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Scottish Criminal Cases Review Commission

Annual audit report to the Scottish Criminal Cases Review
Commission

and the Auditor General for Scotland

Year ended 31 March 2011

10 June 2011



Contents

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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 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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We issued unqualified opinions on the financial statements of the Scottish Criminal Cases Review Commission (“the Commission”) for the year ended 31 March 2011, following their approval by the board.

168 cases were submitted to the Commission in 2010-11, this is the highest volume in the Commission’s history and a significant increase on the 94 cases received in 2009-10. Of 168 cases received by the Commission during 2010-11, 41 listed the Cadder judgement as a ground for review. 141 cases were concluded during 2010-11.

Despite the high case load in 2010-11, the Commission has reported achievement of all case related targets.

A provision, which has been increased in line with expectations in 2010-11, continues to be recognised in relation to lease dilapidation costs. It is expected that an asset management review will be undertaken during 2011-12 which may impact this provision.

The Commission progressed the transfer of its core IT support functions to a third party during 2010-11. Delays in replacement of IT infrastructure and hardware contributed to an underspend of £14,314 against a capital budget of £20,000.

The net operating cost as at 31 March 2011 was £1.046 million, representing savings of £0.117 million against an agreed budget of £1.163 million. Of this amount £86,000 was surrendered to the Scottish Government and £31,000 was not drawn down. These amounts were reported as efficiencies in 2010-11.

The main reason for the underspend related to two vacant legal officer posts. One post has been filled since 31 March 2011 and management will keep the need to fill the second post under review based on case volumes.

A 2% budget reduction has been agreed in respect of 2011-12, together with an additional 3% efficiency target.

Management completed a best value self assessment in 2010-11 and rated the Commission as ‘well developed’ in all areas.

We reviewed management’s response to the joint Accounts Commission / Auditor General for Scotland report, “Improving Public Sector Purchasing” published in July 2009. We concluded that, given the size of the Commission, arrangements were well developed.

Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.



Executive summary Headlines

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice* ("the Code"). This specifies a number of objectives for our audit.

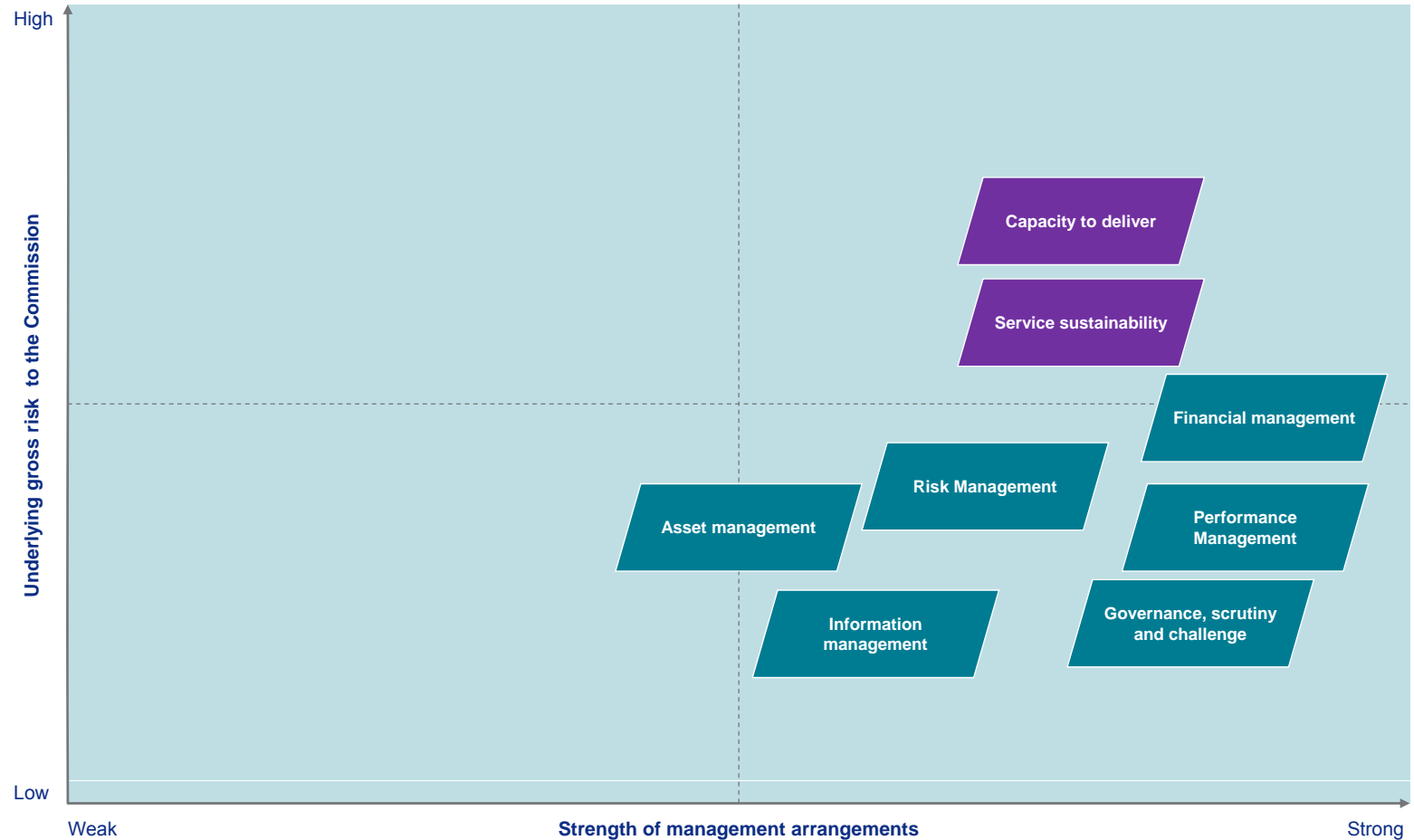
This report summarises our work for the year ended 31 March 2011.

We wish to record our appreciation of the continued co-operation and assistance extended to us by the Commission's staff during the course of our work.

Priorities and risks	
In our view, the risk that case loads continue to increase significantly presents ongoing challenges to recurring operational sustainability, however management has successfully managed the highest ever level of cases during 2010-11	Page 5
Financial statements	
We have issued unqualified audit opinions on the 2010-11 financial statements and the regularity of transactions reflected in those financial statements.	-
We considered one technical accounting matter during the audit process in respect of property lease dilapidations; management provided good quality analysis and no audit adjustments were required .	Page 6
Use of resources	
The Commission met its revised budget.	Page 8
We considered management's completion of a Best Value review.	Page 9
We assessed management's response to Audit Scotland's national reports; management has taken reasonable action to mitigate risks and improve processes at a local level, as appropriate.	Page 10
Governance	
There have been no significant changes and the statement on internal control continues to confirm the existence of a comprehensive framework of internal control.	Page 11
Internal audit completed their plan and did not report any significant risk recommendations.	Page 11
Arrangements to prevent and detect fraud are embedded in internal controls.	Page 11

Competing risks and pressures continue to present new and recurring challenges. Overall, the impact of sector priorities present a moderate risk.

The diagram summarises the potential underlying risks to achievement of strategic objectives, compared to the strength of management arrangements to mitigate these risks. The following pages summarises those areas where we believe that significant risks are inadequately managed, together with those where management arrangements are likely to mitigate or eliminate these risks to a greater or lesser extent.



Significant risks exist but actions have been identified which are likely to address the issue

Capacity to deliver / services sustainability

168 cases were submitted to the Commission in 2010-11, this is the highest volume in the Commission's history and a significant increase on the 94 cases received in 2009-10.

During 2010-11 the commission had two technical vacancies at legal officer level and agreed to fill one of these positions through secondment in the first instance since 31 March 2011. The need to fill the second vacant post will be kept under close review based on case volumes.

As at 31 March 2011 there is a small case backlog (13 cases).

Management introduced a new stage one review process for cases which has been extended following a successful pilot phase. The new stage one process provides a more robust initial review of cases prior to making a decision to accept or reject of full review.

Despite the high case load in 2010-11, the Commission has reported achievement of all case related targets.

Management effectively monitor case load and performance statistics.

The success of the stage one pilot procedure for consideration of new cases may lead to efficiencies.

- Risks exist, but actions have been identified which are likely to address the issue and management have demonstrated an ability to manage a high case load in 2010-11.

Management anticipated risks around provisions; no audit adjustments were required and matters were concluded in a timely manner

Areas of HIGH audit risk			
Area	Value (£'000)		KPMG comment
	2010	2011	
'Cadder judgment'	-	-	<p>As a result of the ruling, the Commission has received an increased number of cases for review.</p> <p>Of 168 cases received by the Commission during 2010-11, 41 listed the Cadder judgment as a ground of review. Despite the increase in cases submitted to the Commission, the percentage accepted for full review remained consistent at 66%, compared with 65% in 2009-10.</p> <p>We considered the impact of the judgment on the number of cases being considered by the Commission and the resulting impact on costs, including staff costs as part of our audit.</p>
Lease dilapidation provision	15	30	<p>During 2009-10 management considered the terms of the property lease for Portland House which is due to expire in 2014 and an estimate of the costs of returning the property to the required condition was obtained.</p> <p>During 2010-11, the provision was increased by £15,000 to £30,000 and will continue to be increased to meet the expected obligation (currently estimated by management at £75,000) on expiry of the lease.</p> <p>Following the asset management review scheduled for 2011, and subject to discussions with the landlord, should the Commission choose to extend or renew the existing lease then it may be appropriate to review the provision for dilapidations.</p>
IT outsourcing	-	-	<p>The Commission progressed the transfer of its core IT support functions to a third party during 2010-11.</p> <p>Delays in replacement of IT infrastructure and hardware contributed to an underspend of £14,314 against a capital budget of £20,000.</p> <p>There was no impact on our audit approach.</p>

Systems and Controls

Preparation of the financial statements

- Draft financial statements and supporting documentation were provided on 17 May 2011, which was in line with the agreed timetable.

Control environment

- Overall, management's approach to preparing the financial statements is efficient.

The net operating costs as at 31 March were £0.117 million below the approved budget.

A 2% budget reduction has been agreed in respect of 2011-12, together with an additional 3% efficiency target.

Financial position

The net operating cost as 31 March 2011 was £1.046 million, representing savings of £0.117 million against the originally agreed budget of £1.163 million. Of the original budget, £86,000 was surrendered to the Scottish Government and £31,000 was not drawn down.

The main reason for the underspend was reduced staff costs. The Commission operated with 12 staff during 2010-11, rather than the 14 staff assumed in the budget.

One vacant legal officer post has been filled since 31 March 2011 and while the 2011-12 budget includes provision for a second post, management continue close monitoring of case volumes in order to assess whether this post will be necessary.

Due to delays in implementing the new IT contract and capital investment in IT hardware and infrastructure, there was an underspend of £14,000 against the capital budget for 2011-12 of £20,000.

Management were not able to obtain permission to carry this underspend forward to support the 2011-12 capital budget. As a result, costs are required to be met from efficiency savings in 2011-12.

Financial planning

A 2% reduction in budget was approved for 2011-12. In preparing the 2011-12 budget, the Commission is aware of the continued need to generate efficiencies and a further 3% efficiency target has been agreed in respect of 2011-12.

Key risks

Achievement of the 2011-12 financial plan will be challenging due to the reduction in the approved budget.

While the outturn for 2010-11 was below the approved budget for 2011-12, there is still the risk that costs in 2011-12 exceed budget.

Key risks identified

- The Scottish Government has revised the process for monitoring and reporting efficiency savings. Management are aware of these changes and will monitor savings appropriately.
- Management believe there is reduced scope for further efficiencies given realised savings in previous years and achievement of budget and efficiency targets, particularly from 2012-13, may impact on service delivery.
- The Commission has a small case backlog and has introduced procedures to deal with this, there is however a risk that further unexpected increases in cases or an individually significant case could lead to additional costs and resource requirements.

Management completed a best value self assessment in 2010-11 and rated the Commission as 'well developed' in all areas.

Best value

During 2010-11, the Commission completed a best value self-assessment. The best value review considered:

- commitment and leadership;
- sound governance at a strategic & operational level;
- accountability;
- sound management of resources;
- responsiveness and consultation;
- use of review & options appraisal;
- a contribution to sustainable development;
- equal opportunities; and
- joint working.

In each area, the Commission rated itself as 'well developed'.

An action plan has been developed as a result of the assessment. We have reviewed the action plan and noted that each action is 'SMART' and has an assigned owner and due date.

The actions have been incorporated into the 2011-12 business plan to ensure achievement of the majority of actions over the next 12 months.

Audit Scotland periodically undertakes national studies on topics relevant to the performance of central government bodies. We are required to report on the Commission's response and reaction to these throughout the year.

Our work has found that the Commission has appropriate procedures and controls in place in this area.

Audit Scotland national studies

Audit Scotland periodically undertakes national studies on topics relevant to the performance of central government bodies. While the recommendations from some of the studies may have a national application, elements of the recommendations are also capable of implementation at local level, as appropriate.

Audit Scotland's corporate plan 2009-12 reinforces a commitment to maximising the impact of their work and demonstrating this impact. As part of this process, external auditors are required to provide information on how bodies respond to national performance audit reports.

Management has procedures established to consider individual reports. In addition, where appropriate, management will carry out a self-assessment against the national study and implement local action plans, as required.

In 2010-11 a more targeted follow-up was to be completed by auditors in respect of the Commission's actions following publication of the joint Accounts Commission / Auditor General for Scotland report, "Improving Public Sector Purchasing" published in July 2009.

Our work centred around the answers to three questions to facilitate analysis of the Commission's arrangements. Overall, taking into account the size and nature of the Commission, we found that processes are appropriate and mitigate the issues highlighted by the report.

We have provided a separate report to management and Audit Scotland in respect of this follow-up work.

Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.

<p>Corporate governance framework</p>	<p>The Commission maintains an integrated governance framework to provide an appropriate structure for maintaining decision-making, accountability, control and behaviour.</p> <p>Internal audit completed a follow up in respect of agreed actions following their report on corporate governance and business planning arrangements in 2009-10. Three of the four recommendations were addressed, with one, relating to business continuity planning, superseded.</p> <p>During the course of the year there were a number of changes to board membership. Three existing members were reappointed for a further three years from 1 July 2011.</p>
<p>Statement on internal control</p>	<p>The statement on internal control provides details of the purpose of the framework of internal control, along with an analysis of its effectiveness. We have made a number of minor recommendations to enhance the statement and ensure full compliance with guidance issued by the Scottish Government.</p>
<p>Internal controls</p>	<p>Our testing, combined with that of internal audit, of the design and operation of financial controls over significant risk points confirms that controls are designed appropriately and operating effectively.</p>
<p>Internal audit</p>	<p>Internal audit has submitted all of their planned reports for the year. These reports do not make any 'critical' recommendations, but the review highlighted some control weaknesses and made recommendations to address these. Internal audit praised the Commission's response to recommendations arising from previous reports.</p> <p>The report on office functions, including risk management, governance and finance, concluded that they could provide "<i>substantial assurance</i>" on the arrangements in place.</p>
<p>Fraud and irregularity</p>	<p>The Commission's approved fraud policy identifies specific responsibilities for the prevention and detection of fraud. The Commission also has an approved public interest disclosure reporting policy, which complies with the requirements of the Public Interest Disclosure Act 1998.</p> <p>Management did not identify any instances of fraud or irregularity during the year. During our audit of the financial statements we did not identify any known or suspected instances of fraud or irregularity.</p>



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