

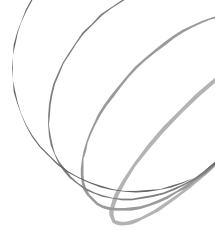
Scottish Criminal Cases Review Commission

Report on the 2005/06 Audit



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Executive Summary

Introduction

In 2005/06 we audited the financial statements of the Scottish Criminal Cases Review Commission (the Commission) and we looked at aspects of performance management and governance. This report sets out our key findings.

Financial Position

We have given an unqualified opinion on the financial statements of the Commission for 2005/06.

The Commission's budget for the year was £1,258,000 [2004/05: £1,210,000] to fund an increasing workload and increasing costs of the review of the Lockerbie bombing case. Members' costs were lower than anticipated and the Commission finished the year with a surplus of £60,571.

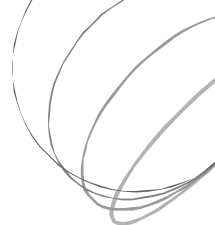
Performance Management

The 2004/05 Annual Report outlines the key targets for 2005/06 based on the key objectives from the 2004-2007 Corporate Plan. The 2005/06 targets were achieved against an increasing workload.

The Commission carried out a self-assessment review of its arrangements to secure best value in 2004 and during 2005/06 the Commission progressed against its action plan. With revised guidance issued in May 2006, the Commission plans to undertake another full self-assessment against the new guidance in 2006/07.

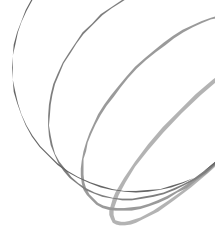
Governance

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of an organisation. During the audit, systems of control relating to risk management, financial procedures and systems, fraud and corruption arrangements and the operation of internal audit were reviewed, and our assessment of corporate governance arrangements up-dated. In general, the corporate governance arrangements are soundly based but improvements in service levels from the Scottish Executive would improve efficiencies.



Introduction

1. This report summarises the findings from our 2005/06 audit of the Scottish Criminal Cases Review Commission (the Commission). The scope of the audit was set out in our Audit Plan, which was discussed with the Director of Administration on 5 April 2006. This plan described the work we planned to carry out on financial statements, performance and governance.
2. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. This is the final year of a five year audit appointment. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Commission during the course of our audit work.



Financial Statements

Our Responsibilities

4. We audit the financial statements and give an opinion on whether:
 - they give a true and fair view of the state of affairs of the Commission for the year;
 - the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers; and
 - they have been prepared properly in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made by the Scottish Ministers.

5. We also review the Statement on Internal Control by:
 - considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
 - assessing whether disclosures in the Statement are consistent with our knowledge of the Commission.

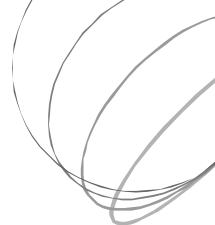
Overall Conclusion

6. We have given an unqualified opinion on the financial statements of the Scottish Criminal Cases Review Commission for 2005/06.

7. The Commission's statement of accounts is prepared by the Scottish Executive Accountancy Services Unit (SEASU), with narrative being prepared by officials of the Commission. Following discussion between officials of the Commission and external audit, a date of 5 May 2006 was agreed for the provision of the accounts for audit. Accordingly audit work was scheduled to achieve a certification date that would permit the laying of the accounts before the Scottish Parliament by 30 June. As in previous years the process of preparing the accounts was found to be rushed and the Commission is considering ways of improving the process for 2006/07.

Financial Performance

8. The Justice Department of the Scottish Executive agreed a budget for 2005/06 of £1,258,000 [2004/05: £1,210,000]. The increase from the previous year was to fund the increasing workload and the review of the high-profile Lockerbie bombing case, which required additional staff and investigation costs. The budget also included £10,000 for the purchase of fixed assets. Total



expenditure shown in the Income and Expenditure Account is £1,228,000, of which £34,000 relates to depreciation and revaluation charges. The Management Commentary explains the underspend is primarily due to less expenditure on members' fees and expenses, where costs on the review of the Lockerbie case were less than anticipated. The budget for 2006/07 is £1,300,000.

The Issues Arising from the Audit

9. We reported the following issues to the Audit Committee on 6 June 2006:

New Government Financial Reporting Manual

- For 2005/06 NDPBs were to comply with the new Government Financial Reporting Manual (FReM), which has more disclosure requirements than in previous years. Additional information now disclosed includes describing principal risks and uncertainties facing the organisation and information on environmental matters. The Commission has followed the FReM in relation to disclosure requirements. However, as this is the first year of compliance with the new FReM there will be ways to improve reporting the activities of the Commission for 2006/07 onwards. The Chief Executive and Director of Administration confirmed they will review the requirements and consider ways to improve reporting the activities of the Commission in their Annual Report and Accounts.

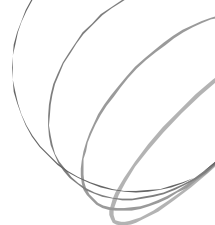
Action Plan Point 1

New accounting procedures

- The balance sheet shows cash at £394,000 and creditors at £428,000. These balances are larger than expected due to delays in agreeing re-charges with the Scottish Executive. Up until 2005/06 the financial ledger for the Commission was managed by SEASU and all payments were made by the Scottish Executive on the Commission's behalf. In 2005/06 the Commission was set up with its own separate ledger and started drawing-down grant-in-aid but the Scottish Executive still make payments on behalf of the Commission. As disclosed in note 9 to the accounts, the re-charges were resolved in April and May 2006.

Notional costs

- Notional costs are made up of two components – services from the Scottish Executive and a cost of capital charge. They are included within total expenditure but then reversed out to show the surplus for the year. Services from the Scottish Executive are £3,000 and have been at this amount for the past few years. The Commission has not reviewed this amount for 2005/06 but will consider the level of notional cost for 2006/07.
- The cost of capital charge is based on an average of opening and closing asset and liability balances at a rate of 3.5%. However, per the Government Financial Reporting Manual (FReM),

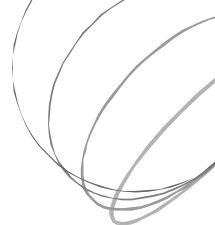


cash balances held with the Office of Paymaster General should be charged at nil rate. Whilst the cost of capital charge is a credit it demonstrates the problems the Commission have had in sorting out their recharges with the Scottish Executive

Action Plan Point 2

Statement on Internal Control

10. As part of our responsibilities we are also required to review whether the statement on internal control prepared by the accountable officer reflects the Commission's compliance with Scottish Executive guidance. We are required to report if it does not meet the requirements specified or if the statement is misleading or inconsistent with other information of which we are aware from the audit of the financial statements. There were no issues that we considered to warrant inclusion in our report.



Performance Management

Introduction

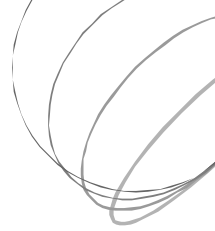
11. This section covers our assessment of the way in which the Commission secures best value in the use of its resources. This year we focused on two main areas:
- achievement against targets; and
 - Best Value;

Targets

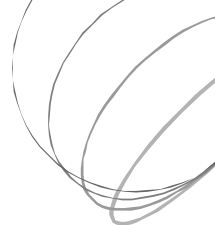
12. The Commission works to a corporate plan agreed with the Scottish Executive Justice Department. The Commission's current corporate plan covers the 1 April 2004 to 31 March 2007. It sets out the Commission's objectives as:
- the efficient and expeditious handling of cases;
 - the delivery of services in ways appropriate to stakeholders' needs;
 - the promotion of public understanding of the Commission's role; and
 - the enhancement of public confidence in the ability of the Scottish criminal justice system to cure miscarriages of justice.
13. The Commission set out in its annual report for 2004/05 the key targets for 2005/06 related to the corporate plan objectives. All targets were met and the Management Commentary provides summary details of the Commission's achievements.
14. The Commission received 165 applications in the year, which is the highest since the Commission was established. The targets set for 2006/07 reflect the increasing case loads, with backlog procedures re-instated and to increase the amount of time taken to allocate a case from acceptance. The Chairman discusses this in the Foreword to the Annual Report and anticipates this will be a temporary measure. The Annual Report gives more detail explaining the activity of the Commission.

Best Value

15. Since April 2002 there has been a duty of Best Value on Accountable Officers to '*ensure arrangements are in place to secure Best Value*'. High level guidance was issued in May 2003, followed by more detailed draft secondary guidance in August 2003. This duty can be described as:



- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost);
 - to have regard to economy, efficiency and effectiveness, and the equal opportunity requirements; and
 - to contribute to the achievement of sustainable development
16. During 2003/04 the Commission undertook a self-assessment of its arrangements to secure best value, which was later reviewed by internal audit. The December 2004 Audit Committee considered and approved the revised Best Value self-assessment paper and proposed action plan. The action plan was approved at the Board meeting in January 2005. The Audit Committee reviews progress against the action plan.
17. In May 2005, Ministers decided that they would not bring forward legislation which extends Best Value in the wider public sector. However, Ministers do wish to encourage and embed the principles of Best Value across the wider public sector, and revised guidance was issued in May 2006.
18. The Commission has committed to undertake another full review during 2006/07, based on the revised guidance, and results will be reported to the Audit Committee.
19. For 2005/06 Audit Scotland is reviewing how well advanced arrangements are in place by public bodies, across the central government sector, to demonstrate Best Value and to identify areas of good practice. This work is ongoing and a copy of the report will be provided to the Commission once complete.



Governance

Introduction

20. This section sets out our main findings arising from our review of your corporate governance as it relates to:
- system on internal control; and
 - review of internal audit.

System of internal control

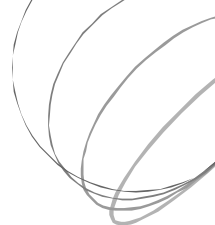
Risk management

21. The Commission has a risk register in place and it continues to be reviewed and updated at the June and December Audit Committees. The Director of Administration is reviewing the current arrangements with a view to revising the system to create clearer links between the risk management system and the Commission's business planning process. The results will be discussed at the December 2006 Audit Committee meeting.

Financial systems

22. The Commission's internal auditors provided the opinion, in their report of April 2006, that the Commission operates a robust system of risk management, control and governance. However, they noted the difficulties the Commission experienced during the year in obtaining up-to-date accounting data from the Scottish Executive. In 2005/06 the Commission was set up with its own separate ledger and started drawing-down grant-in-aid but the SE still make payments on behalf of the Commission. There were delays in agreeing recharges as discussed at paragraph 9 and delays in payment processing as discussed in the Management Commentary. Consequently the Commission continues to maintain spreadsheets to record financial information in addition to that held on the Scottish Executive Accounting System (SEAS). The spreadsheets are reconciled to the ledger regularly. The Commission is to continue working with the Scottish Executive to improve accounting procedures, and the updating and management of the ledger to reduce the administrative burden on the Commission. Internal Audit confirmed at the June audit committee that these issues have been raised centrally at the Scottish Executive.

Action Plan Point 3



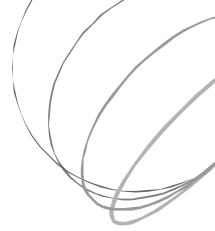
Fraud and corruption arrangements

23. No frauds were identified by the Commission in 2005/06.

Review of internal audit

24. The Commission recognises internal audit is a key element of the internal control system set up by management. A strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system established. To maximise the reliance that external audit can place on internal audit and to avoid duplication of effort, the adequacy of internal audit is assessed each year.

25. Internal audit services are provided by the Scottish Executive Audit Unit (SEAU). An assessment was made of the work of internal audit and we were able to conclude we could rely on the work carried out as proposed in our audit plan. Internal audit testing covered a range of areas including financial controls and expenditure, the case handling system and computer security. Only a few action points were raised covering timeliness of Board Members Fee Claims, establishing a pay accrual for the outstanding 2005-06 Pay Remit within the accounts and enhancing controls over T&S advance payments. Progress against prior year action plan points is monitored at each Audit Committee meeting.



Looking Forward

26. Scottish Criminal Cases Review Commission faces challenges in 2006/7 which include:

- completing its review of the case of Mr Abdelbaset Ali Mohamed Al Megrahi;
- managing an increasing workload;
- resolving outstanding pay deals; and
- embedding new accounting procedures introduced in 2005/06 (see paragraph 22).

Pay remit

27. The 2005/06 pay deal for staff is not yet finalised with the Scottish Executive but we understand the Commission hopes to conclude the pay deal in June 2006. An accrual for 2005/06 back pay was included in the accounts for 2005/06. We noted that the proposal was not submitted until December 2005 and we understand it was based on 2004/05 guidance as no new guidance had been issued for 2005/06. The Commission confirmed that once the 2005/06 pay deal is settled they will discuss multi-year pay deals with staff, trade unions and the SEJD. With the ongoing delay in resolving outstanding pay deals, coupled with increasing caseloads, there is a risk of a negative impact on staff morale, which may impact on performance.

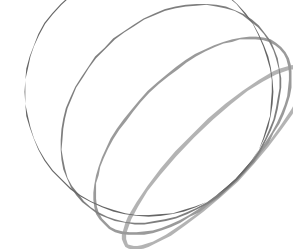
Action Plan Point 4



June 2006

Appendix A: Action Plan

Key Risk Areas and Planned Management Action



Action Point	Refer Para. No	Risk Identified	Planned Action	Responsible Officer	Target Date
1	9	Improvements in disclosures in the annual accounts requires comprehensive annual review of the FReM.	Requirements of guidance to be reviewed during 2006-07 to ensure that reporting can be improved for the 2006-07 annual report.	Director of Administration	30.05.07
2	9	Without an up to date review of the level of notional costs for services received from the Scottish Executive, the accounts risk not showing the accurate administration costs of the Commission.	Approach to be reviewed with SE Accountancy Services to enhance subsequent disclosures.	Director of Administration	31.03.07
3	22	The administration burden of recording financial data on spreadsheets (in addition to the ledger) will remain without improvements to maintaining the ledger.	All new and outstanding issues with SEAS system will continue to be raised with SEAS Team on a timely basis in order to resolve problems and system inefficiencies.	Director of Administration	Ongoing
4	27	With the ongoing delay in resolving outstanding pay deals, coupled with increasing caseloads, there is a risk of a negative impact on staff morale, which may impact on performance.	2005-06 Pay Remit to be resolved asap and subsequent remits to be brought in line with SE pay arrangements. Consideration will also be given to multi year deals in future.	Chief Executive & Director of Administration	30.09.06