



A Meeting of the Care Inspectorate Board is to take place from
2.00 pm-2.30 pm on Monday 21 November 2022.

This is a single item meeting and will be held by Teams video call.
 A public notice has been placed on the Care Inspectorate website.

AGENDA

PUBLIC SESSION

1.	Welcome
2.	Apologies
3.	Declarations of Interest
MONITORING AND GOVERNANCE	
4.	<p>Care Inspectorate Annual Report and Accounts 2021/22 (papers attached)</p> <p>4.1 Audit and Risk Committee Annual Report to the Board – Report No: B-35-2022</p> <p>4.2 Draft Annual Report and Accounts 2021/22</p> <p>4.3 External Audit Annual Report by Grant Thornton</p> <p>4.4 Letter of Representation</p>
5.	Close of Public Meeting and Date of Next Meeting: Thursday 15 December 2022 at 10.30 am in Compass House, Dundee

BOARD MEETING 21 NOVEMBER 2022

Report Number: B-35-2022
Agenda item 4.1



Title:	AUDIT AND RISK COMMITTEE ANNUAL REPORT TO BOARD 2021/22
Author:	Bill Maxwell, Audit and Risk Committee Convener
Responsible Director:	Jackie Mackenzie, Executive Director of Corporate and Customer Services
Appendices:	1. Committee Terms of Reference (approved by Board September 2022)
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 2021/2022 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 2021/2022 Annual Report and Accounts including the Annual Governance Statement. Following this consideration, the Committee recommends that the Board approves the 2021/2022 Annual Report and Accounts.

The Board is invited to:

1. Approve the 2021/2022 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 (Number/s)		Risk Register (Yes/No)	Yes			
For Noting		For Discussion		For Assurance		For Decision	X

Equality Impact Assessment

Yes <input type="checkbox"/>	Not Yet <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Reason: Not Required		

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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: (see *Reasons for Exclusion*)

Not applicable – this is a public Board 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.

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AUDIT AND RISK COMMITTEE ANNUAL REPORT TO BOARD 2021/22**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 2021/2022.
- 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 2022/2023.

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 AND RISK 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 10 March 2022.

2.2 Membership

The Board appoints non-executive Board members to the Audit and Risk, Committee. During 2021/2022 the following Board members served on the Audit and Risk Committee:

Gavin Dayer
Rona Fraser
Paul Gray
Anne Houston
Rognvald Johnson
Bill Maxwell Convener

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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 eight reports for consideration by the Audit and Risk Committee.

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.

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The following reports were considered by the Committee:

Report	Committee Date	Control Objective Assurance Level	Management Action Risk Exposure
Health, Safety and Wellbeing	20 May 2021	Control objectives: 2 Good Overall Assurance: Good	2 Priority 3
Freedom of Information (Scotland) Act (FOISA)	20 May 2021	Control objectives: 5 Good Overall Assurance: Good	No actions
Joint Review of Shared Service	20 May 2021	Control objectives: 1 Good 3 Satisfactory Overall Assurance: Satisfactory	3 Priority 3
Financial Sustainability	9 September 2021	Control objectives: 5 Good Overall Assurance: Good	No actions
Compliance with Legislation	9 September 2021	Control objectives: 2 Good 2 Satisfactory Overall Assurance: Satisfactory	5 Priority 3
Shared Services 2	9 September 2021	Control objectives: 6 Good Overall Assurance: Good	No actions
Fraud Prevention, Detection and Response	18 November 2021	Control objectives: 11 Good Overall Assurance: Good	1 Priority 3
Equality and Diversity	10 March 2022	Control objectives: 4 Good Overall Assurance: Good	1 Priority 3

The Internal Audit Annual Report 2021/2022 was considered at the Committee's May 2022 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

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into consideration the work we have undertaken during 2021/22 and also from our collective knowledge of the organisation obtained since our appointment in 2020/21”.

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 2021/2022 at the Committee on 10 March 2022 set out the position on the completion of management actions as at 28 February 2022.

There were nine management actions brought forward from internal audits performed in previous years. The final 2021/22 follow up report showed four (44%) were fully implemented and five (56%) were partially completed. The Committee was informed of progress and sought reasons and justification for revised completion date requests and subsequently approved these. This included the Committee Convener holding a separate meeting with the Chief Executive and relevant officers to discuss progress.

There were 12 new management actions agreed as a result of internal audit work performed in 2021/2022. Of these, 11 (92%) were fully implemented during the year and one (8%) management action is not due to be completed until 2022/23. It is recognised that the completion of management actions was affected by the Covid-19 pandemic. The Committee was satisfied that delays in management actions caused by the pandemic did not result in any significant additional risk. 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). The annual Internal Audit Plan for 2022/23 was considered at the Committee meeting of 10 March 2022.

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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.

The Committee meets privately (no officers present) with the internal auditors at least once per year.

The Committee was satisfied that the internal auditors provided an efficient and effective service over the course of the year, providing clear evaluative reports with appropriate recommendations for improvement. They provided an effective source of independent assurance, in accordance with the organisation's assurance mapping strategy, where the Committee felt that was appropriate and helpful. The Committee was very appreciative of the fact that delivering the internal audit programme successfully in the context of the Covid pandemic required a high degree of flexibility and responsiveness on the part of both the internal auditors and relevant Care Inspectorate staff.

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 and meets privately (no officers present) with the external auditors at least once per year. The Committee considers the results of external audit work and the implementation of actions against audit recommendations. In March 2022, the Committee considered and subsequently approved the External Audit Plan for the 2021/2022 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.

The Committee appreciated the good working relationship established with the external auditors which was reflected in the efficiency and flexibility with which the audit was completed despite the impact of the pandemic.

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 completed in 2021/22.

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.

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The Committee considered the draft 2021/2022 Annual Report and Accounts in detail at a meeting specifically arranged for this purpose in August 2022. This meeting was open to all Board members to attend.

The draft 2021/2022 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 16 November 2022.

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 is a fair reflection of the adequacy and effectiveness of the Care Inspectorate's governance and risk framework for the year ended 31 March 2022 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 2022 and the incorporated Governance Statement.

8.0 FRAUD, IRREGULARITY, WHISTLEBLOWING**8.1 Reported in 2021/2022**

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.

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The Committee has not received any reports in 2021/22 detailing fraud, irregularity or whistleblowing.

The Committee considered a report on the outcome of the Care Inspectorate's participation in the National Fraud Initiative (NFI) 2020/21 exercise and the management response to the NFI self-appraisal document.

9.0 OTHER MATTERS**9.1 Pandemic Response**

The Committee considered a report summarising how the Care Inspectorate responded to the pandemic, the key learning from this experience and how we are continuing to apply what has worked well as we move through the pandemic.

2021/22 was an exceptional year in which the Care Inspectorate and the care sector as a whole was challenged by the tragic circumstances of the pandemic. The Committee fully supported the organisational focus on being agile and responsive to support the highest standards of care for people experiencing care and support and to provide assurance to the public during this challenging time.

9.2 Digital Programme

The Committee considered reports on the progress of the Digital Programme at each meeting of the Committee during 2021/22. The Committee also receives assurance through its participation in the member/officer Assurance and Advisory Group.

9.3 Senior Information Risk Owner (SIRO) Annual Report 2020/21

The Committee at its May 2021 meeting considered the Senior Information Risk Owner (SIRO) Annual Report for 2020/21.

This report outlined the work completed to date by Information Governance to deliver the transformation required to make our data 'Safer and More Secure'.

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 sought assurance on progress by jointly commissioning, with the SSSC, two internal audit reports on the new governance arrangements. The first report provided "satisfactory" assurance and the second report later in the year provided "good" assurance.

In addition, a member/officer short life working group with membership as follows was set up to maintain oversight of progress:

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Membership:

- Convener of the Audit and Risk Committee
- Two other Committee members
- the Executive Director of Corporate and Customer Services
- Head of Finance and Corporate Governance.

The work of this short life working group concluded in November 2021 as satisfactory progress had been made.

The Committee is also provided with an update from the quarterly meetings of the Shared Service Review Board.

9.5 Scrutiny and Improvement Governance

The Committee considered a report on how management are initially taking forward work inspired by consideration of how the Care Inspectorate should approach care governance. The Board will consider this further.

9.6 Audit Committee Chairs Network

During the year, I welcomed a proposal to establish a new network bringing together the Chairs/Convenors of public body Audit and Risk Committees to exchange experience and discuss issues of mutual interest.

The first meeting of this new network was held in February 2022, with the Chair of the Scottish Fire and Rescue Service's Audit Committee taking the role of host.

I was unable to attend this inaugural meeting; but did attend the second meeting of the network on 29 June 2022.

10.0 SELF ASSESSMENT, EFFECTIVENESS AND DEVELOPMENT REVIEW

In March 2022, 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 compliant.

The following areas were identified for improvement and/or further development, including amendments to the remit of the Committee:

- Update the Committee Terms of Reference to clarify terms of appointment, set a defined term for the Convener role, make explicit the requirement for at least one member to have substantial financial / accounting experience and include reference to the Convener's role in reporting to the Chair on Committee member performance.

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- To add the consideration of an annual ICT / digital stewardship report to the Committee's schedule of business.
- Agree and report on internal audit performance measures.

The Board considered and approved revised Committee Terms of Reference at the Board meeting of 29 September 2022.

The Committee agreed that the internal auditors be invited to attend future annual self-assessment and effectiveness sessions.

11.0 PRIORITIES FOR 2022/23

In addition to ensuring effective oversight of internal audit, the Committee has agreed the following priorities for 2022/2023:

1. Ensuring the new assurance map is kept up-to-date and used to identify assurance gaps.
2. Close monitoring of change management particularly following a Scottish Government decision on the stage 2 transformation business case.
3. Consideration of the effectiveness of financial planning and budget monitoring and the risks to the organisation's financial sustainability.
4. Monitoring our progress in strengthening our cyber security.

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.

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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 Policy

There are no policy implications associated with this report.

13.4 How does this report directly/indirectly improve the provision of care?

There are no direct or indirect improvements in the provision of care.

13.5 Customers (Internal and/or External)

There are no direct customer implications or benefits.

TERMS OF REFERENCE**5. AUDIT & RISK COMMITTEE****5.1 Membership**

5.1.1 The Committee shall have a Convener and in addition a minimum of three and a maximum of five additional members, all appointed by the Board.

5.1.2 The Convener will be appointed for a fixed term of no more than three years duration. A Board member may be re-appointed to the Convener role for a second term. No further re-appointments will be permitted.

5.1.3 Board members may be appointed as members of the Audit and Risk Committee without restriction on duration of appointment.

5.1.4 At least one member of the Audit and Risk Committee must have financial experience in terms of Para 3.2 of the Scottish Government's Audit and Assurance committee handbook.

5.1.5 Meetings of the committee will be chaired by its Convener or any substitute, as provided for in terms of Standing Order 20, and in addition not less than two members of the Committee shall be required to form a quorum.

5.1.6 The committee will be provided with a secretariat function by the Executive and Committee Support Manager

5.2 Reporting

5.2.1 The committee will formally report in writing to the Board and Accountable Officer after each meeting. A copy of minutes of the meeting may form the basis of the report.

5.2.2 The Convener will provide the Chair of the Board with a report on individual Audit and Risk Committee members' performance at least annually.

5.2.3 The committee will provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

5.3 Responsibilities

5.3.1 The committee will advise the Board and Accountable Officer on:

- the strategic processes for risk, control and governance and the governance statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- the effectiveness of the internal control environment;
- assurances relating to the corporate governance requirements for the organisation;
- proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations
- suggested, key performance indicators, quality indicators and monitoring measures in respect of the Care Inspectorate's activities, financial and non-financial.

The Audit and Risk Committee will also periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

5.4 Rights

5.4.1 The committee may:

- co-opt additional persons (in terms of Paragraph 3.5.3 and subject to the restrictions set out in Paragraph 3.5.4 hereof) for a period not exceeding a year to provide specialist skills, knowledge and experience; and
- procure specialist ad-hoc advice at the expense of the organisation, in terms of Paragraph 3.5.2 hereof.

5.5 Access

5.5.1 The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Convener of the Committee.

5.6 Meetings**5.6.1** The procedures for meetings are:

- the committee will meet at least four times a year. The Convener of the Committee may convene additional meetings, as he/she deems necessary;
- committee meetings will normally be attended by the Chief Executive, Executive Director of Corporate and Customer Services, Director of Corporate Services, the Head of Internal Audit, other Executive Directors as appropriate and a representative of External Audit
- the committee may ask any other officers of the organisation to attend to assist it with its discussions on any particular matter;
- the committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters;
- the Board or Accountable Officer may ask the committee to convene further meetings to discuss particular issues on which they want the committee's advice.
- The Chair will attend meetings of the committee from time to time, but is not expected to attend at every meeting. The Chair does so as an observer and not as a participant, shall not be regarded as a member of the committee, shall not be entitled to vote and is not party to decisions taken by the committee.
- With the permission of the Convener, Board members who are not members of the Audit & Risk Committee may attend Committee meetings. However, they do so as observers, not participants, shall not be regarded as members of the committee, shall not be entitled to vote and are not party to decisions taken by the Committee.

5.7 Information Requirements

5.7.1 For each meeting the committee will be provided with:

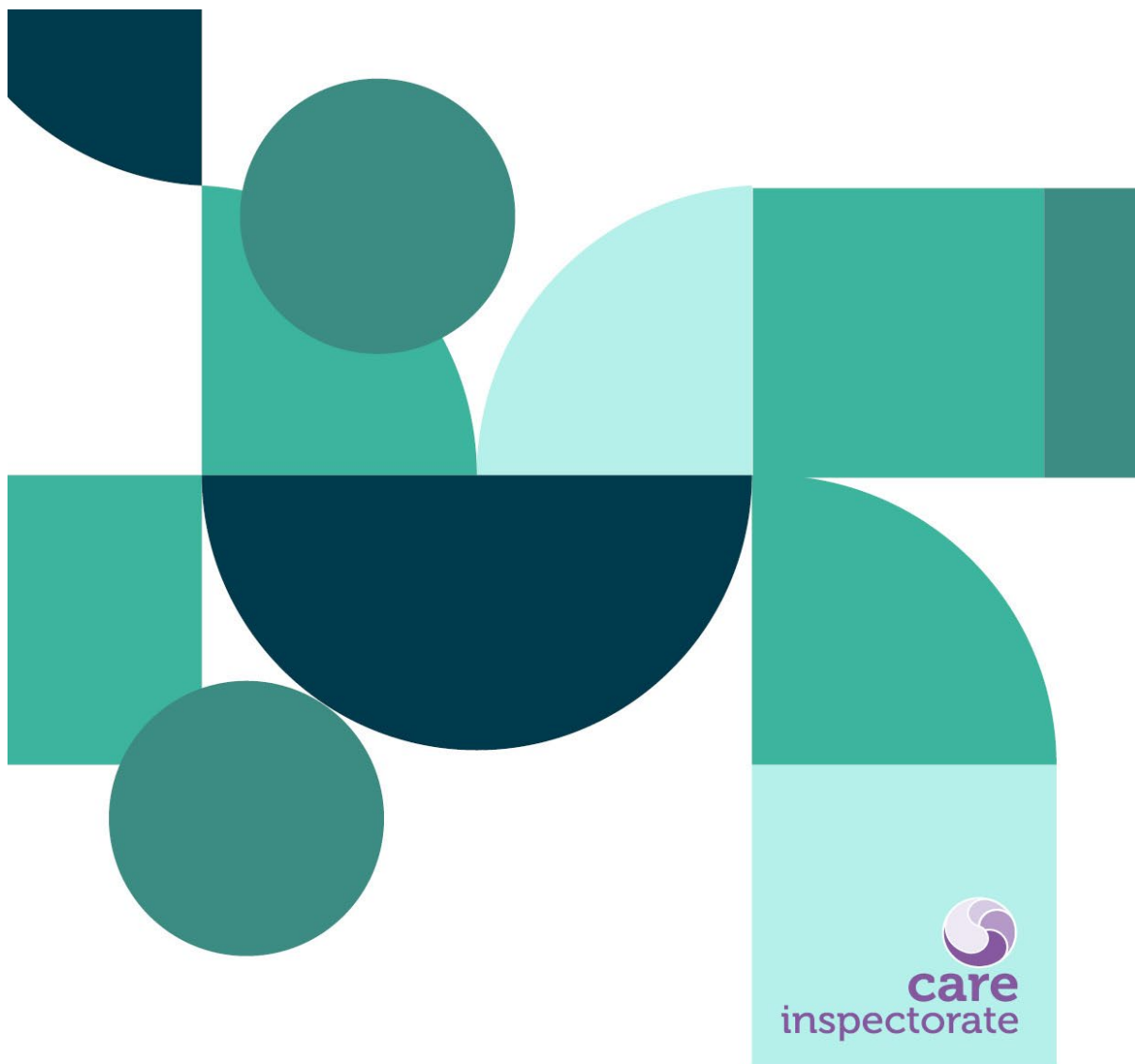
- a report summarising any significant changes to the organisation's Risk Register;
- a progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - management response to audit recommendations;
 - significant changes to the audit plan;
 - any resourcing issues affecting the delivery of Internal Audit objectives;
- a progress report from the External Audit representative summarising work done and emerging findings.

As and when appropriate, the committee will also be provided with:

- business update reports from the Accountable Officer;
- the Charter / Terms of Reference of the Internal Audit Directorate;
- the Internal Audit Strategy;
- the annual Internal Audit Plan
- the Head of Internal Audit's Annual Opinion and Report;
- quality assurance reports on the Internal Audit function;
- the draft accounts of the organisation;
- the draft governance statement;
- a report on any changes to accounting policies;
- External Audit's management letter/report;
- a report on any proposals to tender for audit functions;
- a report on co-operation between Internal and External Audit;
- a report on the Counter Fraud and Bribery arrangements and performance;
- reports from other sources within the "three lines of assurance" integrated assurance framework (e.g. Best Value self-assessment Reviews, Gateway Reviews, Health Check Reviews, ICT Assurance Reviews, Digital 1st Service Standard Reviews, Procurement Capability Reviews, Procurement Key Stage Reviews).

5.8 Interpretation

- 5.8.1** All references within these Terms of Reference to the Head of Internal Audit are to be taken as references to the lead officer, for the time being, of the Care Inspectorate's appointed internal auditors.



ANNUAL REPORT and ACCOUNTS 2021/22

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Published by: Communications
COMMS-0522-379

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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 2021 to 31 March 2022

SI number SG/2022/35

The Accountable Officer
authorised these financial
statements for issue
21 November 2022

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Annual report

Section A: Performance report

1. Performance overview

1.1 Foreword by Chair

The Care Inspectorate is the scrutiny and improvement support body for social care and social work in Scotland. We register, inspect and help to improve a range of services from early learning and childcare, children and young people, social care including integrated health and social care to social work and community justice.

This annual report covers the Care Inspectorate's operations from April 2021 to March 2022.

Over this period, and as a result of the Covid-19 pandemic, there remained significant challenges for health and social care in Scotland. Over the past year, the Care Inspectorate has continued to strengthen its collaborative approach working with its many partners and stakeholders on a coordinated response to the pandemic and to system pressures created by the Omicron variant last winter.

The Care Inspectorate has taken an active role in contributing to discussions on the future developments that will affect the planning and delivery of care, support and early learning opportunities, such as education reform and the proposed National Care Service. While we await the final proposals for the National Care Service, we continue to highlight the need for a person-centred, human rights-based approach with the Health and Social Care Standards underpinning any model. This approach has also been adopted in our new Corporate Plan (2022-25), which was approved by the Board in March, ahead of publication in May. The development of the corporate plan was done in conjunction with the Board, our staff, volunteers and range of external stakeholders. It enables the organisation to remain responsive to the changing environment we operate within and it will drive us forward to achieve our vision.

Peter Macleod, former Chief Executive, retired at the start of this year, following three years in this role. A career social worker and a former President of the Association of Directors of Social Work, Peter led the organisation during much of the pandemic and also progressed reform of our ways of working, such as placing even greater emphasis on using intelligence to target inspection activity and to drive improvement across the sector. I thank Peter for his service and commitment to the work of the Care Inspectorate. In the following period, I was pleased to welcome Edith Macintosh as Interim Chief Executive and Accountable Officer and am grateful to her for stepping into this role.

This is my final annual report as Chair and it has been an honour and a privilege to serve the organisation over the past nine years. I would like to thank our Board for their support, vision and leadership during this time. Finally, I would like to thank the staff at the Care Inspectorate who make this organisation what it is and who work so hard to make a real difference to the lives of people who experience care and support.

Paul Edie
Chair

Statement by Chief Executive on performance in the period 2021/22

I am pleased to introduce our annual report for 2021/22. This report highlights our performance in delivering scrutiny, providing assurance, and supporting quality improvement in social care, social work and early learning services across communities in Scotland.

During this period, our response to the Covid-19 pandemic remained a priority. Our focus was to be agile and responsive to support the highest standards of care for people experiencing care and support during this challenging time and provide assurance to the public. I want to acknowledge our workforce and those working across social care, social work and early learning and childcare for their incredible commitment during this period. As a result of the pandemic, the landscape in which we operate has changed significantly and will continue to do so over the coming years.

I would also like to acknowledge the contribution of Peter Macleod, former Chief Executive, who retired at the start of 2022. Much of his three-year tenure was focused on leading the organisation through change and transformation and, latterly, on our contingency planning and response to the pandemic. One of his first priorities was to establish a business operating model for the organisation, which was risk-based, intelligence-led, targeted and proportionate. This has characterised and shaped much of our work since then, such as the development of digital transformation, our approach to intelligence, our risk-based approach to scrutiny, and national improvement programmes for early learning and adult services. This approach was further strengthened during the pandemic and will continue to underpin our work as we move forward.

During this reporting period, we prepared our response to the Scottish Government's proposals for a new National Care Service, which followed on from the Independent Review of Adult Social Care. Our response was developed in consultation with our staff and with our Board, and we continue to contribute to ongoing discussions as the proposals are developed. The establishment of the National Care Service will have implications for our role as the independent national regulator of social care, social work and early learning and childcare.

Our digital transformation journey continues and we have updated our Stage 2 business case following internal and external stakeholder engagement and further consideration by the Board.

A revised quality framework for care homes for adults and older people was published earlier this year and supported by a self-evaluation toolkit. This was developed collaboratively with stakeholders including Chief Social Work Officers, Director of Nursing, Scottish Care, Coalition of Care and Support Providers in Scotland, COSLA and people who experience care. A sector-wide webinar was held to explain the changes.

In June 2021, we launched two consultations on the drafts of our design guides for care homes, one for adult care homes and one for children and young people care homes. The design guides were published in March 2022 and these describe the environment people should expect in care home services to support positive experiences and outcomes in a homely environment. High-quality design, planning, refurbishment and ongoing maintenance are vital in creating a safe environment which supports high quality care and these have a significant impact on those who experience, provide and work in services.

We continued to play an important role in promoting the national Health and Social Care Standards in Scotland. We worked with the Scottish Government to develop the Anne's Law legislation and support new changes to the Health and Social Care Standards to support visiting in care homes, particularly in response to some of the challenges faced during the pandemic. This has been aligned with our inspection framework.

Building on our successful work around the Standards, we worked closely in partnership with Scottish Government, Chief Social Work Adviser and Healthcare Improvement Scotland to develop the Barnahus Standards, and to develop new standards for Scotland, known as 'Bairns' Hoose'. The vision of Bairns' Hoose is for "All children in Scotland who have been victims or witnesses to abuse or violence, as well as children under the age of criminal responsibility whose behaviour has caused significant harm or abuse will have access to trauma-informed recovery, support and justice." In the last year, two reports were published paving the way to a public consultation and further development work in the coming year.

The children and young people (CYP) teams presented at the annual conference of the Scottish Institute for Residential Childcare (SIRCC) on the theme of restrictive practices. This was followed up with the launch of a restrictive practices survey for the sector, and the pilot of a self-evaluation tool on the use of restrictive practices in services for children and young people. This is part of our strategy to strengthen our engagement with providers and to fulfil one of our Promise aims. We published guidance for providers of services for children and young people on personal plans and guidance on records and notification reporting for CYP services. This sees the culmination of a significant amount of work with the sector aimed at improving the quality of children's plans and other records.

Our new quality framework for daycare of children, childminding and school-aged childcare was published in March 2022 and will be used in our inspections from June 2022. The quality framework was developed after extensive consultation with settings and partner organisations across the sector. This included testing the framework across a range of settings as part of our inspection methodology. Feedback from the sector during the consultation and testing period was very positive and the framework has been updated to reflect the feedback we received. We continue to contribute to the Scottish Government's proposals to reform the wider education sector and welcomed the proposals for to create a shared inspection framework for early learning and childcare settings to reduce duplication across the sector. We will work in partnership with Scottish Government, other inspectorates, partner organisations and the sector on the proposed shared framework.

We have committed to achieving the ambitions set out in The Promise and created new posts to plan and deliver work aligned to six workstreams. We are also delivering on our role as a corporate parent and supported the Stand up for Siblings project involving our young inspection volunteers.

We put in place resources to respond to the roles defined for the Care Inspectorate arising from the Health and Care (Staffing) (Scotland) Bill. We have assisted the Scottish Child Abuse Inquiry and met its ongoing requests for information.

Our Strategic Justice Overview report, informed by the work of our justice team, looked at efficiency of Community Justice Partnerships in designing and delivering effective community justice disposals. Over the coming period, we are mindful of the recovery of the criminal justice system and will be working in partnership with the sector and scrutiny partners to support continuous improvement.

Scrutiny of justice social work services focused on community payback orders was developed and delivered, including the publications of [validated self-evaluations](#), inspection reports and an overview report. A [review of community justice throughcare](#) was also published.

Reflecting on this period, and looking forward, our aim is for world class social care, social work and early learning and childcare in Scotland, where every person, in every community, experiences the best care and support, tailored to their rights, needs and wishes. This is set out in our Corporate Plan for 2022 -25 which was developed during this period with extensive consultation with our staff, volunteers, Board and a range of external stakeholders. We are committed to providing public assurance on the quality of care while supporting innovation and improvement across integrated health and social care, social work, early learning and childcare and community justice.

I extend my sincere thanks to the Board Chair and Members, Care Inspectorate staff, and our volunteers for their extraordinary contribution and to all those we collaborate with across health and social care.

Jackie Irvine
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 independent scrutiny and improvement body for social care and social work services 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.

We want to 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 almost 12,000 services. These include daycare of children services, childminders, care homes, care at home, and 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. As a scrutiny and improvement organisation, we play a critical role in supporting quality improvement in care services and local partnerships.

Care Inspectorate vision

The Care Inspectorate's vision is for world-class social care and social work in Scotland, where everyone, in every community, experiences high-quality care, support and learning, tailored to their rights, needs and wishes.

Our mission

We will provide public assurance about the quality of social care, social work and early learning services, promote innovation and drive continuous improvement. We will collaborate and take action where experiences and outcomes are not meeting individual needs.

Our values

- Person-centred: we will put people, compassion and kindness at the heart of everything we do.
- Fair: we will act fairly and consistently, be transparent and treat everyone equally.
- Respectful: we will be respectful in all that we do.
- Integrity: we will be impartial and act to improve care for all those in Scotland.
- Efficient: we will provide the best possible quality and public value from our work.
- Equality: we will promote and advance equality, diversity and inclusion in all our work and interactions.

Strategic outcomes

- High-quality care for all.
- Improving outcomes for all.
- Everyone's rights are realised and respected.
- Our people are skilled, confident and well supported to carry out their roles.

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, demonstrate 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 approved 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 and inspection volunteers will talk to people who experience 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 strategic [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 to do 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 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 2022 shows net assets of £2.616m.

The Statement of Financial Position for the previous 5 financial years has shown net liabilities in the range £11m to £46m. This volatility in total net assets is due to the valuation of the pension scheme the majority of our staff participate in. 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 2022.

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 2022.

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 it has been important to identify significant efficiencies. 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 combination 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 2021/22 was as follows:

	Budgeted Position £000	Actual Funding £000
Grant in aid	27,975	26,308
Other government grant	71	213
Grant Funding 2021/22 (Note 12)	28,046	26,521

Grant in aid includes Scottish Government specific programme funding totalling £2,081k during 2021/22. As we cannot draw down cash in advance of need, our actual grant in aid was £1,667m less than budget to reflect the projected financial position at the time of the last grant in aid claim being submitted.

We received grant of £213k from the Scottish Government to fund the 'Technology Enabled Care Programme'. £68k of this funding was used for 2021/22 activity. This leaves a balance

of £145k for activity that will take place in 2022/23 and 2023/24 and this funding is held in the general reserve.

The table below shows our revenue budget position.

	Budget £000	Actual £000	Variance £000
Revenue expenditure	41,684	38,513	3,171
Fee income	(11,908)	(11,898)	(10)
Other revenue income	(977)	(1,145)	168
Net expenditure before grant funding	28,799	25,470	3,329
Grant in aid to fund core operating expenditure	(25,894)	(24,227)	(1,667)
Specific grant funded projects	(2,152)	(2,294)	142
Total 2021/22 grant funding	(28,046)	(26,521)	(1,525)
Net expenditure after grant funding	753	(1,051)	1,804

Our finances 2021/22



Scottish Government funding
£26.5m



Staff costs
£32.5m



Registration fees
£11.9m



Other operating expenditure
£6.0m



Other revenue income
£1.1m

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 (FRM). 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 £0.051m.

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 £0.753m 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 position is a surplus of £1.051m which is a variance of £1.804m compared to the budgeted deficit. This is mainly due to a greater number of Inspector vacancies remaining unfilled during the year 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 2022/23.

	Ref	£000	£000
Deficit per the SCNE	SCNE		16,509
Revenue funding from grants & grant-in-aid	Note 15		(26,521)
Reverse IAS 19 pension accounting adjustments	Note 5b		9,012
To fund depreciation and asset disposals	Note 6		(51)
(Surplus)/Deficit on budget basis			<u>(1,051)</u>
Movement of General Reserve Balance:			
Accumulated revenue reserve		(3,009)	
Capital reserve		<u>(61)</u>	
Opening General Reserve Balance	Note 15		(3,070)
(Surplus)/Deficit on budget basis			(1,051)
Depreciation			51
Closing General Reserve Balance	Note 15		<u>(4,070)</u>

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 99.38% (2020/21: 97.37%) 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 under the organisation's three strategic outcomes set out in our Corporate Plan for 2019-22.

We report publicly using two kinds of measures:

- Key Performance Indicators (KPIs) - which are specific and quantifiable measures against which the Care Inspectorate's performance can be assessed
- Key Outcome Indicators (KOIs) which are measures that the Care Inspectorate aims to influence by its work, but which it may have limited control over.

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 reports on our performance, structured around our strategic outcomes, priorities and KPIs, provide our Strategic and Operational Leadership Teams 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>

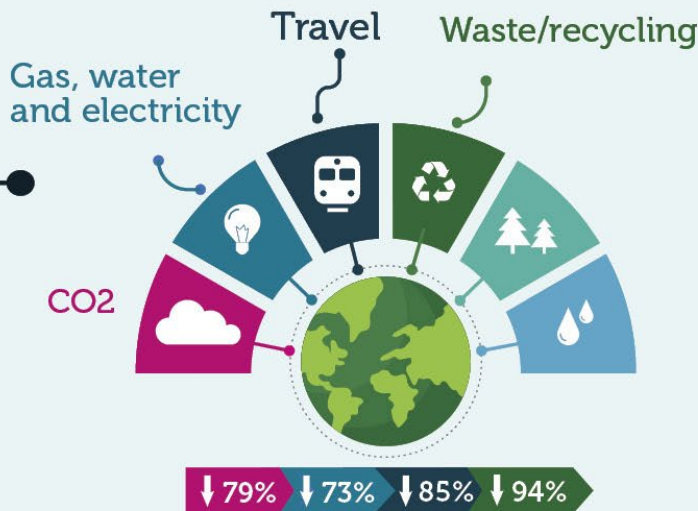
2.2 Sustainability report 2021/22

Sustainability report 2021/22

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 scrutiny body, our core business is to regulate 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 2819m² on a variety of lease terms, making control of our stationary CO₂ emissions difficult.

We have continued to exceed our target across all scopes. While there has been a slight increase in activity from the 2020/21 performance, 2021/22 was still an exceptional year because of the Covid-19 pandemic and it is expected carbon emissions will increase again in 2022/23 in line with an increase in our face to face scrutiny and improvement activity. We also plan to maintain some of the efficiencies we developed during the pandemic therefore do not expect an increase to pre pandemic levels. However, the Climate Change Reporting requirements include a 0.3tCO₂e for every homeworking member of staff. This would increase our consumption to approximately 442 tCO₂e. It would still be a considerable reduction from the 2015-16 baseline but would not reflect our direct use. We continue to aggregate our direct energy consumption and costs across all our estate.

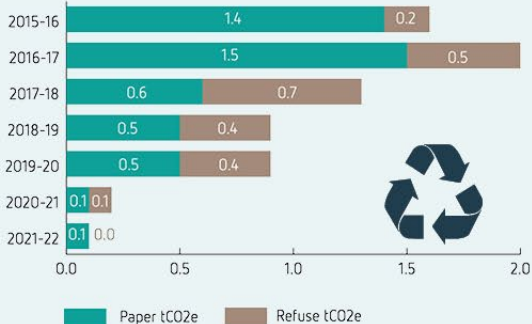


Area	Actual Performance	2015/16 Baseline
Total CO ₂ Emissions	272.5 tCO ₂ e	1,328 tCO ₂ e
Travel Related CO ₂	117.4 tCO ₂ e	756 tCO ₂ e
Total Travel Cost	£189,678	£990,873
Total Energy CO ₂	154.9 tCO ₂ e	569 tCO ₂ e
Energy Consumption (gas and electricity)	766,026 kWh	1.68 MWh
Energy Expenditure (gas and electricity)	£71,534	£145,509
Total Waste CO ₂	0.11 tCO ₂ e	1.6 tCO ₂ e
Waste	4.6 tonnes	87.4 tonnes
Waste Expenditure	£868	£21,279
Total Water CO ₂	0.1 tCO ₂ e	1.3 tCO ₂ e
Water consumption	646 m ³	3,830 m ³
Water expenditure	£11,519	£36,267



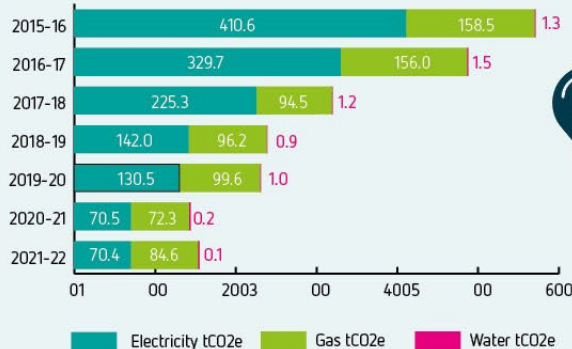
Waste/recycling

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



Gas, water and electricity

The utilities consumption, while still significantly reduced from pre-Covid-19 levels, has increased this year with a slow increase in office occupancy. 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.

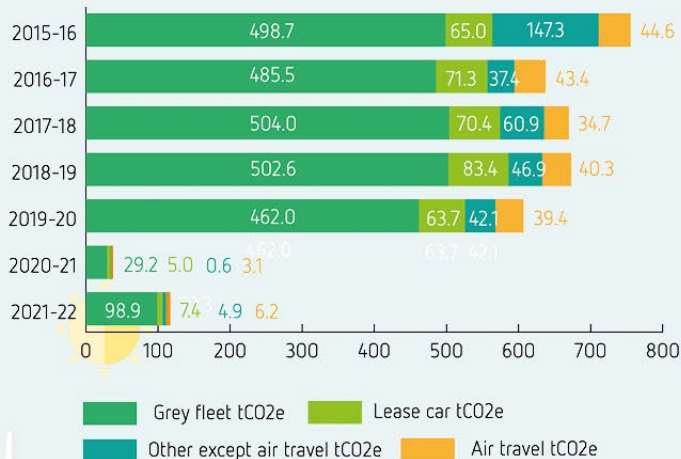


Travel



Grey Fleet is employees use of private cars for business journeys. The carbon emissions from grey fleet have increased from last year as a result of some relaxation of the Covid-19 restrictions meaning an increase in business travel to 99 tCO2e. 'Other' includes trains, ferries, buses and taxis, again showing a small increase due to the relaxation of the Covid-19 restrictions.

Covid-19 had a significant impact on our ability to carry out our scrutiny and improvement activities and travel for other business reasons such as training and attending meetings. The pandemic has also provided the opportunity to use technologies such as Microsoft Teams and Sharepoint better, reducing the requirement to meet in person and attend offices, reducing our carbon footprint. It is anticipated that much of this change in work practice will continue post pandemic. However, we are trialling Hybrid Working and there will be a further increase in business travel as we return to 'business as usual' in 2022-23.



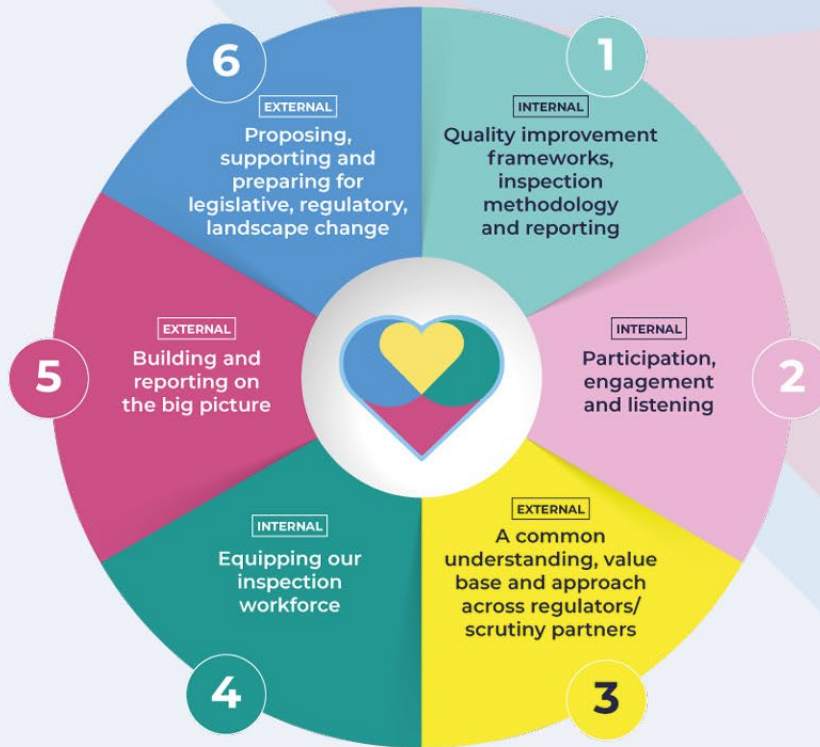
Sustainable procurement

Sustainable procurement means taking into account social, economic and environmental considerations as part of the procurement process. Our procurement strategy details our priorities, which includes sustainable procurement. Our procurement activity will seek to build sustainability into contracts from the very start of the process. This includes seeking opportunities for carbon emission reduction, recycle and reuse, environmental protection and enhancement of biodiversity, equality and fair work practices, community benefits and providing opportunities for small to medium enterprises, supported businesses, third sector, not for profit organisations and subcontracting. Our annual procurement report shows progress against our strategy and is available on our website.

Spotlight: The Promise

The Promise is an ambitious Scottish Government programme to transform the life chances of care experienced children and young people. As a national initiative, The Promise has been given unprecedented backing, with the First Minister personally bringing the voice of looked after children and young people right into the heart of government. Building on the GIRFEC model, UNCRC incorporation and Corporate Parenting duties placed on public authorities, The Promise Scotland is responsible for driving root and branch change demanded by the Independent Care Review.

The review found that people with care experience continue to experience systemic discrimination and barriers stopping them growing up loved, safe, respected and able to realise their full potential. It demanded that all public authorities do more to remove these barriers and proactively help care experienced people.



Our Promise programme has two interconnected delivery plans: one internal and one external:

1. Keeping The Promise internally (workstreams one, two and four): has a focus on our current work within the organisation through our existing business-as-usual structure within which to further explore, develop, strengthen and 'Promise proof' our work internally. A key outcome will be increased internal and external visibility of our core work and the continuous improvement already underway and unfolding new developments. During 2021/22 key effort has been focussed on our involvement and participation activities and the foundational steps in further equipping our own workforce to become Promise confident in their practice.
2. Keeping The Promise externally (workstreams three, five and six): is unfolding to meet the expectations that we will initiate and nurture additional partnership working with other scrutiny and inspection agencies. This part of the programme is also twofold. It includes our work with scrutiny partners such as SSSC to achieve change and importantly considers how best to use our leverage as a national scrutiny body to inform decision-making and to influence change.

Demonstrating the organisation's commitment and determination to play our part in keeping the Promise during the last 12 months has witnessed the establishment of new roles, responsibilities, priorities and collaborative working internally and externally. We have dedicated resource to this work, including: the deployment of a full time children's strategic inspector to lead the Promise work; recruitment of a full time colleague on secondment to leads workstreams 2 and 4; and involving senior lead manager colleagues in methodology and professional standards and methodology to lead workstreams 1 and 3. This increased fusion of collaborative and matrix working across the directorates has enabled us to make a fruitful start, interweaving organisational activity within our UNCRC, corporate parenting, equalities, methodology, professional standards, partnership working, communications and involvement and participation endeavours. This vital work is moving apace towards key goals strongly evident within the organisation's new corporate plan.

2.3 Detailed analysis of development and performance

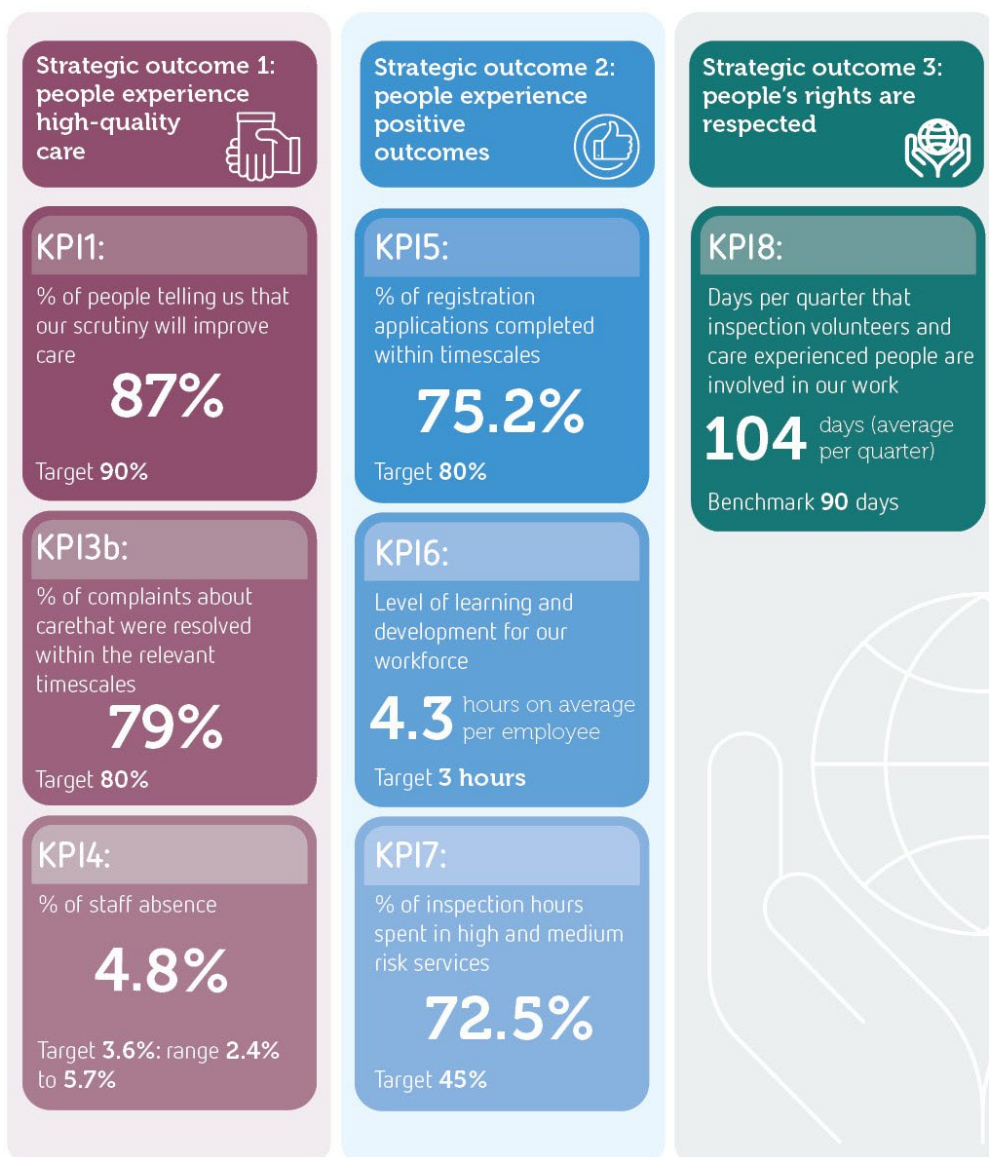
The continued impact of Covid-19 resulted in changes to practice and policies which were different from our pre-pandemic activities.

As a result, we had to change the way that we monitored some of our KPIs as the changes in policy meant it was not being possible to report in the normal way on some of our KPIs (2 and 3(a)) and performance in others was impacted due to the response required to the Covid-19 pandemic. The Board commissioned a rapid review of our performance measures considering the continuing pandemic and agreed that we should stop reporting against KPI2 and KPI3(a). We instead provided detailed quantitative and qualitative information on inspection and complaints activity. More detail on the rapid review of performance measures can be found here:

https://www.careinspectorate.com/images/documents/6428/.Board_16.12.2021.pdf

The table below shows our end of year performance in our KPIs.

End of year KPI performance 2021/22



Overall, we met or exceeded targets on four of our seven KPIs, and were slightly below target on the remaining three. Performance on KPI7 remained high and well above target due to our focus on high-risk services during our response to Covid-19. Staff absence (KPI4) remained within our target range as staff were working continuously to support the pandemic response and was likely helped by continuing to work 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.

For the KPIs where we were slightly below target, performance was impacted by our operational response to the Covid-19 pandemic.

KPI1: the percentage of people telling us that our scrutiny will improve care was only just below target due to a relatively low number of responses. At present this measure only measures a very particular function (registration), we will continue to develop our work to capture views on how effective our scrutiny activity is in other areas to allow us to start reporting on these also. It is important to note that, as we have always done, we continue to speak with people at all inspections including people experiencing care and their carers.

KPI3(b): the percentage of complaints about care that were resolved within the relevant timescales (includes all methods of resolution) was only just below target. The complaints team had vacancies throughout the year, and this has impacted on performance in this measure especially when more complaints were being investigated on-site.

KPI5: the percentage of registration applications completed within timescales was slightly below target. The emergence of the omicron variant changed some of the priorities within registration towards helping services with the pandemic response over the winter months and there were also some capacity issues within the registration team during last two quarters.

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

At 31 March 2022, there were 11,708 registered care services operating in Scotland. 85% 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 10,174 care service scrutiny interventions, including inspections (2,424), new registrations (456), complaints received (5,595), and variations (1,699).

New registrations completed: The number of registrations completed is broadly the same as last year (down 4%, 21 completed registrations). The emergence of the Omicron variant and widespread cases across the country may have impacted on the number of applications for new registration. Additionally, the number of completed registrations may have been higher last year due to registrations relating to the expansion of early learning and childcare provision.

Inspections completed: Completed inspections increased 190% (up 1,589 inspections) compared to last year, with 2,424 completed inspection visits in 1,875 services. Inspections last year were almost exclusively in high-risk care homes for adults and older people as a result of the pandemic. With the relaxation of restrictions, it has been possible for more inspection activity in other service types to occur resulting in the increase year to year.

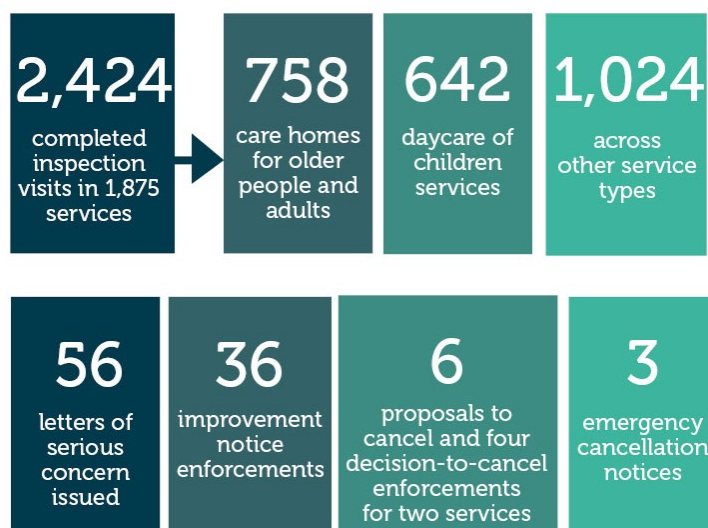
Complaints received: In 2021/22, we received 5,595 concerns/complaints about care services continuing the overall trend for increasing numbers of concerns/complaints about services over the past 10 years. This general increase in the numbers we received may indicate greater awareness of our complaints process and a greater awareness from people about the standards of care they and others should expect. The decrease last year was due to the impact of the pandemic: for example, many services closed (particularly early learning and childcare services) to prevent the spread of the virus and although, some service types were still heavily affected by Covid-19 in terms of normal operations most services were open in some capacity in 2021/22. Complaints from relatives or carers continue to occupy the greatest proportion of complainants 44%. We actioned every complaint received and responded to each one appropriately using a risk-based assessment process to satisfactorily resolve complaints as quickly as possible.

Our end of year complaints report for 2021/22 can be found here:

<https://www.careinspectorate.com/index.php/publications-statistics/19-statistics-and-data/statistics>

Variations to registration completed: Variations completed have decreased 30% compared to Q4 last year (down 726 completed variations). The drop in completed variations is due to the increased variation work last year related to changes in service provision due to Covid-19. Also, increased work the previous year relating to the expansion of early learning and childcare services declined in 2021/22. Last year providers had to submit variations to adjust where services could be provided from, and the type of service provided, as a result of the pandemic.

THESE INTERVENTIONS COMPRISED:



Further detail on our scrutiny activities can be found here:

<https://www.careinspectorate.com/index.php/publications-statistics/182-statistics-and-data/statistics/quarterly-statistical-reports>

Strategic inspection activity

Although, our Strategic Scrutiny programme continued to be impacted by Covid-19 we published a number of reports from across our programmes based on inspections that were carried out virtually over the pandemic. Reports were published for joint inspections of

services for children and young people, joint inspections of adult support and protection services, joint inspections for adults and inspection of justice social work services. These Strategic Scrutiny activities help to provide timely national assurance about individual local partnership areas' effective operations, key processes, and leadership.

You can find copies of all strategic reports under 'Inspection reports' here:

<http://www.careinspectorate.com/index.php/publications-statistics>

We are co-chairing a Programme Reference Group for the Joint inspection of Adult Services with Health Improvement Scotland to support, inform and promote the joint inspection programme in adult services.

We are undertaking a national inquiry into unpaid carer experiences of specifically social work and social care. This is an important area of work, with estimates being that during the pandemic the number of unpaid carers in Scotland has risen to more than one million. This inquiry will give opportunity for carers to engage with us about their experiences with the aim being to identify national learning and ultimately improve the social work experiences of carers across Scotland.

We published our Strategic Justice Overview Report 2018-21 in December 2021. The work of the justice team is aligned to national priorities, using scrutiny and assurance to gauge the efficiency of Community Justice Partnerships in designing and delivering effective community justice disposals. We have identified a number of consistent practice strengths, particularly in relation to report writing and risk management. We have also highlighted the continued importance of national outcomes and standards and the action required to strengthen and improve social work practice. We are mindful of the recovery of the criminal justice system and will be working in partnership with the sector and scrutiny partners to support continuous improvement.

People in care homes being supported to stay connected with people important to them

We continue work to address issues raised about ensuring people are supported to stay connected to people important to them including visiting and ensure that people's rights are protected. We supported the Scottish Government in the development of the new Health and Social Care Standards about connection and visiting and developed guidance for services to implement new standards. We have also developed a suite of improvement tools and pathways to support care homes to promote visiting and connection with people important to them. These were presented to CPAG (Clinical and Professional Advisory Group on Care Homes) and were well received. This support ensures people's human rights are respected and upheld.

Supporting and shaping the Covid-19 response - update

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 improved the consistency of advice and guidance available. 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>

Covid- 19 winter planning

The Care Inspectorate's winter plan, that incorporated all of our work and supported the national winter plan, was well received by the Scottish Government Health Directorate and the Chief Nursing Office. The plan was in full alignment with the national vision and detailed critical outputs that were delivered to support the social care sector. Outputs included a letter to the social care sector acknowledging the current pressures of recruitment and retention and detailed the main themes from inspections over the last 20 months and holding improvement webinars on specific themes and topics.

We supported Antimicrobial Resistance and Healthcare Associated Infections (ARHAI) and Scottish Government with the roll out of the new Infection Prevention and Control (IPC) manual for care homes. This included writing guidance, a communication strategy and presenting at webinars with services to promote the launch. In addition, development sessions on the IPC manual were delivered.

National Care Service consultation

A key priority was the preparation of our response to the Scottish Government's consultation on the new National Care service. Following extensive engagement with the Board and staff, our detailed response was submitted on 2 November. Additionally, our Interim Chief Executive was a keynote speaker at the Scottish Policy Conference event on 2 March 2022, alongside the Scottish Social Services Council and other key stakeholders, including the Minister for Mental Wellbeing and Social Care. The event focussed on Priorities for the Implementation of the National Care Service, and the Interim Chief Executive outlined the Care Inspectorate's views on the National Care Service as submitted via our consultation response last year.

<https://www.gov.scot/publications/national-care-service-scotland-consultation/documents/>

Guidance and resources to support services and inform the public

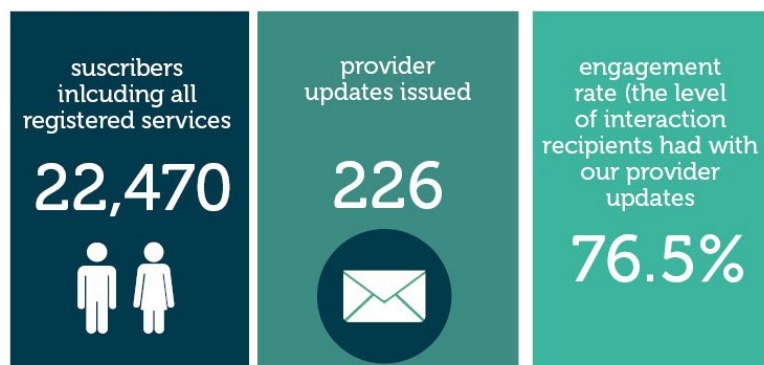
In response to Covid-19 we continued to update our guidance section of the website to inform and help services and the public stay up to date with the ever-changing situation. The guidance was largely collated by the Covid Flexible Response team. This team was formed by staff from across the organisation bringing their skills and experience together. The team worked closely with the Contact Centre and together supported our own staff internally with the ever-changing guidance while also responding to questions from providers, social care staff, families, and the general public. The team provided essential support to the organisation, responding to over 1,800 separate enquiries on topics ranging from testing and vaccinations to "Open with Care" for care homes for adults and older people and the reopening of ELC services. Over 40 webinars were delivered including preparing for winter, supporting nurse agencies and sector specific webinars to support implementation of the guidance in a range of settings.

The link to the guidance page is: <https://www.careinspectorate.com/index.php/covid-19>

We produced a report detailing the Care Inspectorate's scrutiny and support of adult social care during Covid-19 pandemic. This report follows on from similar reports on 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 as guidance, advice and practice changed during the ongoing the pandemic. Our provider updates have been some of the highest for open and click rates consistently throughout the pandemic across the 71 central Government UK clients using Granicus (a digital communication platform used by local authorities and public bodies which we use to publish and distribute our digital newsletters).

KEY METRICS FROM THE PAST 12 MONTHS OF ACTIVITY FOR PROVIDER UPDATES ARE AS FOLLOWS:



We received and responded to a total of 114 Freedom on Information Scotland Act (UK) (FOISA) requests (down from the 129 total last year), of which 101 were sent out within the statutory 20 working day deadline.

We received and responded to a total of 29 data protection requests (equal to last year), of which 21 were sent out within the statutory one month deadline.

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>

Continued reporting requirements following Coronavirus (Scotland) Act 2020

The Bill for the Coronavirus (Scotland) (No.2) Act 2020 continued to place additional duties on the Care Inspectorate up until September 2021:

- The Care Inspectorate had to 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 14 of these fortnightly reports in 2021/22 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 had to report this information weekly to Scottish Ministers. We provided this information to Scottish Government up until April 2022 at which point we published it on our own website. The reporting can be found here: <https://www.careinspectorate.com/index.php/publications-statistics/184-statistics-and-data/covid-19-statistics>.

- 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

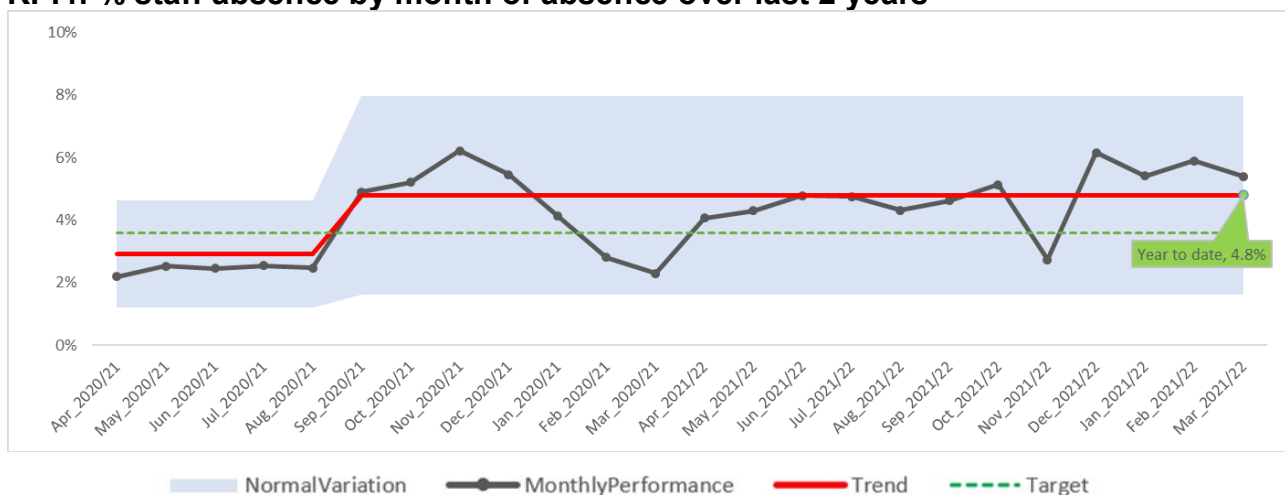
The Care Inspectorate continues to support the Crown Office and Procurator Fiscal Service (COPFS) investigation into deaths due to Covid-19 in care homes in Scotland codenamed Operation Koper. We started sharing relevant information with Police Scotland in June 2020.

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. 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 2021/22 the average staff absence was 4.8%; within our target range of 2.4% to 5.7%.

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



Hybrid working trial

Our 12-month hybrid working trial started on 7 March, and we have spotlighted a range of learning resources, including webinars for managers and staff, to support them with new ways of working whilst ensuring organisational needs. Guiding principles have been shared with the workforce on how to maximise learning outcomes in a virtual, face-to-face, or blended environment. We are actively engaging with colleagues and seeking regular feedback on how the trial is going.

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, and staff engagement with these sessions was high. For 2021/22, the Care Inspectorate invested on average 4.3 hours per staff member per quarter, up from the 3.8 hours on average last year (KPI6).

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 update training specific to Covid-19
- Specific inspector training and workshops including sessions on legislation, new methodologies and frameworks, and inductions
- Whistleblowing training- a prioritised programme of training was delivered by Protect, the UK's leading whistleblowing charity, to our managers and key staff to understand roles and responsibilities for managing both internal and external whistleblowing concerns.
- We launched changes to our LEAD process which simplified the recording process for staff. To support staff to understand the changes and participate in the process we launched new and updated guidance and offered drop-in sessions for staff. We will continue to monitor the demand for these sessions and respond to the needs of our workforce.

The Lens Intrapreneurship Programme

The Lens is an organisation that helps to develop a team of skilled, creative intrapreneurs and a pipeline of new ideas and business opportunities – all helping to drive an innovation-ready culture. They offer specialised training and mentoring through tailor-made packages. Our intrapreneurship programme with the Lens was formally launched in May 2021 at our all staff virtual event. After facilitating a series of virtual workshops supporting our managers and staff to understand and participate in the programme staff were invited to submit ideas for consideration. Seven shortlisted teams were able to access mentoring and support to prepare for our investment day for a share of £20,000 to fund their ideas. The winning projects taking a share of the £20,000 were Improving Social Worker Engagement, Tackling the Tensions of Hospital Discharge and Communication at the Heart.

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 2021-22, our care-experienced inspection volunteers spent an average of 104 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 recruitment activity.

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:

- Fostering and Adoption 2020-21
- Early Learning and Childcare Statistics 2020
- Staff vacancies in care services 2020

Corporate plan 2022-25

A key priority for us has been the development of our new Corporate Plan, was approved by our Board in March 2022 and is now published. The Corporate Plan was informed by all we have learned throughout the pandemic, by our scrutiny, assurance, quality improvement work, and by our partnership working over the last three years. We carried out extensive consultation with our staff, our volunteers, providers, partnerships and people who experience care, to shape a Plan that puts people at the very heart of all that we do with key priorities that are ambitious but achievable. We have based our Plan on the current policy context, but we have also built into it the ability to be flexible and adjust, being mindful that likely change is coming to the health, social care, social work and Early Learning and Childcare (ELC) landscape in Scotland. Announcements about the scope of a new National Care Service are expected soon and that along with education reform we may see developments that affect the work we do and how we do it, but our Plan will enable us to achieve our strategic outcomes successfully in the context of these changes. The Corporate plan 2022-25 can be found at the link below:

<https://www.careinspectorate.com/images/documents/6663/Care%20Inspectorate%20Corporate%20Plan%202022.pdf>

Market Oversight/Financial Sustainability

The Independent Review of Adult Social Care recommended that “A more actively managed care home market should be shaped and facilitated to respond to a longer term, strategic vision that takes into account the balance of providers in the market and local needs” and that the Care Inspectorate takes on a market oversight role. Following this recommendation and with Board approval we have scoped the development of a market oversight function and have piloted an initial “Proof of Concept” digital solution looking at various data sources for a small number of provider groups. The pilot resulted in emerging thinking on how the Care Inspectorate could deliver market oversight/financial sustainability processes and it is understood that this is being used to inform future decision making on what capacity and capability is required.

Digital transformation

We have continued work on the next phase of our digital transformation journey. In Stage 1 the digital transformation focus was on the new register, registration app and complaints app. We have worked on and now submitted our business case for Stage 2 to Scottish Government for approval and await confirmation before we can start our business led approach to replace our end-of-life systems that are at high risk of failure. This is an exciting opportunity to change how we do things. It will allow us to put in place a solution that will support the changing landscape of health and social care, our evolving needs and those of our partner organisations, who rely on the important information and insight we provide. A new digital platform will support a modern, flexible, and efficient way of working, enabling us to optimise our scrutiny activities, coordinate workloads and making best use of our skills.

Equality, Diversity and Inclusion

We published our [Equalities Mainstreaming Report](#). We have a legal obligation to report progress on mainstreaming the public sector equality duty under the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. Mainstreaming equality means integrating equality into our day-to-day working and the exercising of our functions. In other words, equality is a part of everything we do. These duties include publishing a mainstreaming report every two years and setting equality outcomes every four years.

The report showcases how we mainstream equalities across the organisation and how we continue to meet our specific legal duties. The report also includes information about our workforce and our new equality outcomes for 2021-2025. In parallel to writing this report, we took the opportunity to create our first ever Equality, Diversity and Inclusion Strategy 2021-2025. The strategy communicates our vision around equality, diversity and inclusion and explains why it is important to our workforce and to people who experience care. The strategy is supported with a comprehensive action plan that details tasks and timescales for the four-year period. This will ensure that equality, diversity and inclusion is integrated further into our day-to-day work.

Safe Staffing Project

The Safe Staffing Project is a national quality improvement project. The aim of the project was to support care homes for older people to engage in and support the development of improvements in staffing levels, outcomes for people experiencing care and the wellbeing of staff. The project is commissioned by the Scottish Government and is being delivered by the Care Inspectorate in collaboration with people experiencing care, relatives, representation groups and other stakeholders. The vision of the project was to ensure that in care homes in Scotland there are the right people, in the right place, with the right skills at the right time working to ensure people experience the best health and care outcomes.

The Safe Staffing project has successfully delivered a Quality improvement collaborative series of learning events to care home providers, managers and partnership staff in seven Health and Social Care Partnership areas to support readiness for the implementation of the Health and Care Staffing Scotland Act 2019. In phase three of the project, the Safe Staffing project team engaged with providers, managers and staff of care homes for adults in health and social care partnership areas to support the sector to develop small tests of change to inform the possible development of a staffing method. The project is now expanded to a full programme of work to include all care services that employ staff. The programme continues to work collaboratively with key stakeholders.

Bairns' Hoose (Barnahus)



Bairns' Hoose, based on an Icelandic model 'Barnahus', will bring together services in a 'four rooms' approach with child protection, health, justice and recovery services all made available in one setting. Bairns' Hoose aims to ensure that every child victim or witness has consistent and holistic support, access to specialist services and receives ongoing therapeutic care from services coordinated under one roof.

In collaboration with Healthcare Improvement Scotland (HIS) we developed Scotland-specific standards for our approach based on the European PROMISE Quality Standards. In September 2021, we held a Symposium event and published a Foundations report LINK to celebrate the pace and development of children's rights, recovery and justice in Scotland, and to explore the foundations on which we will build Scotland's Barnahus. The Standards Development Group has been reconvened to develop draft standards for consultation next

summer. These will be published by the end of 2022. To coincide with the Symposium event Scottish Government published their Bairns' Hoose Vision (<https://www.gov.scot/publications/bairns-oose-scottish-barnahus-vision-values-and-approach/>).

As well as building collaboration with HIS, the Bairns' Hoose standards project involves partnership working with a wide range of professional groups, including police, justice, researchers, victims' organisations, and charities specialising in supporting children and young children through trauma.

Jackie Irvine
Chief Executive
21 November 2022

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 two data protection breaches reported to the Information Commissioner's Office (ICO). ICO considered the breaches and concluded that no further action by the ICO was necessary.

We developed an internal action plan to resolve any issues and prevent any reoccurrence. All actions were overseen by the Data Protection Officer and the Deputy Senior Information Responsible Owner and are now complete.

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 2022, the Care Inspectorate leased 14 properties. Of these, 10 are shared with other public sector bodies. The Estate Management Plan for 2017-20 set out our commitment to reduce our estate through shared opportunities where possible. In response to the Covid-19 pandemic, this plan rolled forward to cover 2021-2022. We are currently undertaking a hybrid working trial, the results of which will inform our 2023-2026 strategy.

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, 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 and
- 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 she 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.

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.

A revised Care Inspectorate Code of Conduct was agreed by the Board at its meeting of 22 March 2022. The revised Code of Conduct was approved by Scottish Government on 14 April 2022.

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 2021 to 31 March 2022

Board Member	Board	Audit & Risk		Board Development Events	Total
Number of meetings and events	7	5		6	18
	Attended	Member	Attended	Attended	Actual Attendance / Expected Attendance
Paul Edie, Chair	7	No	1	6	14 / 14
Naghat Ahmed	7	No	1	6	14 / 14
Gavin Dayer	7	Yes	5	6	18 / 18
Anne Houston	6	Yes	1	4	11 / 15
Keith Redpath	5	Yes ¹	1	3	9 / 15
Carole Wilkinson	6	No	0	5	11 / 14
Rognvald Johnson	6	Yes	4	5	15 / 18
Bill Maxwell	6	Yes	5	6	17 / 18
Paul Gray	7	Yes	5	6	18 / 18
Rona Fraser	7	Yes	5	6	18 / 18
Sandra Campbell	7	No	1	6	14 / 14

¹ Keith Redpath stood down from the Audit & Risk Committee during the year.

Accountable Officer

The Care Inspectorate's Interim Chief Executive, Edith Macintosh, is the designated Accountable Officer taking up this responsibility with effect from 11 February 2022. 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.

Peter Macleod was Chief Executive and Accountable Officer until 10 February 2022.

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 Interim Chief Executive in her Accountable Officer role through the formal scheme of delegation. In addition to the Chief Executive, the Executive Directors for the financial year 2021/22 comprised:

- Edith Macintosh, Executive Director of Strategy and Improvement and Deputy Chief Executive (until 10 February 2022);
- Jacqueline Mackenzie, Executive Director of Corporate and Customer Services;
- Gordon Mackie, Executive Director of IT, Transformation and Digital;
- Kevin Mitchell, Executive Director of Scrutiny and Assurance and
- Craig Morris, Interim Executive Director of Strategy and Improvement (from 7 February 2022).

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 2021/22, our internal auditors consider:

- all reviews undertaken as part of the 2021/22 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 2021/22 was:

"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".

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 2022/23.

- We will build on the assurance mapping work already undertaken.
- Our testing and review of our Business Continuity Management System will continue.
- We will publish a new Corporate Plan for 2022 to 2025.
- Aligned with the new Corporate Plan, we will continue the development of the Strategic Performance Management Framework.
- We will further strengthen our cyber security during 2022/23.

- 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 will conduct and evaluate a hybrid working trial.

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 line with the public health guidance, in order to keep people safe in the face of the escalating pandemic.

During 2021/22, Covid-19 continued to have an impact on our work and we adapted our scrutiny and improvement activity and performance measures according to conditions and guidance available.

Our activity is outlined in the performance report.

Certification

The Care Inspectorate's governance framework has been in place for the year ended 31 March 2022 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 £91,338 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 £3,312 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

Edith Macintosh was appointed as the Care Inspectorate's Interim Chief Executive on 11 February 2022. As this is an interim appointment, the notice period is that of her substantive Executive Director post which is three months. 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. 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 2021/22 £000	Salary 2020/21 £000
Anne Houston (to 09/03/2022)	0-5	5-10
Bernadette Malone (until 31/07/2020)	n/a	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	0-5	5-10
Paul Edie (Chair)	40-45	45-50
Paul Gray	0-5	0-5
Rognvald Johnson	0-5	0-5
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 ²		Total	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£	£	£000	£000	£000	£000
Peter Macleod ³ Chief Executive (to 10/02/2022)	105-110	120-125	0	0	n/a	36	(105-110)	155-160
Edith Macintosh Interim Chief Executive (from 11/02/2022) Edith Macintosh Executive Director of Strategy and Improvement and Deputy Chief Executive (to 10/02/2022)	95-100	90-95	0	0	27	27	125-130	115-120
Craig Morris ⁴ , Interim Director of Strategy and Improvement (from 07/02/2022)	70-75	n/a	0	0	n/a	n/a	70-75	n/a
Jaqueline Mackenzie, Executive Director of Corporate and Customer Services (from 01/11/2020)	90-95	35-40	0	0	25	156	115-120	190-195
Kevin Mitchell ⁵ Executive Director of Scrutiny and Assurance	100-105	95-100	0	0	51	22	150-155	120-125
Gordon Mackie, Executive Director of ICT, Transformation and Digital	90-95	90-95	0	0	28	29	120-125	115-120

² The value of pension benefits accrued during the year is 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.

³ Peter Macleod left during 2021/22 therefore the pension benefit information is not available. The annualised salary for Peter was within the range £120k to £125k.

⁴ As the Interim Director of Strategy and Improvement joined during the year, the prior year pension information isn't available.

⁵ Kevin Mitchell receives an additional non pensionable 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 remuneration of our workforce. Total remuneration includes salary, overtime, other taxable allowances and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The former Chief Executive was the highest paid director in the financial year 2021/22. Their full-time annual salary was in the salary band £120,000 to £125,000. The mid-point of this band is £122,500 which is 2.76 times greater than the median remuneration of the workforce.

The former Chief Executive's salary remained the same as the previous financial year, based on the mid-point of the range.

There were three agency staff members who earned more than the highest paid director during the year. These agency appointments were only for part of the year, but for the purposes of this disclosure, payments have been grossed up to provide an annual value. These are highly skilled digital transformation specialists, who demand higher salaries due to the scarcity of the resource.

The average percentage change from the previous financial year in respect of the employees of the entity taken as a whole (excluding highest paid director) was an increase of 8 per cent in 2021/22. 2020/21 was a 7 per cent increase on 2019/20.

The following shows the pay ratios using the mid point of the highest paid director.

	<u>25th percentile pay ratio</u>	<u>Median pay ratio</u>	<u>75th percentile pay ratio</u>
2021/22			
Pay ratios	3.25	2.76	2.60
Total pay and benefits	£37,667	£44,333	£47,069
Related salary component of total pay and benefits	£37,167	£43,833	£46,338
2020/21			
Pay ratios	3.36	2.88	2.74
Total pay and benefits	£36,438	£42,590	£44,674

	<u>25th percentile pay ratio</u>	<u>Median pay ratio</u>	<u>75th percentile pay ratio</u>
Related salary component of total pay and benefits	£36,438	£42,528	£42,528
Increase/(reduction) in 2021/22 pay ratios compared to 2020/21	(0.11)	(0.12)	(0.14)

The median pay ratio for 2021/22 is consistent with the pay reward and progression policies for the Care Inspectorate's employees as a whole.

	2021/22	Restated 2020/21
Staff minimum full-time equivalent remuneration	£19,515	£18,714
Staff maximum full-time equivalent remuneration	£135,406	£133,875

The maximum full-time equivalent remuneration includes highly skilled digital transformation staff recruited through agencies. Staff with those skills are scarce, therefore demand higher salaries. The 2020/21 comparator has been restated to include agency staff.

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 2022				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 2022 £000	As at 31 March 2021 £000	Real increase £000
Peter Macleod ⁶ Chief Executive (to 10/02/2022)	n/a	n/a	(27.5-30)	-	n/a	71	(73)
Edith Macintosh Interim Chief Executive (from 11/02/2022) Executive Director of Strategy and Improvement and Deputy Chief Executive (to 10/2/2022)	15-20	-	0-2.5	-	153	114	35
Craig Morris ⁷ Interim Executive Director of Strategy and Improvement (from 07/02/2022)	45-50	0-5	n/a	n/a	153	-	153
Jacqueline Mackenzie, Executive Director of Corporate and Customer Services	10-15	-	(0-2.5)	-	165	125	36
Kevin Mitchell ⁸ Executive Director of Scrutiny and Assurance	25-30	-	0-2.5	-	357	283	65
Gordon Mackie, Executive Director of ICT, Transformation and Digital	30-35	-	(0-2.5)	-	44	20	23

⁶ As Peter Macleod left the Care Inspectorate employment during the year, the pension figures as at 31 March 2022 are not available.

⁷ As the Interim Director of Strategy and Improvement joined during the year, the prior year pension information is not available.

⁸ The Executive Director of Scrutiny and Assurance transferred their pension rights from the Civil Service Pension Scheme. The pension entitlements disclosed above have increased 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 them 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 2021/22. Staff numbers are expressed as the average Full Time Equivalents (FTE) employed during the year.

	Permanently Employed	Others	Total
Senior managers	33	2	35
Other employees	494	29	523
Agency workers	0	10	10
Secondments inward	0	0	0
Total staff engaged	527	41	568
Secondments outwards	(2)	0	(2)
Net staff engaged on Care Inspectorate activity	525	41	566

	Permanently Employed £000	Others £000	Total £000
Salaries	23,163	1,060	24,223
Social security costs	2,581	103	2,684
Pension service costs	9,968	151	10,119
Total cost directly employed staff	35,712	1,314	37,026
Board members ¹	0	70	70
Agency workers	0	1,025	1,025
Secondments inward	0	16	16
Total cost of staff engaged on Care Inspectorate activity	35,712	2,425	38,137
Voluntary early severance/retirement costs	73	0	73
Other staff costs	435	0	435
Staff costs (SCNE)	36,220	2,425	38,645
Secondments outwards	(193)	0	(193)
Net Staff Costs	36,027	2,425	38,452

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.

¹There 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 eight remunerated Board Members are office holders and are not included in the staff numbers.

	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

	2020/21		
	Permanently employed £000	Others £000	Total £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 ²	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

²There 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.

4.2.2 Staff breakdown by gender and sickness absence

The gender breakdown as at 31 March 2022 and sickness absence information for the year to 31 March 2022 is shown below. Staff numbers are provided on a headcount basis.

Our gender balances



OUR PERMANENT WORKFORCE



OUR TEMPORARY WORKFORCE

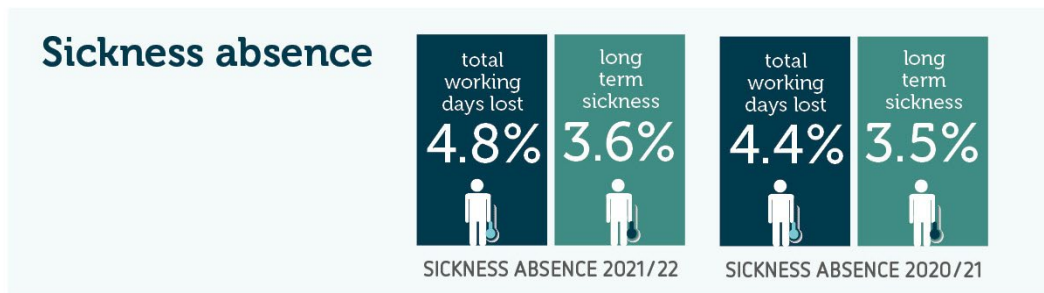


OUR WORKFORCE



OUR BOARD

Through our new [Equality, diversity and inclusion strategy 2021-25](#) 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 per cent (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; and
- 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 2021-25](#).

Our commitment to equality takes into consideration all nine protected characteristics in the Equality Act 2010. 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 Level Two Status (The Employer 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 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 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:

- every person has 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 which provides access to paid time off for employees with caring responsibilities, to help avoid any disability discrimination by association.
- Adoption, fostering, maternity, paternity and parental leave, along with 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/ job applicants living with a disability. We are also members of the Disability Confident Scheme.

4.2.4 Expenditure on consultancy

Consultancy expenditure of £67,000 was incurred in 2021/22 as follows:

- Redesign of recruitment and selection processes (£22,000)
- Digital transformation development consultancy services (£14,000)
- Organisational design consultancy (£12,000)
- Estates professional services (£11,000)
- Job evaluation services (£6,000)
- Tax advisory services (£2,000)

In 2020/21 there was consultancy expenditure of £126,000 as follows:

- Digital transformation development consultancy services (£103,000)
- ICT Consultancy (£6,000)
- Job evaluation services (£7,000)
- Shared services future strategy consultation (£5,000)
- Tax advisory services (£3,000)
- Analysis and scoping of pay and reward practices (£2,000)

4.2.5 Exit packages (Audited)

The Care Inspectorate granted compensatory payments to three individuals leaving the organisation during the year 2021/22.

Year to 31 March 2022		
Exit package cost band	Number of departures agreed	Total cost £000
£10,000 to £25,000	2	41
£25,000 to £50,000	1	32
Totals	3	73

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

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 2021/22 follows.

Table 1 Relevant union officials

The table below details number of employees who were relevant union officials during 2021/22.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
15	14.4

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 2021/22.

Percentage of time	Number of employees
0%	2
1%-50%	12
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	£36,204
Total pay bill	£30,834,781
Facility time as a percentage of total pay bill	0.12%

Table 4 Paid trade union activities

The table below provides hours spent by employees who were relevant union officials during the 2021/22 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.	22.3%
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The facility time statement outlining the value of facility time can be found on our [website](#).

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 2022 (nil for the year to 31 March 2021).

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 2021/22 budget was based on funding of 69% from grants and grant in aid, 29% from fees charged to service providers, and general reserve funding of 2%. (2020/21 65% grants and grant in aid; 33% fees and 2% general reserve).

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

	2021/22			2020/21		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Application to Register	508	545	37	529	504	(25)
Continuation of Registration	11,400	11,353	(47)	11,350	11,222	(128)
Total	11,908	11,898	(10)	11,879	11,726	(153)

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 2021/22 (2020/21; £0.9m).

5.3 Remote contingent liabilities

There were no contingent liabilities as at 31 March 2022 which require disclosure under IAS37 or the Scottish Public Finance Manual (nil as at 31 March 2021).

Jackie Irvine
Chief Executive
21 November 2022

6. Independent auditor's report – to be updated

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.

Sophia Brown, 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 2022

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**STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2021/22 £000	2020/21 £000
<u>Income</u>			
Fees charged to service providers	2a	(11,898)	(11,726)
Other operating income	2b	(1,145)	(992)
		(13,043)	(12,718)
<u>Expenditure</u>			
Staff costs	3a	38,645	34,256
Operating expenditure	6	6,173	6,222
		44,818	40,478
<i>Net operating expenditure on ordinary activities before interest and (return)/cost on pension scheme assets and liabilities</i>		31,775	27,760
Bank charges (net of interest)		10	8
Net interest on defined pension liability/(asset)	5b	171	428
		31,956	28,196
<i>Net operating expenditure on ordinary activities after interest and net interest on pension scheme net liabilities</i>		31,956	28,196
Total actuarial re-measurements on defined pensions liability	5b	(15,447)	(13,396)
		16,509	14,800
Total comprehensive net expenditure / (surplus) before Scottish Government funding*		16,509	14,800

All operations are continuing.

The notes on pages 65 to 87 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 2022

		2021/22	2020/21 (restated)
	Notes	£000	£000
Non-current assets			
Property, plant and equipment	7	10	61
Intangible Assets	8	0	0
Trade and other receivables falling due after more than one year	9	37	72
Total non-current assets		47	133
Current assets			
Trade and other receivables	9	3,671	4,717
Cash and cash equivalents	10	4,554	2,190
Total current assets		8,225	6,907
Total assets		8,272	7,040
Current liabilities			
Trade and other payables	11	(3,538)	(3,271)
Other Provisions	16	(58)	(82)
Total current liabilities		(3,596)	(3,353)
Non-current assets plus/less net current assets/liabilities		4,676	3,687
Non-current liabilities			
Other payables greater than one year	11	(2)	(37)
Other provisions	16	(604)	(580)
Pension assets/(liabilities)	5a	(1,454)	(10,466)
Total non-current liabilities		(2,060)	(11,083)
Assets less liabilities		2,616	(7,396)
Taxpayers' equity			
Pensions reserve	SOCTE	(1,454)	(10,466)
General reserve	15	4,070	3,070
		2,616	(7,396)

Other provisions have been restated to show current and non current liabilities

Jackie Irvine
Chief Executive
21 November 2022

The notes on pages 65 to 87 form an integral part of these accounts

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2021/22	2020/21
		£000	£000
Cash flows from operating activities			
Total comprehensive net expenditure before Scottish Government funding	SCNE	(16,509)	(14,800)
<hr/>			
Adjustments for non-cash items:			
Pension actuarial adjustments	5b (table 2)	(9,012)	(9,586)
Depreciation and amortisation	7,8	51	50
(Increase)/decrease in trade and other receivables	9	1,081	(1,057)
Increase/(decrease) in trade and other payables	11	267	244
Increase/(decrease) in non-current liabilities	11	(35)	(45)
Increase/(decrease) in provisions	16	0	662
Net cash outflow from operating activities		<u>(24,157)</u>	<u>(24,532)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	0	0
Net cash outflow from investing activities		<u>0</u>	<u>0</u>
Cash flows from financing activities			
Grants from Scottish Government	12	26,521	25,205
Net financing		<u>26,521</u>	<u>25,205</u>
Net increase/(decrease) in cash and cash equivalents in the period	10	2,364	673
Cash and cash equivalents at the beginning of the period	10	2,190	1,517
Cash and cash equivalents at the end of the period	10	4,554	2,190

The notes on page 65 to 87 form an integral part of these accounts

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	Pension Reserve £'000	General Reserve £'000	Total Reserves £'000
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			(14,800)	(14,800)
Total recognised income and expense for 2020/21		9,586	(24,386)	(14,800)
Grant from Scottish Government	12		25,205	25,205
Balance at 31 March 2021		(10,466)	3,070	(7,396)
Changes in taxpayers equity for 2021/22	-			
Adjustment between accounting basis and funding basis for actuarial pension valuation adjustments	5b (table 2)	9,012	(9,012)	0
Total Comprehensive Net Expenditure			(16,509)	(16,509)
Total recognised income and expense for 2021/22		9,012	(25,521)	(16,509)
Grant from Scottish Government	12		26,521	26,521
Balance at 31 March 2022		(1,454)	4,070	2,616

The notes on pages 65 to 87 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 United Kingdom, International Financial Reporting Interpretation Committee (IFRIC) Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. 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 £2.9 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 £0.04 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. Leasehold improvements are depreciated at the lower of expected useful economic life and lease term. 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 £0.759m 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 £0.898m 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 2022 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. Most 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.

The Care Inspectorate's financial instruments comprise trade and other receivables, trade and other payables, and cash and liquid resources.

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.

1.20 Assumptions made about the future and other major sources of estimation uncertainty

The Care Inspectorate does not have any uncertainties that would have a material effect with the exception of the provision for dilapidations (note 16).

2. Operating income

	2021/22	2020/21
	£000	£000
2.a Fees charged to service providers		
Continuation of registration	(11,353)	(11,222)
Application to register	(545)	(504)
	(11,898)	(11,726)

	2021/22	2020/21
	£000	£000
2.b Other operating income		
Recharges for services provided to other organisations	(829)	(776)
Secundee recharges	(193)	(33)
Lease income	(87)	(87)
Other income	(36)	(96)
	(1,145)	(992)

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	2021/22	2020/21
	£000	£000
Directly employed staff	37,026	33,075
Indirectly employed staff	1,111	708
Severance costs	73	43
Other staff costs	435	430
Total staff costs	38,645	34,256

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.

	2021/22			2020/21		
	Local Government Scheme £000	NHS Scheme £000	Total £000	Local Government Scheme £000	NHS Scheme £000	Total £000
Employer pension contributions actually paid	3,907	42	3,949	3,700	45	3,745
Accounting entries (IAS19 note 5)						
Service cost (actuarial basis)	10,077	42	10,119	7,017	45	7,062
Pension costs included in staff costs (SCNE)	10,077	42	10,119	7,017	45	7,062
Variance between actual cost and accounting basis	6,170	0	6,170	3,317	0	3,317

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

The total cost of exit packages in 2021/22 was £73k (2020/21: £42k). 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 2022 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 based on scheme data as at 31 March 2020 and will set contribution rates for the period 1 April 2023 to 31 March 2027. 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 2022, the Care Inspectorate paid an employer's contribution of £42k (2020/21 £45k) into the NHS scheme at a rate of 20.9% of pensionable pay (2020/21 20.9%). The employer contribution rate for the year to 31 March 2023 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.

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 based on scheme data 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 2022 were £3,907k (2020/21 £3,700k) 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 10.0% 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.
- **Regulatory risk.** Regulatory uncertainties could result in benefit changes to past or future benefits which could result in additional costs.

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.

There are currently uncertainties in relation to Local Government Pension Scheme (LGPS) benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

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 2022	Year to 31 March 2021
	£000	£000
Present value of funded obligation	(248,737)	(244,640)
Fair value of scheme assets (bid value)	247,283	234,174
Net liability in Statement of Financial Position	(1,454)	(10,466)

5.b Statement of comprehensive net expenditure (SCNE) costs for the year to 31 March 2022

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

	Year to 31 March 2022		Year to 31 March 2021	
	£000	£000	£000	£000
Service cost		10,077		7,017
Administration expenses		94		65
Net interest on the defined liability/(asset)		171		428
Difference between actual employer's contributions and actuarial employer's contributions	(2)		19	
Return on plan assets less interest	(8,215)		(53,210)	
Change in financial assumptions	(7,635)		48,732	
Changes in demographic assumptions	0		(2,640)	
Experience gain on defined benefit obligation	405		(4,728)	
Other actuarial gains	0		(1,569)	
Total remeasurements		(15,447)		(13,396)
Total		(5,105)		(5,886)
Total return on scheme assets		(12,901)		(57,335)

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	2021/22	2020/21
		£000	£000
Staff Costs	3b	6,170	3,317
Administration charges	5b Table 1	94	65
Net interest on defined liability	5b Table 1	171	428
Remeasurements	5b Table 1	(15,447)	(13,396)
		(9,012)	(9,586)
Total actuarial adjustment		(9,012)	(9,586)

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 2022

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

	Year to 31 March 2022		Year to 31 March 2021	
	£000	£000	£000	£000
Opening defined benefit obligation		244,640		195,769
Current service cost	10,077		7,017	
Past service costs, including curtailments	0		0	
Total service cost		10,077		7,017
Interest cost		4,857		4,553
Estimated benefits paid net of transfers in	(5,326)		(5,553)	
Contributions by scheme participants	1,719		1,490	
Total scheme transactions		(3,607)		(4,063)
Changes in financial assumptions	(7,635)		48,732	
Changes in demographic assumptions	0		(2,640)	
Experience gain on defined benefit obligation	405		(4,728)	
Total actuarial (gains)/losses		(7,230)		41,364
Closing defined benefit obligation		248,737		244,640

5.d Fair value of scheme assets reconciliation for the year to 31 March 2022

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

	Year to 31 March 2022		Year to 31 March 2021	
	£000	£000	£000	£000
Opening fair value of scheme assets		234,174		175,717
Interest on assets		4,686		4,125
Estimated benefits paid net of transfers in	(5,326)		(5,553)	
Employer contributions	3,909		3,681	
Contributions by scheme participants	1,719		1,490	
Total scheme transactions		302		(382)
Return on assets less interest		8,215		53,210
Other actuarial gains		0		1,569
Administration expenses		(94)		(65)
Closing defined benefit obligation		247,283		234,174

5.e Projected pension expense for the year to 31 March 2023

	Year to 31 March 2023
	£000
Service cost	9,641
Net interest on the defined liability	(12)
Administration expenses	95
Total	9,724
Employer contributions	3,909

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.

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 2022		Assets as at 31 March 2021	
	£000	%	£000	%
Equities	175,105	71	167,678	72
Gilts	11,644	5	9,260	4
Other bonds	29,521	12	30,566	13
Property	26,966	11	21,403	9
Cash	3,797	1	4,933	2
Alternatives	250	0	334	0
Total	247,283	100	234,174	100

Based on the above, the Care Inspectorate's share of the assets of the fund is approximately 4.86%.

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.

Ukraine crisis – impact on approach

As a result of this crisis, many equity markets across the globe have witnessed significant falls, but so far, the impact has been felt most prominently in equities with a close link to Russian markets, ie Russian equities themselves and in European tilted funds. Beyond equity markets, we have also seen volatility in government bond and credit markets. However, there has been no large directional move to date. The expected longer-term impact on gilt yields will largely depend on how these developments affect inflation (for example, through disruption to the supply of energy and commodities), and how central banks react to this. From an accounting perspective, the actuaries are comfortable that their current methodology in deriving assumptions continues to be appropriate with the current uncertainties in the market.

5.g Financial assumptions as at 31 March 2022

The financial assumptions used for IAS19 calculations are below. These assumptions are set with reference to market conditions at 31 March 2022.

The standard approach taken to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology. Sample cashflows at each duration year (from 2 to 30 years) are used to derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation the annualised Merrill Lynch AA rated corporate bond yield curve is used and assumes the curve is flat beyond the 30-year point. The estimated duration of the Care Inspectorate's past

service liabilities is 18 years. This is consistent with the approach used at the last accounting date.

Retail Prices Index (RPI) assumption

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.

Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, the actuary's view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. They have therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 10 years). This results in an overall IRP of between 0.0% p.a. and 0.3% p.a. depending on the term of the liabilities (for terms ranging from 2 years up to 30 years).

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and the assumptions are derived using the same estimated cashflows as noted above.

Consumer Prices Index (CPI) assumption

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 1.0% below RPI for each year prior to 2030 and will be in line with RPI thereafter. 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. This is consistent with the approach used at the last accounting date.

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 2022	31 March 2021	31 March 2020
	% p.a.	% p.a.	% p.a.
Discount rate	2.60	2.00	2.35
Pension increases	3.30	2.85	1.90
Salary increases	4.30	3.85	2.90

5.h Demographic/statistical assumptions

The Continuous Mortality Investigation (CMI) made a material change to CMI_2020 in 2021 (compared to previous versions) due to the impact of abnormal mortality data in 2020. This change introduced a "2020 weight parameter" for the mortality data in 2020 so that the

exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results.

The post retirement mortality tables used were the S3PA_H tables with a multiplier of 110%. These base tables are then projected using the CMI_2020 Model, allowing for a long-term improvement of 1.25% per annum with a smoothing parameter of 7.5, an initial addition to improvements of 0.0% per annum and a 2020 weighting of 25%. This is consistent with the assumptions adopted last year.

The assumed life expectations from age 65 are:

Life Expectancy from Age 65 (years)		31 March 2022	31 March 2021	31 March 2020 (consistent with 2020 valuation and before CMI_2020 update)
Retiring today	Males	18.9	18.9	19.2
	Females	22.3	22.2	22.5
Retiring in 20 years	Males	20.3	20.2	20.7
	Females	23.9	23.8	24.0

5.i Sensitivity Analysis

The following table sets out the impact of a change of a +/- 0.1% change to key assumptions and 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	244,507	248,737	253,044
Projected service cost	9,389	9,641	9,899
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	249,331	248,737	248,147
Projected service cost	9,646	9,641	9,636
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	252,417	248,737	245,122
Projected service cost	9,897	9,641	9,391
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	260,520	248,737	237,502
Projected service cost	10,113	9,641	9,188

6. Analysis of operating costs

Operating expenditure	2021/22	2020/21
	£000	£000
Property costs	2,162	2,163
Administration costs ¹	1,329	1,462
Supplies & services	2,238	1,687
Transport costs	309	143
Pension administration costs (IAS 19)	94	65
Provision for dilapidations	0	662
Depreciation & amortisation of assets	51	50
Changes in debt impairment allowance	(10)	(10)
	6,173	6,222
	6,173	6,222

1. Administration costs includes £35.3k for external auditor's remuneration (2020/21 £33.7k). External audit provided no services in relation to non-audit work.

7. Property, plant and equipment

	2021/22			
	Furniture and fittings £000	Plant and equipment £000	Information technology £000	Total £000
Cost or Valuation:				
At 1 April 2021	549	143	281	973
Additions	0	0	0	0
Disposals	0	0	0	0
At 31 March 2022	549	143	281	973
Depreciation:				
At 1 April 2021	(493)	(138)	(281)	(912)
Charged in year	(49)	(2)	0	(51)
Disposals	0	0	0	0
At 31 March 2022	(542)	(140)	(281)	(963)
Net book value:				
At 31 March 2022	7	3	0	10
At 31 March 2021	56	5	0	61

Asset Financing: All assets are owned.

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

8. Intangible assets

2021/22

	Computer software licences £000	Information technology £000	Total £000
Cost or Valuation:			
At 1 April 2021	0	121	121
Additions	0	0	0
Disposals	0	0	0
At 31 March 2022	0	121	121
Depreciation:			
At 1 April 2021	0	(121)	(121)
Charge for year	0	0	0
Disposals	0	0	0
At 31 March 2022	0	(121)	(121)
Net book value:			
At 31 March 2022	0	0	0
At 31 March 2021	0	0	0

There are no internally developed 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	<u>0</u>	<u>121</u>	<u>121</u>
Depreciation:			
At 1st April 2020	(21)	(121)	(142)
Charge for year	0	0	0
Disposals	21	0	21
At 31 March 2021	<u>0</u>	<u>(121)</u>	<u>(121)</u>
Net book value:			
At 31 March 2021	0	0	0
At 31 March 2020	0	0	0

There are no internally developed intangible assets

9. Trade and other receivables

	2021/22		2020/21	
	£000	£000	£000	£000
Amounts falling due within one year:				
Prepayments and accrued income		750		775
Trade receivables	2,917		3,937	
Other receivables	<u>4</u>		<u>5</u>	
		<u>2,921</u>		<u>3,942</u>
		3,671		4,717
Amounts falling due after more than one year:				
Prepayments and accrued income		36		72
Other receivables		<u>1</u>		<u>0</u>
		37		72
Total trade and other receivables		<u>3,708</u>		<u>4,789</u>

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 and recovery of car lease payments.

Provision for impairment of receivables:	2021/22	2020/21
	£000	£000
As at 1 April	(25)	(35)
Charge for the year	(33)	(83)
Unused amounts reversed	18	7
Uncollectable amounts written off	25	86
As at 31 March	(15)	(25)

As at 31 March 2022, trade and other receivables of £15k (2020/21 £25k) were past due and impaired. The amount provided is £15k (2020/21 £25k). The aging analysis of these receivables is as follows:

	2021/22	2020/21
	£000	£000
Up to 3 months past due	(0)	(3)
3 to 6 months past due	(0)	(1)
Over 6 months past due	(7)	(2)
Over 12 months past due	(8)	(19)
	(15)	(25)

As at 31 March 2022, trade and other receivables of £2,921k (2020/21 £3,942k) were due but not impaired. The aging analysis of these receivables is as follows:

	2021/22	2020/21
	£000	£000
Not yet due	1,667	2,496
Up to 3 months past due	649	422
3 to 6 months past due	156	340
Over 6 months past due	230	412
Over 12 months past due	219	272
	2,921	3,942

Amounts falling due within one year:	2021/22	2020/21
	£000	£000
Bodies external to government	2,975	4,237
Other central government bodies	131	141
Local authorities	484	255
NHS bodies	81	84
	3,671	4,717

Amounts falling due after more than one year:		
Bodies external to government	37	72
Total trade and other receivables	3,708	4,789

10. Cash and cash equivalents

	2021/22	2020/21
	£000	£000
Balance as at 1 April	2,190	1,517
Net change in cash and cash equivalent balance	2,364	673
Balance as at 31 March	<u>4,554</u>	<u>2,190</u>

The following balances as at 31 March were held at:

Government Banking Service	4,541	1,265
Commercial banks and cash in hand	13	925
Balance as at 31 March	<u>4,554</u>	<u>2,190</u>

11. Trade and other payables

	2021/22	2020/21
	£000	£000
Amounts falling due within one year:		
Trade payables	178	248
Accruals and deferred income	1,579	1256
Other taxation and social security	750	689
Other payables	1,031	1078
	<u>3,538</u>	<u>3,271</u>

Amounts falling due after more than one year:

Lease Incentives	<u>2</u>	<u>37</u>
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Analysis of trade and other payables:

	2021/22	2020/21
	£000	£000
Due within one year:		
Bodies external to government	2,173	1,987
Other central government bodies	820	798
Local authorities	501	448
NHS bodies	44	38
	<u>3,538</u>	<u>3,271</u>

Falling due after more than one year:

Bodies external to government	<u>2</u>	<u>37</u>
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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

	2021/22	2020/21
	£000	£000
Approved 2021/22 grant in aid for operating expenditure	25,894	23,379
Grant in aid drawn down during the year	24,227	23,379
Balance of grant in aid not required	(1,667)	0

Our actual expenditure was less than budgeted due to the continued restrictions in response to the Covid-19 pandemic and a larger number of vacancies during the year than budgeted. This underspend meant we had a lower amount of grant in aid funding required to fund our expenditure.

	2021/22	2020/21
	£000	£000
Grant in aid operating costs	23,902	23,054
Scrutiny approach for Community Justice	325	325
Support to early learning and childcare expansion	738	537
Adult support and protection inspection programme	473	601
National child death review hub	130	122
ELC improvement	249	196
Safe staffing	425	65
Adult significant case reviews	56	56
My active world / physical activity guidance	10	-
Appropriate adults	-	137
Total grant in aid funding	26,308	25,093
Technology enabled care programme funding ¹	213	70
Care about physical activity (CAPA) funding	0	42
Total grants from Scottish Government	26,521	25,205

¹ The Technology Enabled Care funding includes prepaid grant funding of £145k for future programme spend in 2022/23 and 2023/24.

13. Capital commitments to

There were no capital commitments as at 31 March 2022.(nil as at 31 March 2022)

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:	2021/22	2020/21
	£000	£000
Buildings:		
Within 1 year	756	689
Within 2 to 5 years	1,169	1,524
Beyond 5 years	13	275
	1,938	2,488
Other:		
Within 1 year	52	67
Within 2 to 5 years	18	53
	70	120

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:	2021/22	2020/21
	£000	£000
Buildings:		
Within 1 year	816	799
Within 2 to 5 years	386	1,109
Beyond 5 years	0	83
	1,202	1,991

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

General Reserves		Revenue Transactions	Capital Transactions	General Reserve
2020/21			2021/22	
£000		£000	£000	£000
2,251	Opening Balance	3,009	61	3,070
(14,800)	Surplus/(Deficit) for the year	(16,458)	(51)	(16,509)
(9,586)	pension actuarial adjustments	(9,012)		(9,012)
(22,135)	Total before grants	(22,461)	10	(22,451)
25,093	Grant-in-aid funding	26,308	0	26,308
112	Other Scottish Government grants	213	0	213
25,205	Total Grants	26,521	0	26,521
3,070	Total	4,060	10	4,070

16. Other provisions

Other provisions comprise property dilapidations in respect of lease obligations.

	2021/22	Restated
	£000	2020/21
		£000
Balance at 1 April 2021	662	0
Provided in year	0	662
Balance at 31 March 2022	662	662
Payable within one year	58	82
Payable after one year	604	580

The 2020/21 provision has been restated to show current and non current liabilities.

17. Related-party transactions

The Care Inspectorate is a non-departmental public body sponsored by the Scottish Government Health and Social Care Integration Directorate, who is considered a related party. 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	2021/22	2020/21
	£000	£000
Scottish Social Services Council	700	649
Office of the Scottish Charities Regulator	129	127
Scottish Government	57	56
Education Scotland	30	30
Total	916	862

We also received procurement services from the Scottish Government's Central Government Procurement Shared Service to the value of £2k (2020/21: £2k).

18. Post statement of financial position events

There were no events after the statement of financial position date relating to the 2021/22 financial year.

Appendix One: Accounts Direction by the Scottish Ministers



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 (FRM) 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.

Gen (b) 12

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
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

Financial year ended 31 March 2022

Prepared for the Audit & Risk Committee, the Accountable Officer, and the Auditor General for Scotland

External Audit Report for the
Audit & Risk Committee
on 16 November 2022



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 the 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 report to the Care Inspectorate (CI) Audit & Risk Committee, Board, and the Auditor General For Scotland and concludes our audit on the financial year ended 31 March 2022. We plan to issue an unmodified audit opinion on the annual report and accounts, including an unmodified opinion on regularity and the Remuneration and Staff Report. We thank management for all their assistance during the audit process.

01 Materiality

We re-calculated our materiality based on the unaudited 2021-22 annual report and accounts. The benchmark of 2% of gross revenue remained the same. This resulted in:

- Materiality of £896,360 and a performance materiality (75% of materiality) of £672,270.
- All audit adjustments above £44,800 were reported to management and are captured in this report.
- Lower materiality of banding on Staff Remuneration Report (being £5,000).

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:

- Risk of management override of controls (ISA UK 240);
- Risk of fraud in expenditure (completeness) (FRC PN10);
- Risk of fraud in revenue (occurrence)(ISA 240); and
- Risk of misstatement of the valuation of the 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 CI 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 of management bias or error.

- We set out our roles and responsibilities on fraud. During the course of our work we did not identify fraud or material error.

At this stage, we have not identified any adjusted or unadjusted misstatements to the draft accounts. We have identified one disclosure adjustment which is detailed in Appendix 1 and not considered material to the accounts.

04 Wider Scope Audit

In accordance with Audit Scotland's Code of Practice, we determined that the Care Inspectorate (CI) meets the definition of a smaller body. This is based on CI's 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 CI'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 £34,900, was our final audit fee. There were no fees for non-audit services 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 2022 at CI. The scope of our audit was set out in our External Audit Plan communicated to the Audit & Risk Committee in March 2022.

The main elements of our audit work in 2021-22 have been:

- An audit of CI's annual report and accounts for the financial year ended 31 March 2022; and
- Consideration of CI's financial sustainability and Governance Statement disclosures, 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.

Audit Status

Our audit is substantially complete subject to the following audit procedures:

- Completion of income and expenditure testing
- Queries on pensions and journals
- Final Key Audit Partner review
- Subsequent events and disclosure review procedures
- Receipt of management's letter of representation

Responsibilities

CI 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. CI 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 CI 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 CI and the wider public sector to focus on key areas of risk relevant to your financial statements.

For the financial statements audit, the audit team is lead by Sophia Brown, as Engagement Lead, and Justine Thorpe, as Engagement Manager.

Audit of the annual report and accounts

Key messages and judgements

We plan to issue an unmodified audit opinion on the annual report and accounts.

At this stage we have not identified any adjusted or unadjusted differences to the financial statements. We raised a number of disclosure adjustments identified from our review of the annual report and accounts. 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 2022 we plan issue an unmodified opinion on the annual report and accounts, whereby 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; and
- 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

Our audit work commenced in October 2022. We received the draft primary 2021-22 financial statements in line with our agreed timetable. At this stage we have not identified any adjusted or unadjusted differences to the primary financial statements. There were a number of disclosure adjustments in respect of the draft financial statements to ensure compliance with the FReM. A full listing of disclosure misstatements is detailed in Appendix 1.

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 & Risk Committee in March 2022. We updated our audit materiality to reflect the 2021-22 draft financial statements. Materiality is set at £896,360, representing 2% of gross revenue. Performance materiality was set at £672,270, representing 75% of our calculated materiality. We report to management any difference identified over £44,800 (being 5% of overall materiality).

We applied a lower £5,000 materiality threshold for Directors' remuneration disclosures (salary), within the Remuneration and Staff Report, to ensure that remuneration has been disclosed within the appropriate bandings.

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

As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override Care Inspectorate internal controls, related to individual transactions.

Our work focuses on critical estimates and judgements as set out within the financial statements, including accounting policies. In addition, we specifically consider cut-off (expenditure and income) and the use of manual journals during the year, and in creating the financial statements where controls may be overridden by management.

To address this risk we:

- Considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- Evaluated the design effectiveness of management controls over journals.
- Analysed the journals listing and determine the criteria for selecting high risk unusual journals.
- Reviewed the journals population, identifying those where there may be increased risk of fraud, including any prepared by senior management, and selected these for targeted testing.
- Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.
- Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence.
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Conclusion [Subject to conclusion of audit procedures]

Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions. We have not identified issues in relation to this risk.

Risks identified in our Audit Plan

Commentary

Risk of fraud in expenditure recognition (completeness)

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. Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). 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 streams. We consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off ensuring the completeness of non-pay expenditure.

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.

To address this risk we:

- Documented our understanding of the accounts payable system, walking through the relevant controls.
- Substantively tested expenditure transactions throughout the year to confirm occurrence and accuracy of recording.
- Performed focused substantive testing of non-pay expenditure recognised post year-end to identify potential understatement.
- Reviewed year-end accruals and payables to consider indication of understatement or overstatement of balances held through consideration of accounting estimates.

Conclusion [Subject to conclusion of audit procedures]

Through our audit procedures performed we did not identify any exceptions in our year-end cut-off testing of expenditure or in the completeness and accuracy of accruals or payables balances at year end.

Through our substantive procedures we did not identify any expenditure which was not in accordance with applicable legislation and guidance for the Care Inspectorate (regularity testing).

Risks identified in our Audit Plan

Commentary

Risk of fraud in revenue recognition (occurrence)

ISA 240 requires us to consider the risk of fraud in revenue recognition. This is considered a presumed risk in all entities. The Care Inspectorate receives grant-in-aid funding through resource allocations direct from the Scottish Government. We consider the risk of management manipulation and fraud through this funding stream as limited and rebut the risk in relation to this grant-in-aid funding. In addition, we consider the risk of material misstatement within other operating income to be low given its value (2021: £0.992 million).

We therefore focus our significant risk of material misstatement in relation to revenue recognition on fees income, being fees charged to service providers (2021: £11.726 million). In the context of future years financial pressures and a projected surplus position in the current year, we consider the risk of understatement of revenue, where management may be incentivised to allocate revenue to future years.

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 focus our testing on the occurrence of revenue recognised at year-end including existence of receivables at the year-end.

To address this risk we:

- Documented our understanding of the accounts receivable system, walking through the relevant controls.
- Substantively tested revenue transactions throughout the year to confirm occurrence and accuracy of recording.
- Performed focused substantive testing of fees income recognised at year-end to identify potential overstatement.
- Substantively tested year-end debtor balances to gain assurance over completeness of balances due.

Conclusion [Subject to conclusion of audit procedures]

Through our audit procedures performed we did not identify any exceptions in our year-end cut-off testing of income or in the completeness and accuracy of receivable balances at year end.

Through our substantive procedures we did not identify any revenue which was not in accordance with applicable legislation and guidance for the Care Inspectorate (regularity testing).

Risks identified in our Audit Plan

Commentary

IAS 19 Defined benefit pension liabilities (valuation)

The 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, the Care Inspectorate is required to recognise its share of the scheme assets and liabilities on its statement of financial position. As at 31 March 2022, the Care Inspectorate has pension fund liabilities of £1.454 million.

Barnett Waddingham LLP provide an annual IAS 19 actuarial valuation of the Care Inspectorate'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. In particular, the assumptions applied in the valuation may not be appropriate, resulting in a material misstatement.

To address this risk we:

- Updated our understanding of the processes and controls put in place by management to ensure that CI's pension fund net liability is not materially misstated and evaluated the design of the associated controls.
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work.
- Assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation.
- Considered the work of the actuary, including the assumptions applied, using the work performed by PwC (commissioned on behalf of Audit Scotland to review the actuarial assumptions proposed by LGPS actuaries), as well as local audit assessment.
- Obtained assurances from Audit Scotland, as auditors of the pension fund, to provide assurances over the information supplied to the actuary in relation to CI, including assets held and membership data, and confirmed joint assurances in respect of employer and employee contributions in the year.
- Performed substantive analytical procedures in the year over the pension fund movements, investigating any deviations from audit expectations.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.

Conclusion [Subject to conclusion of audit procedures]

Through our audit procedures performed we did not identify any exceptions in our testing of defined benefit liabilities. The latest triennial valuation for the Tayside Pension Fund was as at 31 March 2020. As such, we expect a standard roll-forward process to produce asset and liability values which have an estimation uncertainty of up to 2%-3% per year since 31 March 2020. Hence, at 31 March 2022 there are two years' of uncertainty, resulting in around 4%-6% maximum potential inaccuracy in the accounting results which would be between £58,160 to £87,240 for the £1.454 million pension liability as disclosed in the financial statements. However, we would not expect the uncertainties to move in the same directions each year, and the impact could be lower than 2% in many cases. Based on the work we have performed, detailed above, we conclude that we have obtained sufficient and reasonable assurance over the valuation of the pension fund net liability.

Significant estimates and judgements

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors per ISA 540. The Care Inspectorate's annual report and accounts are considered straightforward and non-complex as the accounts contain limited areas of estimation and judgement. One area of significant estimation is in relation to IAS19 defined benefit pension.

Significant estimate or judgement	Summary of management's approach	Audit comments	Assessment																								
IAS19 Defined benefit pension liabilities	<p>CI's net pension liability at 31 March 2022 is £1.454m (PY £10.466m), part of the Tayside Pension Fund.</p> <p>CI engages Barnett Waddingham to provide actuarial valuations of its assets and liabilities derived from the Tayside Pension Scheme.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2020.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant movements. 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 and are predominantly informed by the actuary's recommended assumptions.</p>	<p>Using the work of PwC, we reviewed the key assumptions underpinning the actuarial valuation. We are satisfied that the assumptions adopted were appropriate for the Care Inspectorate and that those applied were considered reasonable i.e. within our acceptable tolerances, as shown below:</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.60%</td> <td>2.55% - 2.60%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.3%</td> <td>3.05% - 3.45%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.3%</td> <td>0.5% - 2.5% above CPI inflation (3.10% - 5.1%)</td> <td>●</td> </tr> <tr> <td>Life expectancy - Males currently aged 45 / 65</td> <td>20.3</td> <td>20.5 - 23.1</td> <td>●</td> </tr> <tr> <td>Life expectancy - Females currently aged 45 / 65</td> <td>23.9</td> <td>23.4 - 25.0</td> <td>●</td> </tr> </tbody> </table> <p>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 2021-22 financial statements.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.60%	2.55% - 2.60%	●	Pension increase rate	3.3%	3.05% - 3.45%	●	Salary growth	4.3%	0.5% - 2.5% above CPI inflation (3.10% - 5.1%)	●	Life expectancy - Males currently aged 45 / 65	20.3	20.5 - 23.1	●	Life expectancy - Females currently aged 45 / 65	23.9	23.4 - 25.0	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.60%	2.55% - 2.60%	●																								
Pension increase rate	3.3%	3.05% - 3.45%	●																								
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Life expectancy - Males currently aged 45 / 65	20.3	20.5 - 23.1	●																								
Life expectancy - Females currently aged 45 / 65	23.9	23.4 - 25.0	●																								

Internal control environment

In accordance with ISA requirements we have developed an understanding of the control environment in place within the Care Inspectorate. We did this through a walkthrough of key controls within the Care Inspectorate's core financial systems including payroll, income, expenditure, valuation of IAS19 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 Audit Plan.

Our audit is not controls-based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature.

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 CI 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 2021-22 HM Treasury Financial Reporting Manual (FReM).
- We enquired of management and the Audit & Risk Committee, concerning CI'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 & 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 the 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 CI'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:
 - CI'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.
 - CI'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 significant risks, 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 CI'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 representations from management regarding management's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquiries 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 CI's accounting policies, accounting estimates and financial statement disclosures. Disclosures and accounting policies are in line with the FReM and we have no significant 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 [Subject to final review]	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. 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	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. 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; or 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 CI. The Report includes the Statement of the Accountable Officer's Responsibilities and has 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 were 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 & Risk Committee papers.
Going concern	<p>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.</p> <p>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 CI 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:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified. • 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, the 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	Scope risk identified in our Audit Plan	Audit response and findings	Grant Thornton conclusion
Governance arrangements (Audit Scotland planning guidance consideration)	No significant risks identified within our audit planning	<p>Governance</p> <p>The Care Inspectorate’s Chief Executive is supported by four executive directors and is responsible for strategic decision-making and operational delivery. The Board, consisting of 13 members, provides an independent perspective and advice on issues of strategy, performance, resources and standards of conduct within CI. The Board has an Audit & Risk Committee which supports the Board in its responsibilities for issues of risk, control and governance, and associated assurance through a process of constructive challenge. During 2021-22 CI’s governance arrangements continued to operate effectively. We found effective scrutiny and challenge and no significant concerns around CI’s governance arrangements.</p>	We are satisfied that CI’s Governance Statement disclosures represent the governance arrangements in place during 2021-22.

Scope dimension	Scope risk identified in our Audit Plan	Audit response and findings	Grant Thornton conclusion
Financial sustainability (as applicable to a smaller body)	No significant risks identified within our audit planning	<p>For the 2022-23 financial year, the Care Inspectorate has budgeted for a year-end deficit of £2.157 million, with planned use of reserves to meet these costs. At the end of July 2022, the projected financial position for 2022-23 is a deficit of £1.820 million.</p> <p>Over the medium term, the Care Inspectorate has budgeted for a deficit of £2.001 million in 2023-24. Management recognises the financial pressures facing the organisation. With over 86% of operating expenditure relating to staff costs, the nature of the Care Inspectorate's operations mean that delivering budget savings would likely curtail services. Consequently, the CI is exploring options around fee levels, which have not been increased since 2005-06, and securing additional grant-in-aid.</p> <p>An underspend of £0.337m against the 2022-23 budget (which includes the £1.82 million forecast deficit) is currently projected after foregoing drawing on the Letter of Comfort of up to £0.738m supplied by CI's Sponsor. The opening general reserve balance of £4.060 million is £0.771 million higher than the budgeted general reserve balance of £3.289 million, which provides funding for the in-year projected deficit of £1.820m and £0.926m for further budget pressures identified in the remainder of the financial year.</p> <p>It is important that the Care Inspectorate continues to engage with the Scottish Government to obtain agreement around the Transformational Funding, as well as additional funding required to meet cost pressures in the coming years. The Care Inspectorate must continue to closely manage costs, alongside targeting additional funding and identifying additional/increased income streams to establish a financial sustainable operating model fit for the future.</p>	<p>Through our audit procedures we have not identified any significant risks in relation to the Care Inspectorate's financial sustainability.</p> <p>The Care inspectorate's operating expenditure is funded through a combination of grant-in-aid funding as well as income from fees and charges.</p> <p>Management has recognised the financial challenges facing the organisation and it is important that there is ongoing engagement with the Scottish Government and consideration of the fee regime to ensure a financially sustainable operating model going forward, as they cannot rely on reserves in the longer term.</p>

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. At this stage, we are pleased to report there are no adjusted or unadjusted misstatements to the primary financial statements.

Impact of adjusted misstatements

At the time of writing our report there have been no adjusted misstatements, subject to the completion of our audit work.

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.

Disclosure	Auditor recommendations	Adjusted?
<p>Our audit identified some disclosure errors which were brought to management's notice. These errors were all minor and have no impact on the Statement of Financial Position or the Statement of Comprehensive Net Expenditure. The change suggested was to the following note:</p> <ul style="list-style-type: none"> Banding disclosure in the Remuneration Report and Staff Report 	<p>Disclosures should be updated in the manner that has been communicated by the audit team.</p> <p>Management response</p> <p>Management agreed to amend the relevant note.</p>	✓

2. Follow up of 2020-21 recommendations

We set out below our follow up of our 2020-21 recommendations and these are reflected below for information.

Recommendation (from the 2020-21 external audit report)	Agreed management response	Follow-up in 2021-22
<p>1. Pension Fund</p> <p>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. Whilst 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 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.</p>	<p>We will agree with the actuaries that in future years there will be a specific statements in the actuary's report that reasonableness checks have been completed on membership data as submitted by Tayside Pension Fund.</p> <p>Action owner: Head of Finance & Corporate Governance</p> <p>Timescale for implementation: 31 March 2022</p>	<p>2021-22 IAS 19 Report (page 3) contains the required actuarial assurances.</p>
<p>2. Dilapidated provisions</p> <p>The 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 the Care Inspectorate to return the buildings 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 its original condition in accordance with the lease agreements. Management have used the report to arrive at an estimate of the present value of the future costs that would be incurred. As some of the premises are shared with the Scottish Social Services Council and OCSR, the provision reflects the Care Inspectorates share of any future costs. This is based on an underlying lease split on an agreed budgeted share of costs for 21/22. While we are satisfied that the assumed split is reasonable for the 20/21 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.</p>	<p>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.</p> <p>Action owner: Head of Finance & Corporate Governance</p> <p>Timescale for implementation: 30 September 2021</p>	<p>All three bodies will be operating from the same property and the new lease of April 2023 will contain the dilapidations agreement.</p>

3. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor remuneration	27,310
Pooled costs	6,197
Contribution to Audit Scotland costs	1,393
Contribution to Performance Audit and Best Value	Nil
2021-22 Fee	34,900

Fees for other services

Service	Fees £
We confirm that for 2021-22 we did not receive any fees for non-audit services	Nil

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.

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 Sophia Brown, Audit Director, in the first instance, CI Engagement Lead (sophia.y.brown@uk.gt.com) or Joanne Brown (joanne.e.brown@uk.gt.com), Head of Public Sector Assurance Scotland, who oversees our portfolio of Audit Scotland work.

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 2021](https://www.grantthornton.co.uk/transparency-report-2021) ([grantthornton.co.uk](https://www.grantthornton.co.uk))

4. 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 CI'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		•



Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

21 November 2022

Dear Sirs

Care Inspectorate

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Care Inspectorate (CI) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether CI's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards as interpreted and adapted by the 2021/22 Government Financial Reporting Manual ("the 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 CI's financial statements in accordance with International Financial Reporting Standards as interpreted and adopted by the the FReM; in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting CI and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. CI 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.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the amortisation of intangible assets, provider accrual (and debtor); and, accrued holiday pay. 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. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the FReM and adequately disclosed in the financial statements.

- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of CI has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. 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.
- viii. 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.
- ix. We have only accrued for items received before the year-end.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The CI financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that CI'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 CI means that, notwithstanding any intention to 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. CI's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to CI's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of CI'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 CI 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.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. 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.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects CI 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.
- xix. 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.
- xx. 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.
- xxi. We have disclosed to you the identity of CI's related parties and all the related party relationships and transactions of which we are aware.
- xxii. 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

- xxiii. We are satisfied that the Governance Statement fairly reflects CI's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the Governance Statement.

Annual Report

- xxiv. The disclosures within the Annual Report fairly reflect our understanding of CI's financial and operating performance over the period covered by the financial statements.
- xxv. The Annual Report comprising the Performance Report and the Accountability Report, has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by Scottish Ministers, including the requirements of the FReM. The information contained within the report is consistent with CI's underlying records.

Remuneration and Staff Report

- xxvi. The Remuneration and Staff Report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by Scottish Ministers, including the requirements of the FReM. The information contained within the report is consistent with CI's underlying records.

Approval

The approval of this letter of representation was minuted by the CI's Audit Committee at its meeting on 16 November 2022.

Yours faithfully

Name:

Position: Chief Executive and Accountable Officer

Date:

Signed on behalf of the Care Inspectorate