



INFRASTRUCTURE, GOVERNMENT &  
HEALTHCARE

# Scottish Criminal Cases Review Commission

Annual audit report to the  
Scottish Criminal Cases Review  
Commission and the Auditor  
General for Scotland  
2006-07

15 June 2007

AUDIT



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## **Notice: About this report**

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ('the Code').

This report is for the benefit of only the Scottish Criminal Cases Review Commission and is made available to Audit Scotland (together the beneficiaries), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

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## **Complaints**

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Grant Macrae, who is the engagement leader for our services to the Commission, telephone 0131 527 6611, email [grant.macrae@kpmg.co.uk](mailto:grant.macrae@kpmg.co.uk) who will try to resolve your complaint. If your problem is not resolved, you should contact Lorraine Bennett, our Head of Audit in Scotland, either by writing to her at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 222 2000 or email to [lorraine.bennett@kpmg.co.uk](mailto:lorraine.bennett@kpmg.co.uk). We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Director of Audit Strategy, Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.

# Executive summary

## Scope of report

This report summarises our work for the 2006-07 year and our findings in relation to:

- our audit of the financial statements;
- corporate governance arrangements; and
- performance management arrangements.

## Financial statements

On 15 June 2007 we issued an audit report expressing an unqualified opinion on the financial statements of the Commission for the year ended 31 March 2007 and on the regularity of transactions reflected in those financial statements. There are no significant issues arising from the financial statements audit.

## Corporate governance

The statement on internal control sets out the scope of responsibility of the accountable officer for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives while safeguarding the public funds for which the accountable officer is responsible. The statement sets out the purpose of the system of internal control, the risk and control framework, and review of effectiveness of the system of internal control.

We are satisfied that the statement complies with the Scottish Executive guidance, that the processes put in place by the accountable officer to obtain assurances on the system of internal control are adequate, and that the contents of the statement are consistent with the information emerging from our normal audit work.

We also reviewed the arrangements for provision of the internal audit service to the Commission and were able to place reliance on their work.

The Commission's expenditure for the year was within its budgeted provision for the year.

## Performance management

As outlined on our agreed audit plan for the year, no specific performance audit work was required to be undertaken during the year. While our audit approach did involve aspects of performance management, this work was completed and reported within our comments on corporate governance and financial statements.

# Introduction

## **Audit framework**

2006-07 was the first year of our five-year appointment as external auditors of the Scottish Criminal cases Review Commission ("the Commission"). This report to the Commission and the Auditor General for Scotland summarises our opinion and conclusions and highlights significant issues arising from our work.

In accordance with Audit Scotland's *Code of Audit Practice*, the scope of the audit was to:

- provide an opinion on the Commission's financial statements and, as required by relevant authorities, the regularity of transactions;
- review and report on (as required by relevant legislation, the Code and any guidance issued by Audit Scotland):
  - the Commission's corporate governance arrangements as they relate to: its review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; and its financial position
  - the Commission's arrangements to achieve Best Value
  - other aspects of the Commission's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources.

The framework under which we operate under appointment by Audit Scotland was outlined in the audit plan Tfor the year discussed with the Commission's audit committee.

## **Basis of information**

External auditors do not act as a substitute for the Commission's own responsibilities for putting in place proper arrangements to account for its stewardship of resources made available to it and its financial performance in the use of those resources, to ensure the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the effectiveness of those arrangements and, through accountable officers, to make arrangements to secure Best Value.

## **Acknowledgement**

Our audit has continued to bring us into contact with a range of Commission staff. We wish to place on record our appreciation of the co-operation and assistance extended to us by staff during the first year of our work in the discharge of our responsibilities.

# Financial statements audit

## **Audit opinion**

On 15 June 2007 we issued an audit report expressing an unqualified opinion on the financial statements of the Commission for the year ended 31 March 2007 and on the regularity of transactions reflected in those financial statements.

## **Presentation of the financial statements**

The organisation is required to prepare its financial statements in compliance with the financial reporting manual ("FReM") issued by HM Treasury, as stated in the accounts direction. From 2006-07 the FReM requires that all central government financial statements include an operating cost statement ("OCS") as the primary income statement, rather than an income and expenditure account.

Grants and grant-in-aid received for revenue purposes from the Scottish Executive were previously shown as income, but this has changed so that such amounts shall be considered as contributions from controlling parties giving rise to a financial interest in the residual interest of the body, and hence should be accounted for as financing.

This change represents a change in accounting policy and therefore requires a prior year adjustment to reflect changes in the previously reported financial statements. This treatment complies with the requirements of both FRS 3 'reporting financial performance' and the FReM.

As a result, the Commission has included a number of additional disclosures in its primary financial statements, accounting policies, and the notes to the financial statements.

## **Regularity**

There are no issues arising from the regularity audit. We have reviewed the minutes of the Commission's key committees, including the board and audit committee meetings. From these minutes, we have established that the Commission has procedures in place to ensure discussion of key guidance from the Commission's Scottish Executive sponsor division, as well as other relevant laws and regulations. We have obtained management representations from the accountable officer that during 2006-07 the Commission has complied with all necessary laws and regulations.

## **Report to those charged with governance**

At the audit committee meeting on 8 June 2007 we discussed our "report to those charged with governance" which is required under International Auditing Standard 260. This dealt with relevant aspects of the Commission's financial statements production process, amendments to draft financial statements during the audit process, management's adjustment of all identified audit differences and the content of the representation letter from the accountable officer to us. There were no matters of significance included in that report which require to be reported here.

# Corporate governance

## Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of organisations. The public sector is complex, but regardless of size and operating framework, the three fundamental principles of corporate governance – openness, integrity and accountability – apply to all bodies.

Through its chief executive, the Commission is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. The *Code* requires auditors to review and report on the Commission's corporate governance arrangements as they relate to:

- the Commission's reviews of its systems of internal control, including its reporting arrangements;
- the prevention and detection of fraud and irregularity;
- standards of conduct and arrangements for the prevention and detection of corruption; and
- its financial position.

## Systems of internal control

### Statement on internal control

The statement on internal control sets out the scope of responsibility of the accountable officer for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives while safeguarding the public funds for which the accountable officer is responsible. The statement sets out the purpose of the system of internal control, the risk and control framework, and review of effectiveness of the system of internal control.

We are satisfied that the statement complies with the Scottish Executive guidance, that the processes put in place by the accountable officer to obtain assurances on the system of internal control are adequate, and that the contents of the statement are consistent with the information emerging from our normal audit work.

### Governance arrangements and risk management

The Commission has updated its corporate plan during the year, approving its new corporate plan for the period 2007-2010. Included within the plan is the corporate risk register which was reviewed and approved by the audit committee in December 2006. Individual risks have been assigned responsible officers and an associated review frequency.

The corporate plan outlines the Commission's key targets for its future years, as well as its performance indicators.

### Internal audit

The Commission obtains its internal audit service from the Scottish Executive Internal Audit Function. An assessment of the operation of the internal audit function was undertaken by Audit Scotland and reported that "*to be inserted once report released*"

In their report for the year, internal audit provided "*substantial assurance in relation to the risk, control and governance arrangements in place at the Scottish Criminal Cases Review Commission.*"

In conducting our work for the year, we have given due consideration to the findings of internal audit, while conducting the testing we required to support our audit opinion.

### Prevention and detection of fraud and irregularity

The Commission has approved a fraud policy. The content of the policy meets the requirements and identifies specific responsibilities for the prevention and detection of fraud. The Commission has also approved its public interest disclosure reporting policy in order to comply with the requirements of the Public Interest Disclosure Act 1998.

### Standards of conduct

The Commission has approved a code of conduct, which outlines the responsibilities of the members, the Chief Executive and the staff of the Commission in fulfilling their duties and meets the requirements of the Ethical Standards in Public Life etc. (Scotland) Act 2000.

The register of interests of members is updated at least on an annual basis and is made available for review on the Commission's website.

### Financial position

The financial results for the year report that all expenditure during 2006-07 was within the agreed budgetary provision of £1,300,000 for the year. Expenditure on Commission investigations was less than forecast, and combined with an underspend on staff costs due to staff turnover, lead to an outturn position of £70,000 below the annual budget.

The total net assets of the Commission at 31 March 2007 amounted to £183,360. This comprises fixed assets of £77,225, and net current assets of £106,135. Cash balances of £238,493 held in the Office of HM Paymaster General are held principally to make payment for creditors and accruals of £175,142.



## Performance management

As outlined on our agreed audit plan for the year, no specific performance audit work was required to be undertaken during the year. While our audit approach did involve aspects of performance management, this work was completed and reported within our comments on corporate governance and financial statements.

### **Best Value**

The board had agreed that during 2006-07 the Commission should undertake to update its Best Value self-assessment. This has been completed during the year and the findings reported to the Board. The self-assessment has been conducted against the eight core principles of Best Value and has found that the Commission is either well developed or under development in all categories.

An action plan has been agreed which identifies a number of actions to be taken forward during 2007-08, with a responsible officer and review date identified for each action.

