Scottish Criminal Cases Review Commission

2022/23 Annual Audit Report

AUDIT SCOTLAND

Prepared for the Scottish Criminal Cases Review Commission and the Auditor General for Scotland

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Contents

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Key messages

2022/23 annual report and accounts

1 Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

2 Adjustments were made to the unaudited accounts to correct the accounting treatment of leases under the new International Financial Reporting Standard (IFRS 16).

Wider-scope

3 The Commission has effective and appropriate arrangements in place to continue to deliver services.

4 The Commission operated within its revised budget for 2022/23 and has a short and medium-term financial plan in place.

5 Governance arrangements are effective and appropriate. However, processes could be strengthened around Registers of Interest and assurances for the Governance Statement.

6 The Commission made significant progress in improving its cyber security arrangements, however should seek to achieve independent accreditation over this in 2023/24.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of the Scottish Criminal Case Review Commission (the Commission). The scope of the audit was set out in an Annual Audit Plan presented to the 11 May 2023 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the Commission's annual report and accounts
- wider scope areas that frame public audit as set out in the *Code of Audit Practice 2021*, which for less complex bodies includes conclusions on financial sustainability

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

Audit appointment from 2022/23

3. I, Gillian McCreadie, have been appointed by the Auditor General as auditor of the Commission for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new Code of Audit Practice (the Code) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank the Director of Corporate Services and the administration staff for their cooperation and assistance this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The Commission has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. The Commission is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity.

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

7. The weaknesses or risks identified in this report are only those which have come to our attention during our normal audit work and may not be all that exist.

Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

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

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £10,710 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to the Commission by:

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

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

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

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Adjustments were made to the unaudited accounts to correct the accounting treatment of leases under the new International Financial Reporting Standard (IFRS 16)

Audit opinions on the annual report and are unmodified

11. The audit committee approved the annual report and accounts for the Commission for the year ended 31 March 2023 on 23 November 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

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

Overall materiality was assessed on receipt of the annual report and accounts as £23 thousand

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

13. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£23 thousand
Performance materiality	£16 thousand
Reporting threshold	£1 thousand

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

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 70% of overall materiality, reflecting the fact there were no significant issues identified in the prior year audit and no history of significant errors being communicated to us by the previous audit team.

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

Significant findings and key audit matters

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

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

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

Exhibit 2

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

Issue	Resolution
1. Review of provision for dilapidations The Commission recognise a provision for contractual costs associated with potential reinstatement, dilapidation or redecoration works as part of either its ongoing premises lease commitments or if the Commission were to terminate the lease. The annual report and accounts included narrative that this provision is reviewed annually in line with the Commission's accommodation strategy. Discussion with management highlighted that this provision had not been reviewed since the commencement of the lease in 2019.	Management provided sufficient assurances that the estimate remains reasonable as at 31st March 2023. Management amended the provisions note in the accounts to accurately reflect the frequency of their review of the provision for dilapidations. The provision will be subject to a full review every five years in line with rent reviews detailed in the lease agreement. **Recommendation 1** (refer Appendix 1, action plan)
2. IFRS 16 implementation The new International Financial Reporting Standard (IFRS 16) for lease accounting has been adopted by the Commission from 1 April 2022. This standard requires the Commission to recognise on the Statement of Financial Position a right-of-use asset and a corresponding lease liability for its premises lease. Review of the calculations identified errors in the discount rate used to discount future lease payments, the depreciation methodology for the right-of-use asset, and the accounting treatment of prepaid lease payments. The impact of this was a decrease in the net-book value of the right-of-use asset of £18 thousand, a decrease in the lease liability of £24 thousand on the Statement of Financial Position, and a net decrease in expenditure of £6 thousand in the Statement of Comprehensive Net Expenditure. Review of the IFRS 16 accounting policy in the annual accounts highlighted that the disclosure requirements of IFRS 16 had not been met.	Management revised the lease liability and right-of-use asset calculations and these have been accurately reflected in the audited accounts. Management amended the IFRS 16 accounting policy to ensure the disclosures were fully compliant with IFRS 16.

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

20. We have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. Exhibit 3 sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3
Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
1.Risk of material misstatement due to fraud caused by management override of controls As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	• Evaluated the design and implementation of controls over journal entry processing • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity • Tested journals at year-end and post-closing entries with focus on significant risk areas • Substantively tested income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year • Focused testing of accounting accruals and prepayments • Evaluated significant transactions outside the normal course of business	**Results:** Work undertaken included detailed testing of journal entries, accruals, prepayments and invoices; as well as review of accounting estimates and transactions for appropriateness. Specific enquiries were made of individual staff as to whether they had knowledge or awareness of manipulation of financial recording or processing of fraudulent journals. **Conclusion:** No incidents of management override of controls were identified.

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

- **IFRS 16 implementation:** We assessed the completeness and accuracy of the lease disclosures in 22/23. We reviewed the methodology adopted for the calculation of the lease liability and right-of-use asset and the subsequent accounting entries. Our review of calculations and disclosures identified various issues as detailed in Exhibit 2.

Material misstatements were identified within the financial statements

22. Other than the corrected misstatements detailed in Exhibit 2, our audit identified no misstatements above our reporting threshold.

23. Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts. This is normal audit practice and none of the presentational changes have any impact on the Commission's outturn for the year.

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

24. The unaudited annual report and accounts were received in line with our agreed audit timetable on 6 July 2023. The working papers provided were of a good quality and finance staff were supportive to the audit team during the course of our audit work.

Good progress was made on prior year recommendations

25. The Commission has made good progress in implementing the audit recommendations identified by the Commission's previous external auditor. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in Appendix 1.

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term. We also consider the effectiveness of governance arrangements to support the delivery of services.

Conclusion

The Commission operated within its revised budget for 2022/23 and has a short and medium-term financial plan in place.

Governance arrangements are effective and appropriate. However, processes could be strengthened around Registers of Interest and assurances for the Governance Statement.

The Commission made significant progress in improving its cyber security arrangements, however should seek to achieve independent accreditation over this in 2023/24

The Commission operated within its revised budget for 2022/23

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

27. The Commission has reported an outturn of £1.091 million against its overall budget for 2022/23 of £1.219 million. The outturn position is reflective of a reduction in ongoing legal actions and investigative costs associated with case reviews.

The Commission has a short and medium-term financial plan

28. The Commission have a three-year medium-term financial plan in place until 2024/25 which is developed on a rolling basis. This plan was set in the context of the 2021/22 Scottish Government Resource Spending Review which detailed grant-in-aid funding would be frozen at £1.219 million per year over the three-year period. This represents a real terms budget reduction for the Commission once wage growth and business cost increases are accounted for.

29. The Commission agreed its budget for 2023/24 at its Board meeting in June 2023. This was set following confirmation of the grant-in-aid allocation for 2023/24 by Scottish Ministers. Grant-in-aid funding for 2023/24 was confirmed as £1.235 million which represents a nominal increase from the 2022/23 budget (£1.219 million). This additional funding has been allocated to staff costs to assist the Commission in meeting its pay related commitments. The three-year financial plan and annual budget are detailed in the Corporate Plan 2022-2025 and the 2023/24 Business Plan respectively.

30. Grant-in-aid funding is the Commission's primary source of funding. The impact of the Scottish Government Resource Spending Review presents difficulties for the Commission given the high percentage of fixed costs in their budget, the limited scope for further efficiency savings to be achieved and inflationary pressures. It is therefore important for the Commission to continue to engage with the Scottish Government Sponsor Team to ensure effective financial management and sustainability.

Governance arrangements are effective and appropriate

31. The Commission's governance arrangements have been set out in the Governance Statement within the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate and support robust scrutiny and challenge of decision-making processes.

32. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources.

33. The Commission's Board Members currently complete a register of interests to disclose any significant interests that may conflict with their Board responsibilities. Currently, the Commission's senior management who are disclosed in the Remuneration Report do not complete a register of interests. Senior management are considered to have control and influence over the operations and financial activities of the Commission. Therefore, interests should be disclosed to identify any that may conflict with their management responsibilities.

34. During the audit it was noted that the latest registers of interest of each member had not been uploaded to the Commission website. In addition, Audit Committee minutes had not been uploaded to the website since July 2021. These documents should be made publicly available on the website in a timely manner to improve openness and transparency.

Recommendation 2

Senior management exercise control and influence over the operations of the Commission. A Register of Interests should be completed by each Director to identify any potential conflicts with their management responsibilities.

35. Per the Scottish Pubic Finance Manual (SPFM), Governance Statements should provide the reader with a clear understanding of the organisation's internal control structure and its management of resources. The statement should be informed by work undertaken throughout the period to gain assurance about performance and risk management, providing an insight into the organisation's risk profile and its responses to identified and emerging risks.

36. Our work in year on the design and implementation of controls and our review of risk management arrangements, as well as Internal Audit findings, allowed us to conclude that the Governance Statement was consistent with our knowledge.

37. However, we noted omissions in the draft Governance Statement around the governance framework and the results of work undertaken in year on controls including assurance from Scottish Government and Internal Audit.

38. We also reviewed the process through which the Director of Corporate Services provides assurance to the Accountable Officer for the Governance Statement. This process should be reviewed to ensure all relevant areas outlined in the certificates of assurance section of the SPFM are addressed and to include any assurances gained over the Commission's shared services.

Recommendation 3

Assurance provided to the Accountable Officer to inform the Governance Statement should be reviewed to ensure all relevant areas outlined in the certificates of assurance section of the SPFM are addressed and to include any assurances gained over the Commission's shared services.

Cyber Security arrangements are adequate

39. There continues to be a significant risk of cyber-attacks to public bodies and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we considered the Commission's arrangements for managing and mitigating cyber security risks.

40. In 2022/23, the Commission sought external advice on the adequacy of their digital infrastructure and cyber security arrangements. Several recommendations were made to address risks and gaps in their cyber security arrangements and good progress has been made in implementing the recommendations.

41. Under the Public Sector Cyber Resilience Framework (PSCRF), central government bodies should have some form of independent accreditation as part of their cyber security arrangements. The Commission does not currently hold any independent accreditation and is therefore not compliant with the PSCRF. We note that the Commission are in the process of obtaining Cyber Essentials accreditation.

Recommendation 4

Management should aim to achieve independent accreditation on their cyber security arrangements to ensure compliance with PSCRF and to mitigate the risk of cyber-attacks.

The Commission has appropriate arrangements in place for securing Best Value

42. Ministerial guidance to Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the Accountable Officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

43. We consider whether Accountable Officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. We may also, in conjunction with the Commission, agree to undertake local work in this area. We did not undertake any specific work in 2022/23.

44. The Commission have scheduled a Best Value assessment for 2023/24, which includes an internal resource spending review, incorporating a review of estates, Best Value, and service contracts. Best Value characteristics are also effectively used to inform the Commission's annual business plan objectives. We have therefore concluded that appropriate arrangements for securing Best Value are in place at the Commission.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. **Provision for dilapidations** The Commission recognise a provision for contractual costs associated with potential reinstatement, dilapidation or redecoration works as part of its ongoing premises lease commitments or the termination of the lease. Risk – the estimate for this Provision may be materially misstated in the absence of regular review.	It is recommended that the provision for dilapidations is subject to a full review at least once every five years. Exhibit 2	**Agreed**: As discussed, the Commission will undertake a formal review of dilapidations provision at least once every five years in line with the rent review. In addition, the formal review will be supplemented by regular desktop reviews of adequacy. Advice has now be obtained from the contractors responsible for the initial fit-out. **Responsible officer**: Director of Corporate Services **Agreed date**: Immediate
2. Governance and Transparency As senior management exercise control and influence over the operations of the Commission, a Register of Interests should be completed by each Director to identify any interests that may conflict with their management responsibilities. In addition, Registers of Interest and Audit Committee papers should be kept up to date on the Commission's website.	The Director of Corporate Services and the Chief Executive should complete a Register of Interests each year. The Commission's website should be updated with the latest information available. Paragraph 34	**Agreed**: As part of the declaration of interests process adopted for Members, the Director of Corporate Services and Chief Executive will also be requested to complete a declaration at least annually. The website has now been updated with the latest register and AC minutes – this was an oversight and these should be updated as and when available.

Issue/risk	Recommendation	Agreed management action/timing
Risk – the Commission is not seen as transparent and there are interests held by senior management which conflict with the directing or controlling of the financial activities of the Commission.		**Responsible officer**: Director of Corporate Services **Agreed date**: 31 March 2024 as part of next scheduled declarations of interest update. Website updated immediately.
3. Governance Statement Assurance provided to the Accountable officer and included in the Governance Statement should include results of work undertaken in year over controls and any issues identified. Risk – Controls or governance issues are omitted from the governance statement.	Management should ensure assurances are in line with the contents of the framework set out in the Certificates of Assurance section of the SPFM Paragraph 41	**Agreed**: The Certificates of Assurance section of the SPFM will be reviewed annually as part of the internal assurance process feeding into the drafting of the Annual Report & Accounts. **Responsible officer**: Director of Corporate Services **Agreed date**: 30 April 2024
4. Independent Cyber Security accreditation The Public Sector Cyber Resilience Framework (PSCRF) states that central government bodies should have some form of independent accreditation as part of their cyber security arrangements. The Commission does not currently hold any independent accreditation. Risk – the Commission are not compliant with the PSCRF.	Management should aim to achieve independent accreditation on their cyber security arrangements to ensure compliance with PSCRF and to mitigate the risk of cyber-attacks. Paragraph 38	**Agreed**: As discussed, the independent accreditation process is ongoing and initial assessment due for completion on 15 November 2023, before being submitted for review and accreditation by Cyber Essentials. **Responsible officer**: Director of Corporate Services **Agreed date**: 31 December 2023

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
5. Accounting for the audit fee The audit fee was accounted for incorrectly. Some of the 2020/21 audit fee was recognised in the accounts and there was no accrual for the unpaid 2021/22 audit fee. Risk – SCCRC could be understating their payables.	The Commission should ensure that the audit fee is accounted for in the correct year.	Complete – our substantive testing of balances included testing of the accounting treatment of the audit fee. No issues were identified.
6. Local bank account reconciliation There was no local bank account reconciliation carried out which resulted in an overstatement of the 'Cash and Cash Equivalents' balance of £2 thousand. This was subsequently corrected by the Commission. Risk – The 'Cash and Cash Equivalents' balance may be incorrect.	Ensure a reconciliation is carried out between the local bank account and the ledger.	Complete – a local bank account reconciliation was completed in 22/23.
7. Risk Register improvement There is currently no score or ranking of risks included on the risk register. There is also no date to show when a risk was added to the risk register. Improvement – there is scope for improved monitoring of risks included on the Commission's risk register.	The Commission should consider ranking and giving an overall score to all risks included on the risk register. In order to support monitoring, the Commission should also consider including the date that a risk was added to the register.	Complete – a revised risk management methodology was implemented by the Commission in March 2023, with risks now ordered and ranked based on likelihood and impact scoring.

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

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