

Police Investigations and Review Commissioner

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Police Investigations and Review Commissioner and the Auditor
General for Scotland
October 2024

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Key messages

2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2 Key risks arising from the audit of the Police Investigations and Review Commissioner's (the Commission) annual report and accounts in our Annual Audit Plan were presented to the May 2024 Audit and Accountability committee. There are no significant matters from that work to draw to the attention of the committee.
- 3 The unaudited annual report and accounts and working papers were received in line with the agreed audit timetable and were of a good standard.

Wider-scope

- 4 The Commission operated within its revised Departmental Expenditure Limits for 2023/24, with an underspend of £0.063 million primarily as a result of public inquiry dates moving into the following financial year with associated costs not incurred until the following year.
- 5 The Commission formalised their medium-term financial plan arrangements in 2023/24.
- 6 We are satisfied that the Commission has arrangements in place to secure Best Value. There is scope to enhance arrangements through completion of an annual self-assessment.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of the Police Investigations and Review Commissioner (the 'Commission'). The scope of the audit was set out in an Annual Audit Plan presented to the May 2024 meeting of the Audit and Accountability committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the Commission's annual report and accounts
- conclusions on financial sustainability as required by the [Code of Audit Practice](#).

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

3. Brian Battison has been appointed by the Auditor General as auditor of the Commission for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of the five-year appointment.

4. The team would like to thank staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the remainder 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. Our responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice](#) and supplementary guidance and International Standards on Auditing in the UK (ISAs)

7. The weaknesses or risks identified in this report are only those which have come to the attention of the audit team 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 confirm that the audit team comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the audit fee of £18,180 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. The annual audit adds 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 2023/24 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.

The unaudited annual report and accounts and working papers were received in line with the agreed audit timetable and were of a good standard

Audit opinions on the annual report and are unmodified

11. The Audit and Accountability committee approved the annual report and accounts for the Commission for the year ended 31 March 2024 on 31 October 2024. 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 was prepared in accordance with the Government Financial Reporting Manual
- the Performance Report and Governance Statement were all consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.

Overall materiality was assessed on receipt of the annual report and accounts as £135,000

12. 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 phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£135,000
Performance materiality	£88,000
Reporting threshold	£7,000

Source: Audit Scotland

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 65% of overall materiality, reflecting a number of errors identified in the prior year.

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

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to the Audit and Accountability committee, 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. There are no significant findings from our 2023/24 audit.

Audit work responded to the risks of material misstatement identified in the annual report and accounts

20. The team have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

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

Audit risk	Assurances, results and conclusions
<p>Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (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.</p>	<p>Controls</p> <ul style="list-style-type: none"> Assessed the design and implementation of controls over journal entry processing. Assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> Assessed any changes to the methods and underlying assumptions used by management to prepare accounting estimates compared to the prior year. <p>Testing</p> <ul style="list-style-type: none"> Made inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and substantively testing journal entries throughout the year. Tested sample of journals at the year end and post-closing entries with focus on significant risk areas. Evaluated any significant transactions outside the normal course of business. Confirmed through substantive testing that income and expenditure transactions around the year-end have been accounted for in the correct financial year. Tested samples of accruals and prepayments. Confirmed related party disclosures were appropriate. <p>Results: We are satisfied that there is no material misstatement due to management override of controls.</p>

Source: Audit Scotland

There were no identified misstatements

21. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

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

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

23. The unaudited annual report and accounts and working papers were received in line with the agreed audit timetable in September 2024. The unaudited annual report and accounts and working papers were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

Good progress was made on prior year recommendations

24. The Commission has made good progress in implementing the agreed prior year audit recommendations. Actions implemented, revised responses and timescales are set out in [Appendix 1](#).

Part 2. Wider Scope

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

Conclusion

The Commission operated within its revised Departmental Expenditure Limits for 2023/24, with an underspend of £0.063 million primarily as a result of public inquiry dates moving into the following financial year with associated costs not incurred until the following year.

The Commission formalised their medium-term financial plan arrangements in 2023/24.

We are satisfied that the Commission has arrangements in place to secure Best Value. There is scope to enhance arrangements through completion of an annual self-assessment.

The Commission operated within its revised budget for 2023/24

25. 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. The initial budget for 2023/24 of £6.316 million was uplifted by £0.492 million through budget revisions which provided for additional legal, staff and accommodation costs. The Commission has reported an outturn of £6.745 million against its overall revised budget for 2023/24 of £6.808 million, an underspend of £0.063 million. The underspend primarily relates to funding provided to support costs of the Sheku Bayoh public inquiry where these costs were not incurred in 2023/24 due to a movement in public inquiry dates into the following financial year. The financial performance against its Departmental Expenditure Limits (DEL) is summarised in [Exhibit 3](#).

Exhibit 3

Performance against DEL in 2023/24

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource DEL	6.316	6.808	6.745	(0.063)

Source: Commission Annual Report and Accounts 2023/24

The Commission has formalised the arrangements over medium-term financial planning

26. The Commission has always had arrangements around medium-term financial planning with informal plans and with finance featuring in the risk register. For 2023/24, the Commission have formalised arrangements with a 3-year financial plan which will be reviewed and agreed by the Senior Management Team every March ahead of the financial year when their budget allocation has been received and there is a clear understanding of supplier costs for the year ahead. We consider this process an enhancement to existing arrangements and will continue to ensure satisfactory financial planning arrangements are in place which reflect the potential impacts on the provision of future services in the medium term.

Appropriate governance arrangements are in place

27. Our review of the minutes and papers submitted to the Audit and Accountability committee and the Senior Management Team throughout the year concluded that they are sufficiently detailed and comprehensive to allow for effective decision making and scrutiny of performance. Members of the audit team routinely attend Audit and Accountability committee meetings and note that these are well attended. Papers are circulated in good time and members provide effective scrutiny and challenge. Overall, we consider that the Commission has appropriate governance arrangements in place for the current year.

Cyber security

28. 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. As in 2022/23, we have considered the Commission's arrangements for managing and mitigating cyber security risks.

29. It is important to note that cyber-attacks are designed to circumvent existing controls and recent attacks on public bodies have occurred despite a robust control environment. We are satisfied the Commission are not complacent around cyber security risks and they are appropriately recognised, managed and monitored.

The Commission has appropriate arrangements in place for securing Best Value

30. 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. As part of our 2023/24 audit, we have undertaken a high-level review of the Commission's Best Value arrangements.

31. The Head of Corporate Services is the designated Accountable Officer. A range of processes are in place to help the Accountable Officer demonstrate Best Value. These include:

- an appropriate management structure, which sets out clear lines of responsibility and reporting, and robust systems used in decision-making, budgeting, procurement and risk management
- regular monitoring of performance including financial performance against budget
- appropriate governance and accountability arrangements including a systematic approach to risk management
- development of a corporate sustainability policy which will help ensure sustainability is factored into future decision-making.

32. For 2023/24, we are content that the Commission has appropriate arrangements in place to secure best value. Although arrangements were overall considered to be appropriate, they could be further strengthened by incorporating the completion of an annual Best Value self-assessment, the results of which would be presented to the Audit and Accountability committee.

Recommendation 1

Arrangements for securing Best Value could be further strengthened by incorporating an annual self-assessment in the Commission's governance procedures as a point of good practice.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue / risk	Recommendation	Agreed management action / timing
<p>1. Best Value Self-assessment</p> <p>Ministerial guidance for 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.</p> <p>The Commission's arrangements for securing Best Value have been assessed as part of the 2023/24 audit and judged to be appropriate.</p> <p>An annual self-assessment will further strengthen these arrangements and be a point of good practice.</p>	<p>Arrangements for securing Best Value could be further strengthened by incorporating an annual self-assessment in the Commission's governance procedures as a point of good practice.</p> <p>Paragraph 32.</p>	<p>Partially accepted</p> <p>While current arrangements are appropriate, PIRC will consider conducting a self-assessment to enhance them.</p> <p>Responsible officer: Accountable Officer</p> <p>Agreed date: May 2025</p>

Follow-up of prior year recommendations

Issue / risk	Recommendation and Agreed Action	Progress
<p>1. IFRS disclosures</p> <p>The Commission undertook an assessment of its leases held at 31 March 2023 and identified the leases of Hamilton House and Bothwell House as falling within the requirements of IFRS 16.</p> <p>Our review of the supporting documentation identified issues with the measurement and presentation of these leases in the unaudited annual report and accounts.</p> <p>Risk – There is a risk that the annual report and accounts include material misstatements relating to IFRS 16 disclosures.</p>	<p>Recommendation</p> <p>The Commission should review their processes around IFRS 16, including ensuring ongoing discussions with the Scottish Government support team, to ensure the measurement and presentation of IFRS 16 leases in future annual accounts are appropriate.</p> <p>Agreed Action</p> <p>As this is year 1 of IFRS16 implementation, with new leases for PIRC, there have been many considerations and learning points for PIRC / SG/ Audit Scotland that will be incorporated into next year’s audit.</p>	<p>Complete</p> <p>The 2023/24 IFRS 16 process has been straightforward with no adjustments required to the audited accounts.</p> <p>PIRC have liaised closely with the Scottish Government on IFRS 16 and will continue to do in future.</p> <p>Responsible officer: Accountable Officer</p>
<p>2. NAO disclosure guides</p> <p>The Commission does not use the National Audit Office (NAO) disclosure guide checklist for entities who prepare financial statements in accordance with the Government Financial Reporting Manual (FRoM).</p> <p>The disclosure guides are designed to ensure that audited bodies have prepared an account in the appropriate form and have complied with all disclosure requirements.</p> <p>Risk - There is a risk that the annual report and accounts do not include all appropriate disclosure requirements.</p>	<p>Recommendation</p> <p>The completion of the NAO checklist would support the finance team’s preparation and production of the annual report and accounts.</p> <p>Agreed Action</p> <p>Noted – checklist to be agreed ahead of 2023/24 audit</p>	<p>Complete</p> <p>The NAO checklists were a useful tool and we plan to modify these slightly to suit our structure. No further action planned.</p> <p>Responsible Officer: Accountable Officer</p>

Issue / risk	Recommendation and Agreed Action	Progress
<p>3. Medium-Term Financial Planning</p> <p>With the increasing work demands on the Commission over a number of years it would be appropriate for the Commission to undertake forecasting of costs in the medium term, taking into account assumptions such as allocation uplifts, inflationary costs and pay growth and inflation.</p> <p>Risk – A lack of financial forecasting could create a risk that medium term financial pressures are not fully understood, and mitigation undertaken by the Commission.</p>	<p>Recommendation The Commission should introduce medium term financial planning as part of their annual budget processes to set out the financial pressures the Commission faces in the medium term.</p> <p>Agreed Action Medium term financial planning is submitted monthly to SG as part of our budget monitoring forecast. A more formal 3-5 year forecast will be put in place.</p>	<p>Complete</p> <p>While informal plans were in place and finance features on our risk register, we now have a 3-year financial plan in place.</p> <p>This will be reviewed every March ahead of the financial year when we have our budget allocation and a clear understanding of supplier costs for the year ahead.</p> <p>Responsible Officer: Accountable Officer</p> <p>Implementation date: April 2024</p>
<p>4. Digital Strategy</p> <p>The Commission does not have a digital strategy that captures the broad nature of the information technology requirements that are currently employed in their day-to-day business, and which would help identify any information technology weaknesses.</p> <p>Risk –The lack of a digital strategy creates a risk that security vulnerabilities, outdated technology and increased down time costs, are not identified and managed.</p>	<p>Recommendation The Commission should introduce a digital strategy to capture the broad range of information technologies utilised and help identify any information technology weaknesses.</p> <p>Agreed Action Point noted – benchmarking exercise will be undertaken to consider strategies in place with other Non-Departmental Public Bodies in our position.</p>	<p>Complete</p> <p>A digital strategy was prepared and agreed in August 2024. Going forward, the strategy will be reviewed annually.</p> <p>Responsible Officer: Accountable Officer</p> <p>Implementation date: August 2024</p>

Issue / risk	Recommendation and Agreed Action	Progress
<p>5. Scottish Government 'Terms of Supply' agreement</p> <p>The Commission has not formally appointed the roles of SIRO or IAO to officers as requested in 'Terms of Supply' agreement.</p> <p>Risk – The Commission does not comply with the requirements of the agreement with the Scottish Government which sets out expectations as part of the agreement.</p>	<p>Recommendation</p> <p>The Commission should formally nominate officers to undertake the roles of Senior Information Risk Owner (SIRO) and the Information Assets Owner (IAO) as set out in the Terms of Supply agreement with the Scottish Government function.</p> <p>Agreed Action</p> <p>Point noted – benchmarking exercise will be undertaken to consider strategies in place with other Non-Departmental Public Bodies in our position.</p>	<p>Complete</p> <p>The Commission did not have a person formally named as SIRO. This has changed during 2023/24 with a member of the senior management team appointed to role.</p> <p>Responsible officer: Accountable Officer</p> <p>Implementation date: September 2024</p>

Police Investigations and Review Commissioner

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www.audit-scotland.gov.uk/accessibility



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