

Scottish Criminal Cases Review Commission

Annual Audit Plan 2012/13



Prepared for the Scottish Criminal Cases Review Commission
November 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Summary plan

Summary of planned audit activity

Based on our analysis of the risks facing the Scottish Criminal Cases Review Commission ("the Commission"), our planned work in 2012/13 includes:

- an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the state of affairs of the Commission
 - the income and expenditure for the year were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers
 - the accounts have been properly prepared in accordance with the Criminal Procedure (Scotland) Act 1995 and directions made by Scottish Ministers
- a review and assessment of the Commission's governance and performance arrangements in a number of key areas including a review of the adequacy of internal audit and the governance statement.

Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to the Commission in achieving its business objectives. We also assess the risk of material misstatement or irregularity in the Commission's financial statements. This report summarises the key challenges and risks facing the Commission and sets out the audit work that we propose to undertake in 2012/13.
2. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.
3. Audit in the public sector goes beyond simply providing assurance on the financial statements and the organisation's internal control environment. We are also required to provide a view on performance, regularity and the organisation's use of resources. In doing this, we aim to support improvement and accountability.

Our approach

4. Our audit approach is based on an understanding of the characteristics, responsibilities and principal activities, risks and governance arrangements of the Commission, and identification of the key audit risks and challenges in the central government sector generally. We have considered and documented the sources of assurance which will make best use of our resources and allow us to focus testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management

action and reliance on systems of internal control. Management action being relied on for 2012/13 includes:

- clear responsibilities for provision of accounts and working papers being agreed
 - delivery of unaudited accounts to agreed timescales with a comprehensive working papers package
 - completion of the internal audit work programme for 2012/13.
5. Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and, as part of our planning process we carry out an early assessment of the internal audit function. Internal audit is provided by the Scottish Government Internal Audit Service. We will liaise with our Scottish Government audit team to confirm that the Internal Audit Service operates in accordance with government internal audit standards. Subject to that confirmation, we plan to place reliance on the work of internal audit in the following areas:
- Review of key aspects of SCCRC's main corporate governance systems
 - Review of the Commission's fraud policies and procedures
6. At the completion of the audit we will provide the Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Responsibility for the preparation of accounts

7. It is the responsibility of the Commission and the Accountable Officer, to prepare the financial statements in accordance with the Criminal Procedure (Scotland) Act 1995 and Directions signed by Scottish Ministers. This means:
- acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority
 - maintaining proper accounting records
 - preparing financial statements timeously which give a true and fair view of the financial position of the Commission as at 31 March 2013 and its expenditure and income for the year then ended
 - preparing an annual report, including management commentary and remuneration report.

Format of the accounts

8. The financial statements should be prepared in accordance with the FReM and Accounts Directions signed by Scottish Ministers. The FReM sets out the principles applicable to the accounting and disclosure requirements for the annual report and accounts which bodies covered by resource accounting are required to prepare annually.

Audit issues, risks, and summary assurance plan

9. Based on our discussions with the Director of Corporate Services and a review of supporting information, we have identified a range of risks for your organisation. These are summarised in table 1 below. Actions to manage these risks are either planned or already underway within the organisation. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

Table 1: Summary assurance plan

Risk	Source of Assurance	Planned Audit Action
<p>Budget reductions</p> <p>Funding has decreased in 2012/13 and the Commission faces further budget reductions over the next two years (decreases of 7.85% in 2013/14 and 10.6% in 2014/15, in comparison to 2011/12 levels). There is a risk that the Commission may not be adequately prepared to absorb these reductions while still meeting key performance targets.</p>	<p>The Commission holds quarterly meetings with their Scottish Government Sponsor Team where financial reporting is a standing item.</p> <p>The Commission also has established internal financial reporting arrangements and has incorporated ongoing efficiency measures into their business plan.</p> <p>The Commission's 2013/14 budget exercise and corporate planning are now underway following confirmation of their 2013/14 budget.</p>	<p>We will consider the Commission's outturn for 2012/13, and budgetary plans for 2013/14 as part of the final accounts audit.</p>
<p>2012/13 budget outturn</p> <p>The quarterly finance report to the end September 2012 identifies a cost pressure on non pay costs in relation to legal costs. It is anticipated that this will result in legal costs expenditure for the year exceeding the approved budget of £20,000. There is a risk that this may impact on the Commission's overall financial position for 2012/13.</p>	<p>The Commission has received ongoing assurances from their Scottish Government Sponsor Team regarding commitment to fund both legal costs and investigations expenditure over agreed budget. It is recognised that both are demand led and dependent on judicial review numbers and specific case demands.</p>	<p>We will continue to monitor expenditure on legal costs during the course of the 2012/13 audit.</p>

Risk	Source of Assurance	Planned Audit Action
<p>Employee Costs</p> <p>The board are considering a grievance raised by the Chief Executive in relation to the Scottish Government pay freeze imposed from 2011/12. There is a risk that this would impact on budgeted employee costs for 2012/13.</p>	<p>Legal advice has been obtained in respect of the grievance and the Board are considering their formal response.</p> <p>The costs associated with any settlement have been quantified and these can be met, if necessary, within the existing staff costs budget as a result of recyclable savings.</p>	<p>We will continue to monitor developments in this area.</p>
<p>Case Volume</p> <p>As at 31 October 2012 the Commission had received a total of 116 new applications, a significant increase in business on previous years, with an anticipated annual figure in the region of 200 new applications. Until 2011/12 the Commission's average case volume had been approximately 100 new cases per annum. There is a risk that the Commission cannot effectively consider and investigate this level of new cases under existing structures and operating procedures with a detrimental effect on case targets.</p>	<p>The Commission have implemented a number of operational changes to address increasing case volumes including the creation of stage 1 pre-acceptance procedures and temporary interim Board meetings.</p> <p>The Commission have also undertaken a Board time recording exercise and have identified additional CPD and effectiveness development for Members.</p>	<p>We will continue to monitor the impact of the increased case volume on the operations of the Commission.</p>
<p>Presentation of 2012/13 financial statements and notes</p> <p>As detailed in our Report to those charged with governance on the 2011/12 audit, a number of revisions were required to the unaudited 2011/12 financial statements to ensure compliance with the 2011/12 Government Financial Reporting Manual (FReM). In addition, other issues were reported that require to be considered during 2012/13. There is a risk that these issues will not be</p>	<p>As part of the 2012/13 accounts preparation process the agreed actions from the 2011/12 audit will be considered and reflected within the draft accounts.</p>	<p>The action taken to address the issues raised as part of the 2011/12 audit will be considered as part of the 2012/13 financial statements audit.</p>

Risk	Source of Assurance	Planned Audit Action
satisfactorily addressed prior to the production of the 2012/13 unaudited accounts.		
<p>Joint working</p> <p>During 2011/12 the Commission reported early involvement in a joint procurement arrangement in partnership with other Scottish central government bodies. Joint working in this area was intended to deliver efficiencies for all parties involved but to date limited progress has been made in this area. There is a risk that this may impact on the Commission's ability to achieve their required level of savings identified for 2012/13.</p>	<p>The Commission's 2012/13 Business Plan continues to outline their commitment to joint working and efficiency savings. This includes review and action on non pay costs expenditure to utilise beneficial framework contracts where applicable, and reporting on efficiency savings achieved through collaborative contracts.</p>	<p>We will monitor the Commission's activity in respect of joint working during 2012/13.</p>
<p>Criminal Justice (Punishment and Review) (Scotland) Act</p> <p>The Criminal Justice (Punishment and Review) (Scotland) Bill was passed by the Scottish Parliament on 20 June 2012 and received Royal Assent on 26 July 2012. There is a risk that insufficient resources will be available to comply with the requirements of the Act in relation to the disclosure of information obtained by the Commission.</p>	<p>The Commission's 2012-13 Business Plan and Risk Register specifically identify the Criminal Justice (Punishment and Review) (Scotland) Bill as a potential issue to ensure it is subject to ongoing review and impact assessment.</p> <p>To date no specific issues have materialised as a result of the Bill although the Scottish Government Sponsor Team are updated quarterly on potential issues arising.</p>	<p>We will consider any implications for costs in 2012/13 and future years throughout the course of the audit.</p>

Materiality

10. We consider materiality, as described in International Standard on Auditing 320, and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

11. An item may be judged material for reasons other than its monetary or quantitative value. An inaccuracy, which would not normally be regarded as material by amount, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, an item contrary to law, or areas affected by central government control).

Reporting arrangements

12. As the accounts have to be signed by the relevant officers and by the appointed auditor, Asif A. Haseeb, prior to submission, it is critical that a timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at table 2 of this plan, which takes account of submission requirements, planned audit committee dates and audit resources.
13. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the Chief Executive and the Director of Corporate Services to confirm factual accuracy. Responses to draft reports are expected within one week of submission. A copy of all final agreed reports will be sent to the Chief Executive, Director of Corporate Services, Internal Audit and Audit Scotland's Performance Audit Group.
14. We will provide an independent auditor's report (audit certificate) to the Commission and the Auditor General that the audit of the financial statements has been completed in accordance with applicable statutory requirements, including an opinion on those financial statements. An annual report to the Commission will also be produced to summarise all significant matters arising from the audit and overall conclusions about the Commission's management of key risks.
15. All annual reports produced by Audit Scotland are published on our website: www.auditscotland.gov.uk
16. The full range of outputs to be delivered by the audit team are summarised in the financial statements audit timetable at table 2 below.

Table 2: Financial Statements Table

Key Stage	Date
Annual Audit Plan	13 December 2012
Review of the adequacy of internal audit	30 April 2013
Latest submission of unaudited financial statements with working papers package	13 May 2013
Progress meetings with lead officers on emerging issues	As required during audit process
Board meeting to consider draft accounts	31 May 2013
Latest date for final clearance meeting with Director of Corporate Services	14 May 2013
Agreement of unsigned financial statements for audit committee agenda, and issue of report to the audit committee on the audit of financial statements (ISA 260)	31 May 2013
Audit Committee date	6 June 2013
Accountable Officer to sign accounts	7 June 2013
Independent Auditors Report signed	7 June 2013
Annual Audit Report to the Commission and Auditor General	31 August 2013

Quality control

17. We are committed to ensuring that our audit reflects best practice and demonstrates best value to the Commission and the Auditor General for Scotland. We operate a strong quality control framework that seeks to ensure that your organisation receives a high quality service. The framework is embedded in our organisational structures and processes and includes an engagement lead for every client; in your case this is, Asif A. Haseeb, who is responsible for ensuring that our work is carried out on time and to a high quality standard.
18. As part of our commitment to quality and continuous improvement, we may periodically seek your views. We would be grateful for any feedback on our services.

Fees and resources

19. The fee for the audit is £7,200 (£7,500 in 2011/12) and covers:
 - all of the work and outputs described in this plan
 - attendance at Audit Committee meetings
 - access to advice and information on relevant audit issues
 - travel and subsistence costs.

20. The local audit team will be led by Richard Smith who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided at Appendix A. The core audit team will call on other specialist and support staff, as necessary.

Independence and objectivity

21. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships within the audit team. We comply with ethical standards issued by the Auditing Practices Board and with Audit Scotland's requirements in respect of independence and objectivity, as summarised at Appendix B.

Appendix A - Audit team

A summarised curriculum vitae for each core team member is set out below:

Asif A Haseeb (MBA, ACMA)
Engagement Lead

Asif took up post as senior manager in October 2001. Before joining Audit Scotland, he was the chief auditor in a Scottish council. Asif has 19 years of public sector audit experience and substantial financial management and board level experience in the public sector gained through non-executive membership of various boards.

Richard Smith (BA, CPFA)
Senior Auditor

Richard has 11 years experience of public sector audit with Audit Scotland, covering local government, health, central government and the further education sectors. During 2006 Richard was seconded to Audit Scotland's Performance Audit Group to work on the Police Call Management national study.

Pamela Morrison (BA, Msc)
Auditor (Professional Trainee)

Pamela holds an Honours degree in Business Law and Marketing and a Masters degree in Finance from the University of Strathclyde and joined Audit Scotland as an ICAS professional trainee in 2012.

Appendix B - Independence and objectivity

Auditors appointed by the Auditor General for Scotland are required to comply with the Code of Audit Practice and standing guidance for auditors. Auditors are also required to comply with the auditing and ethical standards issued by the Auditing Practices Board (APB). The main requirements of the Code of Audit Practice, standing guidance for auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 requires that the auditor communicates:

- A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with the APB's Ethical Standards for auditors.
- All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor.
- The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

The standard defines 'those charged with governance' as "the person(s) or organization(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process." In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right to communicate directly with members on matters which are considered to be of sufficient importance.

Audit Scotland's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest.

The standing guidance includes the following:

- auditors should not perform non-audit work for an audited body, consultancy or otherwise, without the prior approval of Audit Scotland
- auditors should, in all but exceptional circumstances, be changed at least once every five years in line with Audit Scotland's rotation policy
- auditors are required to carry out their duties in a politically neutral way
- Auditors must abide by Audit Scotland's policy on gifts and hospitality.