | ICT Data Access & Cyber Security | P 6 | EDIDT | 20 | Very High | 16 | High | High |
| 6 | Digital Transformation | P 1 to 7 | EDIDT | 20 | Very High | 15 | High | High |
| 7 | Shared Service Governance | P 6 | EDCCS | 16 | High | 6 | Medium | Medium |

**Agenda item 13**
**Appendix 1**

## SCORING GRID

| LIKELIHOOD | | | | | | |
|---|---|---|---|---|---|---|
| | 5 Almost Certain | 5 | 10 | 15 | 20 | 25 |
| | 4 Likely | 4 | 8 | 12 | 16 | 20 |
| **LIKELIHOOD** | 3 Possible | 3 | 6 | 9 | 12 | 15 |
| | 2 Unlikely | 2 | 4 | 6 | 8 | 10 |
| | 1 Rare | 1 | 2 | 3 | 4 | 5 |
| | | 1 Insignificant | 2 Minor | 3 Moderate | 4 Major | 5 Catastrophic |
| | | | | **IMPACT** | | |

**Black = Very High**

**Red = High**

**Amber = Medium**

**Green = Low**

**White = Very Low**

**Lead Officers**

| | |
|---|---|
| CE | Chief Executive |
| EDS&A | Executive Director Scrutiny & Assurance |
| EDCCS | Executive Director Corporate & Customer Services |
| EDS&I | Executive Director Strategy & Improvement |
| EDIDT | Executive Director ICT and Digital Transformation |

**Agenda item 13**
**Appendix 2**

**Strategic Risk Register Monitoring**

| Date | for Audit & Risk Committee / Board | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Risk | | Raw Likelihood | Raw Impact | Raw Score | Raw Grade | Residual Likelihood | Residual Impact | Residual Score | Residual Grade | Risk Velocity | Movement | Key Controls | Further Actions | Risk Appetite / Target / Tolerance | Risk Owner |
| 1 | **Delivery of Strategy**<br>**What is the Potential Situation?**<br>We are unable to fulfil our core purpose due to external factors<br><br>**What could cause this to arise?**<br>Change to macro environment adversely impacts together with an inability to influence or react / adapt appropriately; ineffective leadership and/or decision making in adapting to the change; insufficient capability or capacity to manage the changes required.<br><br>**What would the consequences be?**<br>Inability to provide the desired level of scrutiny, assurance and improvement support.<br>Reduction in the quality of care and protection for vulnerable people across Scotland.<br>Reputational damage with reduced public and political confidence.<br>Possible reduced SG funding.<br>Lack of ability and credibility to positively influence change such as SG policy development and to drive innovation. | 4 | 4 | 16 | H | 2 | 4 | 8 | M | Med | ⬌ | In Place:<br>i. Corporate Plan in place with supporting operational plans and performance measures and under continuous review<br>ii. Regular Sponsor liaison meetings<br>iii. Meetings with Cabinet Secretary and other Ministers<br>iv. Strategic Scrutiny Group<br>v. Chief executive attends SG remobilisation recovery group chaired by Cabinet Secretary<br>vi. Horizon scanning through our policy team<br>vii. Scrutiny and Assurance Plan agreed by Minister<br>viii. Attendance at national forums | Further Actions:<br>i. Planning for a review of the current Corporate Plan 2019-22 towards the 2022-25 Corporate Plan including further development of performance monitoring is underway with a draft Corporate Plan intended to be considered by the Board in December 2021 and approved by Board in March 2022<br>ii. Strengthening use of risk and intelligence to inform our work. A full business case is being prepared for stage 2 of business and digital transformation and this is critical to the development of our intelligence capability | Appetite: cautious<br>Target: medium<br>Tolerance: high<br><br>At target level<br><br>Rating: Green<br><br>Response: Accept | CE |
| 2 | **Financial Sustainability**<br>**What is the Potential Situation?**<br>Funding level fails to increase in line with inflation, external cost pressures and additional demands<br><br>**What could cause this to arise?**<br>Inability to influence and agree sufficient funding with the Scottish Government; financial planning not aligned to corporate, operational & workforce plans, unexpected additional or changes to demands; insufficient data or information to accurately cost activities; potential costs arising from Covid 19 public inquiry.<br><br>**What would the consequences be?**<br>Resulting in adverse impact on our ability to deliver the scrutiny and improvement plan, reputational damage, reduced confidence in care and protection arrangements, reduced future funding, reduced ability to influence change and policy development. | 4 | 4 | 16 | H | 3 | 3 | 9 | H | Med | ⬌ | In Place:<br>i. Medium term budget and financial strategy are regularly reviewed<br>ii. Monthly budget monitoring<br>iii. Positive working relationships maintained with SG<br>iv. Regular liaison meetings with SG Health Finance<br>v. Ongoing review and development of savings and income generation options | Further Actions<br>i. Full business case for Stage 2 of Digital Transformation being developed | Appetite: cautious<br>Target: medium<br>Tolerance: high<br><br>At target level<br><br>Rating: Green<br><br>Response: Accept | EDCCS |

**Agenda item 13**
**Appendix 2**

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3 | **Workforce Capacity**<br>**What is the Potential Situation?**<br>We are unable to deliver our Corporate Plan objectives due to a lack of workforce capacity.<br><br>**What could cause this to arise?**<br>We do not have an effective strategic workforce plan to support the delivery of our corporate plan objectives; we do not have effective workforce planning at directorate and team level; there is ineffective monitoring of workload and capacity; we fail to recruit and retain staff in sufficient numbers and with the required skillset, we have an inefficient organisation structure and/or job design; there are ineffective staff learning and development plans; our reward offer is uncompetitive; we do not adequately address the aging demographic of a significant element of our workforce.<br><br>**What would the consequences be?**<br>Inability to provide the desired level of scrutiny, assurance and improvement support<br>Reduction in the quality of care and protection for vulnerable people across Scotland<br>Reputational damage with reduced public and political confidence<br>Possible reduced SG funding<br>Lack of ability and credibility to positively influence change such as SG policy development and to drive innovation | 4 | 4 | 16 | H | 2 | 3 | 6 | M | Med | ⬌ | In Place:<br>i. Strategic workforce plan<br>ii. Workload and capacity monitoring<br>iii. Staff learning and development plan<br>iv. LEAD process<br>v. Recognised job evaluation system<br>vi. Regular salary benchmarking | Further Actions:<br>i. Implement Strategic Workforce Plan actions<br>ii. Develop succession planning<br>iii. Strengthen use of risk and intelligence<br>iv. Recruitment strategy review<br>v. Pay and grading scoping review | Appetite: cautious<br>Target: medium<br>Tolerance: medium<br><br>At target level<br><br>Rating: Green<br><br>Response: Accept | EDS&I & EDCCS |
| 4 | **Partnership Working**<br>**What is the Potential Situation?**<br>The Care Inspectorate collaborative working with our key scrutiny and delivery partners is compromised and we are not able to:<br>• participate in, or progress, work which would help deliver our strategic objectives<br>• deliver public service scrutiny in a joined up and collaborative way<br>• deliver our agreed scrutiny and improvement plan<br><br>**What could cause this to arise?**<br>Scrutiny and delivery partner strategies are not aligned well enough to our own; our ability to fully resource our own or our partners' strategic priorities; unexpected changes in environment (PESTEL); unclear, misaligned or incomplete individual and joint plans; collaborative work does not have or adhere to legal underpinning; inadequate or deficient Information Technology; inaccurate or inappropriate information sharing.<br><br>**What would the consequences be?**<br>Reputational damage; loss of confidence and credibility, unable to fulfil statutory obligations; damage to relationship with scrutiny and delivery partners. | 4 | 4 | 16 | H | 2 | 4 | 8 | M | Med | ⬌ | In Place:<br>i. Wide consultation and regular meetings at Senior level inter- organisation meetings<br>ii. Effective external comms strategy in place<br>iii. Membership of National Strategic Scrutiny Group<br>iv. MoUs or agreed protocols in place with all relevant partners<br>v. Chief Executive and Directors monitor and carefully manage relationships with scrutiny and delivery partners | Further Actions:<br>i. Positive positioning of the Care Inspectorate in relation to transformation arising from the Feeley review recommendations, including structure and governance arrangements<br>ii. Consolidating new partnership arrangements developed during the pandemic and exploring any opportunities for new partnerships | Appetite: cautious<br>Target: medium<br>Tolerance: High<br><br>At target level<br><br>Rating: Green<br><br>Response: Accept | EDS&A |
| 5 | **ICT Data Access & Cyber Security**<br>**What is the Potential Situation?**<br>Our systems or data are compromised due to cyber security attack.<br><br>**What could cause this to arise?**<br>Low overall maturity in security policy, procedure and controls. Lack of security awareness training, failure to invest in the controls and infrastructure to limit, detect and respond quickly to threats.<br><br>**What would the consequences be?**<br>Serious disruption to business and operational activities, we are held to ransom or face significant fines, potential loss of intelligence, impact on public / political confidence, loss of reputation, additional recovery costs, increased risk of fraud, additional scrutiny overhead. | 5 | 4 | 20 | VH | 4 | 4 | 16 | H | High | ⬌ | In Place:<br>i. ICT security protocols and monitoring of compliance with the protocols<br>ii. Trained ICT staff<br>iii. Physical security measures<br>iv. Business Continuity plans in place<br>v. Cyber Essentials+ certification in place<br>vi. Routine penetration testing<br>vii. Cyber Security Maturity baselined and | Further Actions:<br>i. Implementation of cyber security action plan<br>ii. Increase organisational cyber security awareness and testing<br>iii. Enhance ICT staff cyber security awareness and technical training<br>iv. Re-run cyber security assessment | Appetite: cautious<br>Target: low<br>Tolerance: medium<br><br>Has exceeded tolerance for 2 months<br><br>Rating: Amber<br><br>Response: Treat | EDIT&D |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 15 | | | | improvement plan in progress | v. Introduce security vulnerability testing<br>vi. Build and test of IT DR plans<br>vii. Implement additional security controls and reporting capabilities | | |
| 6 | **<u>Digital Transformation</u>**<br>**What is the Potential Situation?**<br>We do not get agreement and funding to proceed to digital transformation programme Stage 2.<br><br>**What could cause this to arise?**<br>SG do not prioritise our business case against other competing funding pressures. There is a significant delay in the business case and/or funding being agreed. Changed SG priorities due to Adult Social Care Review / National Care Service.<br><br>**What would the consequences be?**<br>We are unable to fully modernise and move to a digitally enabled comprehensive intelligence led approach. Our core business is reliant on end-of-life legacy systems with best endeavours support model. Staff dissatisfaction and negative impact on morale. Reputational damage and adverse public opinion. May result in long term increased unplanned costs. May compromise our ability to collaborate effectively with other organisations. | 4 | 5 | 20 | VH | 3 | 5 | 15 | H | Med | ↔ | In Place:<br>i. Draft comprehensive business case prepared and is currently in review cycle<br>ii. Agreement to undertake business justification gate (SG Digital Directorate)<br>iii. Awareness raising with Minister and Sponsor<br>iv. Digital member /officer oversight group established | Further Actions:<br>i. Business case presented for approval to September 2021 Board meeting<br>ii. Develop contingency plans for reduced or no additional funding.<br>iii. Full programme governance arrangements | Appetite: cautious<br>Target: low<br>Tolerance: medium<br><br>Has exceeded tolerance for 2 months<br><br>Rating: Amber<br><br>Response: Treat | EDIT&D |
| 7 | **<u>Shared Service Governance</u>**<br>**What is the Potential Situation?**<br>The new shared service governance arrangements are ineffective<br><br>**What could cause this to arise?**<br>There is a lack of clarity over the services to be delivered, the standard of service delivery required and the consequences of service failure. Resources are not aligned to service delivery or standards. There is insufficient or ineffective reporting on performance, cost and risk. There is a lack of clarity on accountability and responsibility for decision making.<br><br>**What would the consequences be?**<br>Failure to secure best value through ineffective deployment of resources and ineffective procurement, non-compliant statutory reporting, employee relations and health & safety issues, customer dissatisfaction, strained SSSC/CI working relationship, failures in physical, cyber and information security, failure to deliver legal obligations and reputational damage | 4 | 4 | 16 | H | 2 | 3 | 6 | M | Med | ↔ | In Place:<br>i. joint shared services strategy<br>ii. Management agreement<br>iii. Specifications of Service.<br>iv. Risk register and risk management process.<br>v. Performance measures and service standards<br>vi. Regular meetings of Review Board<br>vii. Regular meetings of shared service oversight group | Further Actions:<br>i. Finalise reporting to Review Board<br>ii. Develop assurance maps for Service Review Board<br>iii. Annual report to governing bodies<br>iv. Internal audit assignment | Appetite: Cautious<br>Target: Medium<br>Tolerance: Medium<br><br>At target level<br><br>Rating: Green<br><br>Response: Accept | EDCCS |

**AUDIT AND RISK COMMITTEE 9 SEPTEMBER 2021**

**Agenda item 14**
**REPORT ARC-24-2021**

| | |
|---|---|
| **Title:** | **DIGITAL PROGRAMME UPDATE** |
| **Author:** | *Gordon Mackie, Executive Director of ICT, Transformation and Digital* |
| **Appendices:** | 1. Action record of Member/Officer Assurance and Advisory Group meeting |
| **Consultation:** | **n/a** |
| **Resource Implications:** | **No** |

| **EXECUTIVE SUMMARY** | |
|---|---|
| This report provides the Audit and Risk Committee with an update on recent progress of the Digital Programme. The report is focussed on Stage 1, which covers Complaints and Registrations and The Register<br><br>The report outlines the delivery progress and gives update on latest programme finances and overall progress including the impact of the Covid-19 response. | |
| **The Committee is invited to:** | |
| 1. | Note the information contained in the report on Digital Programme Update. |

| **Links:** | Corporate Plan Outcome Key principles | 1-7 | Risk Register – Y/N | Y | Equality Impact Assessment - Y/N | N |
|---|---|---|---|---|---|---|
| **For Noting** | **X** | **For Discussion** | | **For Assurance** | | **For Decision** |

**If the report is marked Private/Confidential please complete section below to comply with the Data Protection Act 2018 and General Data Protection Regulation 2016/679.**

| **Reason for Confidentiality/Private Report: N/A** |
|---|
| **Disclosure after: N/A** |

| **Reasons for Exclusion** | |
|---|---|
| a) | Matters relating to named care service providers or local authorities. |
| b) | Matters relating to named persons which were they to be discussed in public session, may give rise to a breach of the Data Protection Act 2018 or General Data Protection Regulation 2016/679. |
| c) | Matters relating to terms and conditions of employment; grievance; or disciplinary procedures relating to identified members of staff. |
| d) | Matters involving commercial confidentiality. |
| e) | Matters involving issues of financial sensitivity or confidentiality. |
| f) | Matters relating to policy or the internal business of the Care Inspectorate for discussion with the Scottish Government or other regulatory or public bodies, prior to final approval by the Board. |
| g) | Issues relating to potential or actual legal or statutory appeal proceedings which have not been finally determined by the courts. |

**Agenda item 14**
**REPORT ARC-24-2021**

# DIGITAL PROGRAMME UPDATE

## 1.0 INTRODUCTION

### 1.1 Background

This report updates the Audit and Risk Committee on progress on Stage 1 of the Digital Programme.

The scope of Stage 1 covers:

- Complaints
- Registration: Phase 1 (the external facing application form)
  Registration: Phase 2 (developing the app to support our internal registration business processes, the Register and associated updates)

### 1.2 Purpose

This report provides an overview and analysis of the programme, the achievements to date, a financial analysis, and an update on the current position following Go-Live and progress in maintaining the registration application and associated features post Go-Live.

## 2.0 PROGRAMME DEVELOPMENTS

### 2.1 Overall Progress

The pandemic continues to have an impact on the delivery team as reported in the last update and we do expect to face further challenges due to the large and complex nature of the work involved. However, the team continues to make progress in a very challenging time. which at times has been challenging.

Since the last report we have introduced further engagement with operational colleagues. We have been working closely with senior stakeholders and a newly formed group of “operational champions”. This has been in place since early May and enables an operational perspective rather than the development team prioritisation of work to be planned and delivered as we continue to move forward. It should be noted that while we feel there continues to be better collaboration between delivery and operational teams there is still a high level of pain being experienced by our operational colleagues given the size and complexity of this change within the organisation. There is ongoing work to try and understand this more to allow us to be more targeted in resolving the level of pain.

This new way of collaboration has had a positive benefit for operational colleagues as well as the development team in understanding the support planning needed to deliver complex functions.

The focus of the programme, and progress, over the reporting period has been on several areas including hypercare, functionality and transfer to business as usual;

- "hypercare" which provides support following identification of any issues post go live. We have seen a longer period of this being in place for 2 main reasons. The way we continue to operate as an organisation due to the pandemic, where it is mostly remote working and the complexity of the change with a heavy data migration element to this work both these elements have made it harder to settle this change down as a lot of the work is remote and little or no face to face interaction
- We have been working on passing the day to day support of the application to IT Service Operations. This work is ongoing, but we now have IT Operations responding to any issues raised from operational colleague and ensuring this work is also triaged.
- Functionality – delivery of additional functions and refinement of existing functions against the backdrop of the initial agreed scope
- Data – Addressing discrepancies where the data values held in the Register and associated registration processing cases do not accurately reflect the business information for the associated care services. Some of these reflect issues in the legacy PMS system which came over at migration, some are side effects of handling transactions in-flight at time of migration and a few others caused by bugs which have now been resolved in the new app.

As previously reported, this is a large and complex delivery and continues to need transformation resources (delivery team personnel) to ensure we continue move forwards and deliver. The market for transformation resources remains extremely buoyant. We have seen a high level of turnover in some key resources for a mixture of reasons. This has had an impact on operational colleagues, who at times get frustrated with such a level of resource turnover.

Inflight registration cases continue to be progressed with the digital team supporting access to ensure the applicant/provider has limited duplication of effort into the new system. This process is almost concluded.

The complaints app continues to have minimal work completed since the last report. We are however, working closely with the Service Manager, Complaints, to ensure the prioritisation of work based on their immediate business needs.

## 2.2 Direct and Indirect Impact of the Covid-19 Response

All aspects of Care Inspectorate activity, including digital, have been impacted by the Covid-19 pandemic. In mid-March there was a decision to require all staff to work remotely. The Digital team has always had a mixture of team members who have partially worked from home but given this affected the whole team there was some adjustment required to support staff to operate as effectively as possible in a constant remote working basis and this has had an understandable impact on overall productivity.

The Digital team has supported the Care Inspectorate's overall response to the Covid-19 pandemic. The re-purposing of the organisation has required changes and developments in our e-forms to support the revised notifications process. To date, the Digital team has undertaken over 100 hours of such work.

The team has been impacted by "Covid fatigue". This impacts the team by not having the support of in-room discussions and access to all parts of the team, testers, business analysts, developers and product owner. Whilst "MS Teams" has been a useful tool for communication it cannot replace the benefits of face-to-face team problem solving sessions.

The organisation has a "Future Working Group" whose remit is to understand and support organisational needs and learning from the pandemic. Part of this work enables the team to have return to office discussions and exploring the changes they will have to adapt to as the organisation explores a blended approach to home working and office based work. The digital team benefits from in office working but we are mindful of the challenges this brings after 18 months of working from home.

## 2.3 The Complaints App Update

As previously report, the main focus has been on the delivery of registration, the Register and the functionality used internally and externally. We continue to work closely with the Complaints management team and action any changes required on an ongoing basis.

## 2.4 Registration Phase 1

As previously reported, Phase 1 of the Registration app (the digitised application form) went live on 28 January 2020. During the pandemic the volume of new registration applications remain lower than normal. The feedback, in the main, continues to be very positive.

## 2.5 Registration Phase 2 (including the Register) – Progress Post Go live

Since the last update we have continued to work through hypercare to deliver additional functionality and respond to any raised bugs.

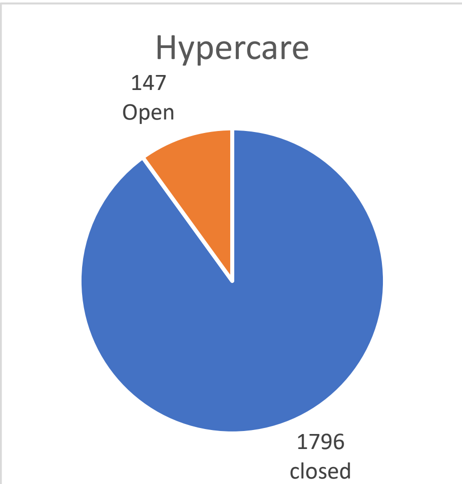
### Hypercare

"Hypercare" is a term we use to provide support to our operational colleagues and our external stakeholders through our contact centre. This allows our staff to log issues and also provide feedback to the digital team. We categorise these areas as:

- Bugs – where something is not working
- Changes - to process that are new requests
- Edits - to assist understanding or flow within the app
- Information – where would respond with a FAQ style response
- Business decision – where business rules are needed, or require update based on the operation of the App.

We have handed over the management of triage of hypercare issues to the service desk team as part of a planned move to business as usual. We are working closely with the service delivery team to ensure the remaining training, documentation and support needs are identified and delivered. This will ensure a smooth transition to business as usual and users of the app (internal and external) will not notice any different level of service.

As at 26/08/2021 - 1943 Hypercare issues have been logged since 23 March 2021 of which:



To date we have resolved and closed 92% of all issues raised.

The introduction of the operational champions group (agreed with SLT and supported by our senior stakeholder group) has meant the digital team have direct operational input to prioritise the functions that are important to operational colleagues.

It should be noted that this has been one of the biggest and complex changes the Care Inspectorate has delivered in years. For operational colleagues this means in the medium term it has had an impact on their day-to-day activity. This is likely to continue for some time yet as we work with the operational champions to deliver where we see any gaps or changes to functionality.

The last digital progress update in May 2021 highlighted the numbers and types of applications or functions logged in the system. Since then, the volume of all types has increased substantially (in some cases c.300%). This volume of usage enables us to track any defects raised and respond with solutions, improving the customer experience.

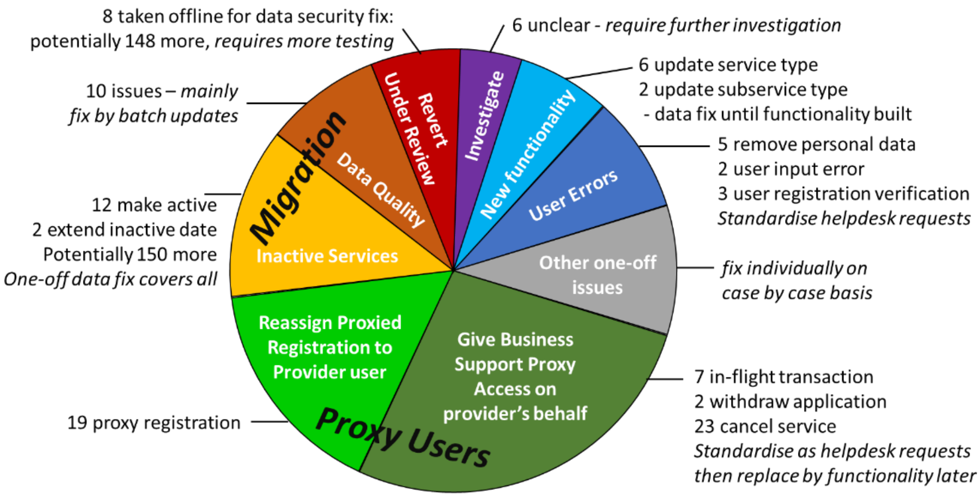
| Application Type | May 2021 | 26 Aug 2021 | Increase |
|---|---|---|---|
| Registration Applications Created | 170 | 1069 | +899 |
| Variation requests (in flight) | 578 | 1505 | +927 |
| Voluntary Cancellation Requests | 99 | 407 | +308 |
| Inactive Service Requests | 31 | 109 | +78 |
| Illegal Service cases opened | 3 | 27 | +24 |
| New Services Registered | 17 | 226 | +209 |
| Change of Detail Requests | 228 | 1666 | +1438 |
| Change Of Details Self Service | 107 | 790 | +683 |

Since go live **6898** external users (Providers and new applicants) have logged into the Portal to use the new functions. That is an increase of c.5600 since last reported in May 2021.

**Data Issues**

It was previously reported to the committee that there would likely be some data issues resulting from moving the register from our legacy system to the new Register. The level of these has been within tolerance expectations we set during migration planning. In addition, we have had data issues related to the need for some transactions to be handled by “proxy” users acting on the providers’ behalf.

These data issues account for about 70% of the outstanding hypercare issues. The following chart provides a breakdown of these.




This analysis has identified some one-off fixes that will resolve the current issues and prevent recurrence, for example those related to services that were inactive at the point of migration. Others are due to user error, which we will continue to address as part of ongoing service support. For these we will also look at opportunities to reduce recurrence through improving guidance on the user interface. We have a plan to resolve these that we are tracking against and we expect to resolve the majority of the main data issues by end of September. The remainder would be low-volume incidents that are within the capacity of the ongoing support.

### Data Security issue

The delivery team were alerted to a potential data security issue in June. The issue was significant enough to temporarily remove a section of functionality from the Registration portal to prevent any data breach whilst a solution was delivered (Amend Manager, Provider or Service details). The issue related to the ability, for someone with trusted permission to access the service detail in the portal, to see personal sensitive data. The delivery team reported the issue to our Information Governance team who then reported to the Information Commissioners Office (ICO) within 72 hours. A solution was developed and released which resolved this issue. There is no evidence that the any personal data was compromised before this vulnerability was removed.

Feedback from ICO confirmed the action the Care Inspectorate took was appropriate and no further action (over and above the action plan submitted to the ICO) was required.

The Digital team has been working since go live in close partnership with colleagues from across the business to support this change. This involves a range of communication channels to support collaboration and prioritisation of any subsequent updates to either fix bugs or add new functionality.

Given how large and complex this change was for business colleagues it was important that there were very clear and transparent communication channels in place.

**Programme Communication Channels**

We are working with colleagues throughout the organisation as part of this complex change. Our senior stakeholder group meets fortnightly and supports the work of our digital team. This is made up of Chief Inspectors and Head of Customer Support. The group supports our operational champions group. The operational champions work closely with the digital team in agreeing the priorities for the delivery of additional functionality for the Register and Registration App. They direct our sprints and act as the operational sign off for changes or enhancements to the Register and registration App. The group is made up of operational colleagues from across the organisation. We are working closely with the Operational Champions to prioritise the delivery of the solutions that takes account of all hypercare issues and functional enhancements to maximise responsiveness.

We work with our groups to agree wider communication with all operational colleagues, this has included close working with the Communications teams (internally and externally) to ensure our colleagues and stakeholders are informed and updated on changes. This has included relaunching and updating our internal intranet page to ensure colleagues have an accurate up to date place to get all relevant information on their use of the App's.
We have also facilitated function specific surgeries and Teams live events for all staff. That allows the digital team to demonstrate the functionality in the surgeries and enables direct interaction with the team. Feedback from the last surgery indicated that almost 75% preferred the Teams meeting with interaction to either a recording a "live" event with limited opportunity to ask questions.

## 3.0 EXTERNAL ASSURANCE ASSESSMENTS

The Digital Assurance Office (DAO) team in Scottish Government agreed our action plan to go live in March 2021. There were several future actions to be considered as part of Stage 2 Business case. These are now being reviewed and actioned as part of the business case preparation.

## 4.0 PROGRAMME FINANCES

The budget position for business transformation and the ICT modernisation is managed within the core Care Inspectorate budget monitoring process. The original programme total costs were estimated at £4.988m over the four years to 2020/21.

The latest estimates are for costs of £5.335m which is £0.347m more than originally anticipated. As the Care Inspectorate did not receive all the funding it requested (£2.3m compared to our request of £3.2m), additional funds have been allocated from within existing budgets and from the general reserve. We intend to fund £0.712m of non-recurring development in 2020/21 from our reserves.

## 5.0 NEXT STEPS

Continue to keep engaged with the organisational teams on delivery progress and respond where needed as a delivery team. We have a process where Operational Champions are part of the prioritisation process of any additional functionality

There is work underway with the organisation and the delivery team to review the functionality that’s been delivered to date on the backdrop of the agreed scope for this work. We will then assess where there may be any gaps, changes or additional work needed to ensure we collectively sign off the functionality delivered. The September Programme Board will consider this review

Continue to move towards IT Operations support team taking on responsibility of day-to-day application support. This will be supported with the delivery team until we have full sign off on the functionality

Continue to have a focus on data and ensure we are responding to any data or migration issues that arise. It was always foreseen that there would be a long period post live where data issues would arise give the complexity of the migration.

Given ongoing resource challenges mainly driven by the market conditions continue to liaise with the organisations senior teams to ensure we continue to protect what resources we have to close out Registrations & The Register

## 6.0 OTHER IMPLICATIONS AND/OR DIRECT BENEFITS

### 6.1 People Who Experience Care

By investing in our ICT and digital capabilities, staff will be well equipped to deliver our outcomes for people experiencing care in Scotland.

**6.2 Customers (Internal and/or External)**

Modernising our ICT and digital capabilities will have a positive impact on both the internal and external customer experience. This will result in more timely and better quality information being available to support the scrutiny and delivery of care.

**Agenda item 14**
**Appendix 1**

# ACTION RECORD

| | |
|---|---|
| **Meeting:** | **Member/Officer Assurance and Advisory Group – Digital Transformation Programme** |
| **Date/Time/Venue** | 23 August 2021 at 15.15pm – 16.15pm by Teams video-call |
| **Present:** | Anne Houston (Board member and Chair of Group); Paul Gray (Board member);<br>Gordon Mackie (Executive Director of IT, Transformation and Digital) |
| **In Attendance:** | Louise Bremner (Business Transformation Support Officer)<br>Maureen Gunn (Business Change Lead) |
| **Apologies:** | Peter Macleod (Chief Executive) |

**Agenda item 14**
**Appendix 1**

| Number | Item | Discussion Points | Action | By Whom | By When/ Completed |
|---|---|---|---|---|---|
| **1.0** | **Welcome/Matters Arising** | AH welcomed all members to the meeting.<br>PG raised the need for the meeting schedule for the group to get back on track. | LB to ensure meeting schedule is updated. | LB | ASAP |
| **2.0** | **Action Record** | Noted as accurate. | | | |
| **3.0** | **Exception reporting** | None. | | | |

**Agenda item 14**
**Appendix 1**

| Number | Item | Discussion Points | Action | By Whom | By When/ Completed |
|---|---|---|---|---|---|
| **4.0** | **Registrations and the Register update** | GM opened by providing members with a delivery summary. It was noted that overall the application stability has remained high since going live in March. Members were informed that there have been several releases, some for additional functionality and others responding to bugs and defects from the business.<br><br>It was noted that an Operational Champions group had been formed and the group work very closely with the delivery team. They now control the focus of what is part of each sprint based on the priorities of the business.<br><br>The group were also informed that Maureen Gunn (Business Change Lead) manages a Senior Stakeholder group who meet fortnightly.<br><br>GM drew members attention to a data issue which occurred. It was noted that this issue was very specific around Change of Details and involved a registered user being able to see or not see details that they were not entitled to see. | | | |

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| **4.0** | **Registrations and the Register update** | GM informed members that a clear process was followed and once the team had been notified, the part of the application causing concern was taken down. Analysis work was conducted with Information Governance and at that point it was felt there could have been breach. A decision was taken to report it as a possible breach and a report was submitted.<br><br>Further analysis found that there was no breach and the ICO recognised this. It was noted that correspondence was received from the ICO in which they advised that they were comfortable with the actions taken and provided a number of things that should be looked at and focused on.<br><br>Subsequently, a full review of the app was undertaken with Information Governance and it was agreed that there were no further issues.<br>It was noted that Change of Details was down for just over a week, the business was fully onboard.<br><br>GM moved discussions on and informed members of the buoyancy in the marketplace in terms of securing transformation and ICT resources. It was noted that GM wanted to flag this as it is a challenge however the team are managing it.<br><br>GM raised one final point as part of his summary and advised members that the one thing that remains a big challenge as an organisation is ownership. It was noted that the business need to take ownership of what has been delivered and | | | |

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| **4.0** | **Registrations and the Register update** | that GM will need to work heavily with the Exec team on this matter.<br><br>GM advised that he would welcome help and support from members and stated that ownership is a big thing as we move into Stage 2.<br><br>AH opened the meeting up for questions. It was noted that PG had a number of questions.<br><br>PG queried in terms of the data issue what would GM regard as the trigger point in which the group would be informed of a data issue?<br><br>PG added it would be useful to understand what the escalation routes are and what the trigger points are.<br><br>GM advised that he would reflect on this and will agree as to when an issue should be escalated and get members agreement on this.<br><br>AH raised how the team could be certain that there were no breaches. GM advised that analysis was conducted and that he was happy to share this for information. It was noted that GM is committed to providing a retrospective report on the issue and will ensure in future that members are engaged at the right time.<br><br>PG queried how we are satisfying ourselves that we are not going away from our original business case. GM shared with members a high level view | GM to agree and communicate his thoughts around escalation routes and trigger points and bring back to members for agreement.<br><br>GM to provide members with a retrospective report on the data issue. | GM<br><br>GM | TBC<br><br>ASAP |

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| | | of the functional requirements that were promised to be delivered to the organisation. | | | |
| **4.0** | **Registrations and the Register update** | It was noted that an initial review of functionality was conducted, and this was followed by a second review. This second review of functionality is what the team are aligning everything back to in terms of change requests, future backlog. GM advised members that work is being undertaken to determine when the line should be drawn that says that we have now delivered everything that was promised.<br><br>GM added that everything will be focussed and traced back to the functionality list and overtime the team will be left with a backlog that will continue to be evergreened.<br><br>It was also noted that the team will meet with key stakeholders from the business and go through every single component item on the list to gain consensus or non-consensus that it has been delivered.<br><br>It was noted that PG was satisfied with the explanation given.<br><br>Discussions moved on and PG touched on the matter of engagement within the business and advised that he believes this is one of the challenges from remote working. It was noted that he believes the team should be thinking about | | | |

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| | | conducting face to face meetings which may help to facilitate a better sense of ownership. | | | |
| **4.0** | **Registrations and the Register update** | GM agreed. It was noted that we are moving gradually back to face to face meetings. Virtual surgeries have been held on specific subjects however it was agreed that the next surgery session should be a hybrid meeting.<br><br>It was agreed that the results of the hybrid surgery session would be fed back to members prior to next meeting. | GM to arrange for next surgery to be a hybrid event. | GM | By next meeting |
| | | AH queried if there was a way of sharing the ownership and leadership of the surgery sessions. GM agreed that this should be considered and may rebrand the sessions so it would be shared delivery.<br><br>PG then put forward his final point about retention. It was noted that the Board had taken careful consideration of other proposals about remuneration in the past.<br><br>It was suggested that given the criticality of this to the organisation, the next time the group meet or prior via a paper consideration should be given to whether there does need to be anything done for the remuneration.<br><br>AH agreed that if it is critical to get the resources and we are having difficulties, it worth looking at all options. | GM to consider rebranding the surgery sessions. | GM | By next meeting |

**Agenda item 14**
**Appendix 1**

| Number | Item | Discussion Points | Action | By Whom | By When/ Completed |
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| **4.0** | **Registrations and the Register update** | It was noted that there had been ongoing conversations with HR and colleagues around renumerations. GM stated that there is a little nervousness around this topic. PG advised that once you consolidate a digital supplement into pay it is very difficult to remove. PG continued to advise that when recruiting in the past the supplement was paid 6 monthly or annually and was only paid if people stayed.<br><br>Discussions moved on and it was noted that scope is being managed and items identified which were raised as change requests. The team still face several data challenges however it was noted that a small team are focussed on analysing these data issues.<br><br>GM advised that there are 29 tickets around guidance, 12 of which are currently being actioned. Members were advised that there is a deep dive analysis of user guidance underway.<br><br>PG summarised that from what he has heard from earlier discussions and the presentation that there is a robust system of governance in place to ensure that there is appropriate change control.<br><br>GM moved discussions on and provided members with an overview of focus areas. It was noted that the team:<br><br>• Continue to deliver additional and enhanced functionality | | | |

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| **4.0** | **Registrations and the Register update** | • Prioritise delivery in partnership with operational colleagues<br><br>• Transition services to IT business as usual<br><br>• Continue to support the organisation through this large and complex business change.<br><br>GM informed members that some of the data challenges have impacted staff's view of the app. It was noted that an external company may be brought in to undertake a lessons learned exercise.<br><br>AH queried if GM is receiving the appropriate support for the cultural change at all levels through the organisation, particularly at senior level.<br><br>GM advised that he will be providing the SLT with a report with a more consolidated view of where of we are to try and provoke a conversation around ownership.<br><br>Discussions were concluded on agenda item 4 and moved onto the Stage 2 Business Case. | | | |
| **5.0** | **Stage 2 Business Case** | GM informed members that the business case has been shared and feedback has been received which is being worked on. The business case is in draft format and continues to be reviewed. The numbers took longer than anticipated following a request from the SLT to review the numbers. It | | | |

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| **5.0** | **Stage 2 Business Case** | was noted that it is not a fully proofread business case at present as it was felt it was better to share it sooner rather than later.<br><br>It was noted that the business case has been sent to the SLT, Heads of and Procurement Scotland. In addition, the business case has been shared informally at present with Sponsor branch.<br><br>It was stated that in parallel a business justification gate is being undertaken this week and post that a board report will be produced to go along with the business case that would go to board for discussion/agreement.<br><br>GM shared the Digital governance structure and advised members that currently SLT operate down to the portfolio level rather than at the strategic delivery level focussed on outcomes and what has been agreed with our portfolio projects. The idea is that Heads of will become sponsors of key activity and take on business ownership.<br><br>It was noted that there will be several portfolio delivery boards with agreed outcomes for each of those portfolios and budgets. These will report up to the strategic delivery board, and then to SLT.<br><br>GM advised that external assurance would be the MOAAG plus an external government body in order to bring strategic oversight into the group. | | | |

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| **5.0** | **Stage 2 Business Case** | PG informed members about a previous experience where he drew together an assurance group from all levels in the organisation with everyone on the assurance group having equal status and chairing responsibilities.<br><br>GM stated this was a good suggestion and advised he would update the structure to show 2 boxes, 1 with external to the CI and 1 with an internal assurance group.<br><br>GM went onto raise that the business case has been shared informally with Sponsor branch. GM advised he had concerns that the business case would be caught up with the outcomes of the Adult Social Care Review and any changes government may be thinking of. It was noted that as RMS is a burning platform the right investment is required so the messaging needs to be right.<br><br>AH advised that she was reflecting while reading the business case particularly the area around quality improvement and just whether there is any intention to change the way that works which could be quite a significant issue.<br><br>AH queried the use of the term ‘people based’ within the business case and advised that this could cause a potential misunderstanding about the use of the words due to the nature of the work of the Care Inspectorate. | GM to update the governance structure. | GM | By next meeting |

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| Number | Item | Discussion Points | Action | By Whom | By When/ Completed |
|---|---|---|---|---|---|
| | | AH and PG will provide feedback formally and this will be responded to formally. It was noted that all feedback received will be stored so it can be referenced in future.<br><br>Finally, it was noted that a lot of work had been done to keep colleagues updated on the business case. It was suggested that potentially pre or post Board an awareness session is held with some of the senior people around the business.<br><br>AH queried if any feedback will be received from Sponsor branch. GM advised that he would contact Paul Ingram informally for an update.<br><br>AH then brought this agenda item discussion to a close. | GM to contact Paul Ingram informally for an update. | GM | By next meeting |
| | **AOCB** | AH asked PG to represent the group at the next Audit and Risk Committee. | | | |

**Agenda item 17**

# AUDIT COMMITTEE

## Schedule of Committee Business 2021/22

| REPORT/TOPIC | 20 May 2021 | 12 Aug 2021 | 9 Sept 2021 | 18 Nov 2021 | 10 March 2022 |
|---|---|---|---|---|---|
| **Internal Audit Items** | | | | | |
| Internal Audit Report 2021/22 – Follow Up Report | ✓ | ✓ | ✓ | ✓ | ✓ |
| Internal Audit Plan 2021/22 Progress Report | | | | | ✓ |
| Draft Annual Internal Audit Plan 2022/23 | | | | | ✓ |
| **Audit Assignments** *(timings as agreed with management)* | | | | | |
| Health, Safety and Wellbeing | ✓ | | | | |
| Freedom of Information (Scotland) Act - FOISA | ✓ | | | | |
| Shared Services | ✓ | | ✓ *(2)* | | |
| Financial Sustainability | | | ✓ | | |
| Fraud prevention, detection and response | | | | ✓ | |
| Compliance with Legislation | | | ✓ | | |
| Corporate Planning | | | | | ✓ |
| Equality and Diversity | | | | ✓ | |
| IT Strategy | | | | | ✓ |
| Scrutiny and Assurance *(date to be confirmed)* | | | | | ✓ |
| Workforce Planning | | | | | ✓ |
| ***Private Meeting with Internal Auditors*** | | | | ✓ | |
| **External Audit Items** | | | | | |
| Combined ISA260 Report to those charged with Governance and Annual Report on the Audit *(External Audit Annual Report to the Board and the Auditor General for Scotland for the financial year ended 31 March 2021)* | | ✓ | ✓ | | |
| Progress on the Audit of Financial Statements ` | | ✓ | ✓ | | |

**Agenda item 17**

| **REPORT/TOPIC** | **20 May 2021** | **12 Aug 2021** | **9 Sept 2021** | **18 Nov 2021** | **10 March 2022** |
|---|---|---|---|---|---|
| Annual Audit Plan 2020/21– Annual Accounts | | | | | ✓ |
| ***Private Meeting with External Auditors*** | | | | | ✓ |
| **Care Inspectorate Items** | | | | | |
| Draft Annual Report and Accounts and External Audit Report | | ✓ | ✓ | | |
| Draft Audit Committee Annual Report to the Board | ✓ | ✓ | ✓ | | |
| Strategic Risk Register 2021/22 (draft pre-Board) | ✓ (for BDE on 2 June) | | | | |
| Strategic Risk Register Monitoring | ✓ | | ✓ | ✓ | ✓ |
| Digital Programme Update | ✓ | | ✓ | ✓ | ✓ |
| SIRO Report (Information Governance) (*Annual report, as agreed by Committee on 5.3.2020 - but Committee to be notified of any serious IG breaches)* | ✓ | | | | |
| **Standing Items** | | | | | |
| Horizon Scanning (Audit Scotland & CIPFA publications) | ✓ | | ✓ | ✓ | ✓ |
| Audit Committee Narrative to the Board | ✓ | | ✓ | ✓ | ✓ |
| Schedule of Committee Business | ✓ | | ✓ | ✓ | ✓ |
| Annual Review of Committee Effectiveness | | | | | ✓ |
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