



INFRASTRUCTURE, GOVERNMENT &
HEALTHCARE

Scottish Criminal Cases Review Commission

Annual audit report to the
Scottish Criminal Cases Review
Commission and the Auditor
General for Scotland
2007-08

12 June 2008

AUDIT

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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 an opinion on 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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Executive summary

This report summarises our work for 2007-08 and our findings in relation to our audit of the Commission's financial statements, corporate governance and performance management arrangements.

Financial statements

On 12 June 2008 we issued an audit report expressing an unqualified opinion on the financial statements of the Commission for the year ended 31 March 2008 and on the regularity of transactions reflected in those financial statements.

- The 2007-08 FReM allows non-property assets to be carried at depreciated historical cost as a proxy for fair value for assets that have short useful lives and/or low values. In line with guidance from the Scottish Government, the Commission changed its accounting policy to carry such assets at depreciated historical cost. The Commission has restated its comparative information as result of this change in accounting policy, in line with FRS 3.
- The Commission has disclosed a contingent liability in respect of lease dilapidations, as their current lease is due to expire in 2014.

Corporate governance

We considered corporate governance arrangements as they relate to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct and arrangements for the prevention and detection of corruption, and its financial position.

- The statement of internal control does not disclose any significant weaknesses in the Commission's systems of internal control. The content of the SIC is consistent with our understanding. Internal audit's annual report concluded that "substantial assurance on the risk, control and governance arrangements established by the Scottish Criminal Cases Review Commission" could be provided.
- Procedures are in place to ensure discussion of key guidance from the Commission's Scottish Government sponsor division, as well as other relevant laws and regulations.
- The Commission's expenditure for 2007-08 was within its allocation with excess allocation returned to the sponsor division when it became apparent this would not be spent.
- The future financial requirements and activities of the Commission are expected to be relatively consistent since the end of the Lockerbie case. The 2008-09 allocation has been agreed and the Commission continues to operate under the 2007-2010 Corporate Plan.

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. We note, however, the following:

- The Commission has continued to make progress against its Best Value action plan.
- The Commission has set a 2% efficiency target to meet going forwards.

Introduction

Audit framework

This year was the second of our five-year appointment by the Auditor General for Scotland as external auditors of the Scottish Criminal Cases Review Commission (“the Commission”). This report to the Commission and Auditor General provides our opinion and conclusions and highlights significant issues arising from our work.

In accordance with Audit Scotland’s Code of Audit Practice (“the *Code*”) the scope of the audit was to:

- provide an opinion on the Commission’s financial statements and the regularity of your transactions;
- review and report on:
 - your corporate governance arrangements as they relate to: your review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; and your financial position
 - the Commission’s arrangements to achieve Best Value
 - other aspects of your arrangements to manage 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 discussed with the Commission’s audit committee.

Responsibilities of the Commission and its auditors

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.

This report is structured around the headings financial statements audit, governance arrangements and performance management arrangements.

Acknowledgement

We wish to record our appreciation of the continued co-operation and assistance extended to us by your staff.

Financial statements audit

- We have issued an unqualified opinion on the financial statements.
- The 2007-08 FReM allows non-property assets to be carried at depreciated historical cost as a proxy for fair value for assets that have short useful lives and/or low values. In line with guidance from the Scottish Government, the Commission changed its accounting policy to carry such assets at depreciated historical cost. The Commission has restated its comparative information as result of this change in accounting policy, in line with FRS 3.
- The Commission has disclosed a contingent liability in respect of lease dilapidations, as their current lease is due to expire in 2014.

Reporting arrangements and timetable

The financial statements audit of the Commission commenced on 29 April 2008 at which point appropriate working papers and records were made available. Draft financial statements were available for audit on 8 May 2008 with full narrative sections provided on 28 May 2008. This allowed for the completion of the audit and consideration of the financial statements by the audit committee on 4 June 2008 and approval thereafter by the accountable officer.

Audit opinion

On 12 June 2008 we issued an audit report expressing an unqualified opinion on the financial statements of the Commission for the year ended 31 March 2008 and on the regularity of transactions reflected in those financial statements.

Indexation of fixed assets

The 2007-08 FReM allows non-property assets to be carried at depreciated historical cost as a proxy for fair value for assets that have short useful lives and/or low values. Guidance was received from the Scottish Government recommending that such assets should no longer be subject to indexation but held at historic cost. As a result, the Commission changed its accounting policy to account for such assets at depreciated historical cost, with prior year comparative information restatement as a result of this change in accounting policy, in line with FRS 3.

Lease dilapidations

The Commission occupy their current premises through a lease due to expire in 2014. Review of the leasing agreement found the Commission is required to return the property to the same specifications as when the lease was initially entered. The lease expires in 2014, with a review of accommodation requirements planned by the Commission for 2011. The Commission has therefore recognised a contingent liability at the balance sheet date, as while a liability exists at the balance sheet date, the potential cost to the Commission is uncertain.

Corporate governance

- The statement of internal control (“SIC”) does not disclose any significant weaknesses in the Commission’s systems of internal control. The content of the SIC is consistent with our understanding. Internal audit’s annual report concluded that “substantial assurance on the risk, control and governance arrangements established by the Scottish Criminal Cases Review Commission” could be provided.
- Procedures are in place to ensure discussion of key guidance from the Commission’s Scottish Government sponsor division, as well as other relevant laws and regulations.
- The Commission’s expenditure for 2007-08 was within its allocation with excess allocation returned to the sponsor division when it became apparent this would not be spent.
- The future financial requirements and activities of the Commission are expected to be relatively consistent since the end of the Lockerbie case. The 2008-09 allocation has been agreed and the Commission continues to operate under the 2007-2010 Corporate Plan.

Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. 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.

Corporate governance framework

The Commission’s corporate governance framework was established in line with the management statement and associated financial memorandum with the Scottish Government. The management statement sets out the broad framework within which the Commission should operate, although it is not legally binding, and details the responsibilities and accountabilities of The Scottish Ministers, the chair of the Commission and the Commission’s Accountable Officer. The financial memorandum sets out financial provisions in greater detail.

The Commission's board currently operates with seven members appointed by Her Majesty The Queen on the recommendation of the First Minister. The Ethical Standards in Public Life etc. (Scotland) Act 2000 required the implementation of a code of conduct for board members, outlining their responsibilities. In line with the model code, the Commission's code contains rules of conduct on:

- general conduct;
- registrations of interests;
- declaration of interests;
- lobbying and access to members of public bodies; and
- political activity.

The register of interests of members is updated twice annually and is made available for review on the Commission's website.

We considered the Commission's corporate governance arrangements, which, combined with that of internal audit, has concluded that, the corporate governance framework has been designed and implemented appropriately.

Statement on internal control ("SIC")

The SIC for 2007-08 provides details of the processes and controls and management highlights that the organisation is committed to a process of continuous development and improvement and to developing systems in response to any relevant reviews and developments in best practice.

We are satisfied that the statement complies with the Scottish Government 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.

Risk management

The Commission has delegated authority for establishing and monitoring arrangements to the audit committee. The audit committee approved the latest risk management strategy and risk register in December 2007. The strategy includes guidance on objective setting, risk identification, evaluation of risk, controls identification and evaluation, review and assurance of risks. The risk register is also presented to the Commission's board which retains ownership of the risk register.

Internal audit noted "risk management and business planning processes were considered sound and well evidenced" in their 2007-08 annual report. Our review of the identified risks found these to be appropriately identified and acted upon.

Internal audit

The Commission obtains its internal audit service from the Scottish Government Internal Audit Division. 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.

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 Government sponsor division, as well as other relevant laws and regulations. We have obtained management representations from the accountable officer that during 2007-08 the Commission has complied with all necessary laws and regulations.

Financial position

The financial results for the year report that all expenditure during 2007-08 was within the agreed budgetary provision of £1,293,486 for the year. During the year the Commission informed the sponsor division that the full budgetary provision would not be used in 2007-08 primarily due to the timing of the conclusion of the Lockerbie case. Allocation of £137,391 was surrendered and the carry forward figure from 2006-07 of £73,338 also deducted.

The total net assets of the Commission at 31 March 2008 amounted to £160,036. This comprises fixed assets of £78,274, and net current assets of £81,762. Cash balances of £234,076 held in the Office of HM Paymaster General are held principally to make payment for creditors and accruals of £171,262.

Performance management

- The Commission has continued to make progress against its Best Value action plan.
- The Commission has set a 2% efficiency target to meet going forwards.

Best Value

The Commission completed a Best Value self-assessment in 2006-07 against the nine core principles of Best Value and found that the Commission was either well developed or under development in all categories. An action plan was 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.

The Best Value action plan was updated in December 2007 for all actions agreed to have been completed by then. The update found all actions were either completed or underway. A further update will be provided in June 2008, as the Commission continue to monitor achievement of the Best Value action plan.

2008-09 onwards

Audit Scotland has been committed to extending the Best Value audit regime across the whole public sector for some time now, with significant amounts of development work having taken place during the last year. Using the Scottish Government's nine best value principles as the basis for audit activity, five areas have been selected as priority development areas (use of resources, governance and risk management, accountability, review and option appraisal, and joint working).

The focus of this work in 2008-09 will be on the use of resources, including efficiency, information management, procurement, asset management, performance management and people management. While Audit Scotland is currently developing a series of toolkits for use by auditors from 2008-09 onwards, due to the scale of the Commission's activities it is unlikely that these will be mandatory for application on the Commission audit. We will, however, continue to liaise with management over the arrangements of the Commission to ensure that appropriate focus and resources are available to develop and secure Best Value.

Efficient government

The Commission has been set a 2% efficiency target within its budget allocation. Previously efficiency savings have been realised through increase use of information technology and improved processes. The Commission will continue to pursue savings and efficiencies to meet this target.

