

Scottish Criminal Cases Review Commission

Annual report on the 2012/13 audit



Prepared for the Scottish Criminal Cases Review Commission and the Auditor General for Scotland
June 2013

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.

Contents

Key messages	3
2012/13	3
Outlook.....	3
Introduction	4
Financial statements	5
Audit opinion	5
Annual governance statement and remuneration report	5
Accounting issues	5
Outlook.....	6
Audit appointment	6
Financial position	7
Financial results	7
Outlook.....	8
Governance and accountability	9
Corporate governance.....	9
Prevention and detection of fraud and irregularities.....	10
Standards of conduct and arrangements for the prevention/ detection of bribery and corruption	10
Best Value, use of resources and performance	11
Management arrangements	11
Overview of performance in 2012/13.....	12
Appendix A: audit reports	13
Appendix B: action plan	14

Key messages

2012/13

We have given an unqualified opinion on the financial statements of the Scottish Criminal Cases Review Commission ("the Commission") for 2012/13. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

During 2012/13 the Commission overspent their budget by £20,000. This is the difference between the net expenditure for the period of £1.073 million and the budget allocated by the Scottish Government of £1.053 million. However, as net expenditure for the year included notional costs, such as depreciation, which do not result in a cash outflow the impact of the overspend only reduced the general reserves balance by £14,000 from £207,000 to £193,000.

Outlook

2012/13 saw a general weakening in the recovery from the 2008 global financial crisis, with growth in the Scottish economy remaining very muted and Scotland's public sector under continued financial pressure. There will be limited increases in funding, increasing cost pressures and demanding savings targets.

The Commission faces on-going budget reductions over the coming three years. It may prove challenging to maintain current levels of service and meet any new demands while ensuring that expenditure remains within budgetary limits.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of the Scottish Criminal Cases Review Commission ("the Commission"). The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. This report focuses on the financial statements and any significant findings from our wider review of the Commission. Other reports which we have issued in relation to the 2012/13 audit are listed at appendix A.
3. An action plan setting out the high level risks we have identified from the audit is included at appendix B. Management have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the board understands its risks and has arrangements in place to manage these risks. The board should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to the Commission and the Auditor General for Scotland and should form a key part of discussions with audit committees, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the Commission and after the financial statements have been laid before parliament.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of the expenditure and income.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the directors' report, annual governance statement and remuneration report. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have issued an unqualified audit opinion that the 2012/13 financial statements give a true and fair view of the Commission's affairs including its net expenditure for the year.

Annual governance statement and remuneration report

11. In our opinion, the audited part of the remuneration report has been properly prepared and is consistent with the financial statements.
12. We also confirm that we have no issues to report to you on the annual governance statement and its compliance with Scottish Government guidance.

Accounting issues

13. The Commission is required to prepare its financial statements for 2012/13 in accordance with the 2012/13 Government Financial Reporting Manual (FReM). We confirm that the financial statements have been prepared properly in accordance with the 2012/13 FReM.

Accounts submission

14. We received the unaudited financial statements and working papers on 14 May 2013. This was a day later than planned with the delay attributable to issues encountered with the reconciliation of the local expenditure log to the Scottish Government trial balance figures. Matters arising from the audit were discussed on a regular basis, and a final clearance meeting was held on 17 May 2013 with the Director of Corporate Services.

Presentational and monetary adjustments to the unaudited accounts

15. Various presentational amendments were required to the initial draft of the financial statements received and all significant issues were addressed in the final signed accounts.
16. A number of monetary errors were also identified during the audit in relation to the year-end net funding position, opening balance position and employee salary overpayment. These were all adjusted for in the final version of the financial statements and as a result there were no unadjusted monetary errors.

Payroll recharge arrangements

17. As in previous years, a comparatively high volume of journals were processed in relation to the transfer of fees associated with the Chief Executive's role as a part-time Sheriff. This high level of journals increases the risk of errors in the financial records and resulted in a number of actual errors during 2012/13 due to the Chief Executive's salary being coded in SEAS to the Scottish Courts Service. In addition, the Commission have already identified a similar issue in 2013/14 as the Chief Executive was omitted from the Commission's payroll report for April 2013. Furthermore, during 2013/14 a similar recharge arrangement will need to be put in place for another member of the Commission's staff which will further increase the risk of potential errors in the financial records.
18. From review of the Commission's accounting records and discussion with management we are satisfied that the mispostings that occurred during 2012/13 in relation to the Chief Executive's salary have all been corrected for the purposes of calculating the expenditure for inclusion in the financial statements. However, to minimise the risk of misstatement in the future the Commission should investigate whether the recharge arrangements could be reviewed and revised going forward.

Refer action point 1

Outlook

19. No significant changes are currently expected to the reporting framework applicable to the Commission (i.e. the FReM) for next year (2013/14).

Audit appointment

20. Audit appointments are made by the Auditor General for Scotland, either to Audit Scotland staff or to private firms of accountants for a five year term. We were appointed as the Commission's external auditors for a five year period starting in 2011/12 and 2012/13 is year two of our audit appointment.
21. We look forward to working with the Commission's management, board members and staff to build on our excellent professional working relationships.

Financial position

22. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
23. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
24. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

25. The Commission's net expenditure for 2012/13 was £1.073 million which was within the initial agreed budget for the year of £1.083 million. However, during the course of the year the Commission's budget was reduced to £1.053 million meaning that they reported a year end overspend of £20,000.
26. During 2012/13 the most significant elements of expenditure were staff costs of £760,000 (71% of net expenditure) and accommodation costs of £147,000 (14% of net expenditure).
27. Capital expenditure for 2012/13 was £3,756 which was within the agreed capital budget of £5,000.

Budgetary control

28. We found arrangements for budget setting and monitoring in place at the Commission to be sound, with management exercising close control over expenditure and reporting financial results quarterly to the board.

Financial position

29. As net expenditure for the year included notional costs, such as depreciation, which do not result in a cash outflow the impact of the in-year overspend detailed at paragraph 25 only reduced the general reserves balance by £14,000 from £207,000 at 31 March 2012 to £193,000 at 31 March 2013.
30. This decrease is largely due to the on-going build-up of a provision to meet restoration costs expected to be incurred at the termination of the Commission's lease of their offices in Glasgow which requires £15,000 a year to be charged to expenditure. Therefore, we do not

have any concerns over the on-going sustainability of the Commission's financial position in 2013/14.

Outlook

2013/14 budget

31. Funding for 2013/14 allocated to the Commission by its sponsor department within the Scottish government totals £1.050 million. This represents a further reduction from the 2012/13 budget and also leaves a £23,000 funding gap when compared to net operating expenditure for 2012/13.
32. The budget was initially agreed on the basis that any costs associated with the Criminal Justice (Punishment and Review) (Scotland) bill, and in particular the case of Abdelbaset Ali Mohmed Al Megrahi, would need to be met from within this allocation. As part of Parliament's consideration of the draft bill, the Commission estimated that the potential costs associated with considering the release of the Abdelbaset Ali Mohmed Al Megrahi statement of reasons within the framework provided by the bill would be in the region of £116,000.
33. It is anticipated that the bill will be passed later this year. However, in March 2012, the Abdelbaset ali Mohmed al Megrahi statement of reasons was leaked and published by the press. As the statement of reasons is now in the public domain the Commission anticipates that the resource implications of the bill on this case will be significantly less.
34. Management advised us that they have made both the sponsor team and the Scottish Government fully aware of the potential resource impact on the commission of the bill and the possible negative impact on ordinary case targets if adequate additional resource is not provided. The board have specifically included the ongoing review of the impact of the bill within the 2013/14 business plan as a means of monitoring and managing any associated risks and resource issues.

Refer action point 2

35. The Commission reports steps it has taken to manage expenditure to meet budgetary requirements over the coming years through a number of initiatives. These include early involvement in a joint procurement arrangement (Scottish Government procurement cluster 2) in partnership with other Scottish central government bodies and seeking opportunities for joint working on an on-going basis. The board should continue to monitor progress during the coming year.

Refer action point 3

Governance and accountability

36. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
37. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
38. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption
39. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

40. The strategic direction and performance of the Commission is governed by the board. No members of the board left during the year and there were also no new appointees during 2012/13. Internal scrutiny is provided by the Audit Committee.
41. The chairman of the board throughout 2011/12 and 2012/13 was Mrs Jean Couper CBE. The Commission's chief executive and accountable officer is Mr Gerald Sinclair, who has been in post since 2003. The Commission has thereby benefited from continuity of leadership and a high level of experience amongst the senior management over recent years.

Internal control

42. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
43. Many of the Commission's processes rely on systems hosted centrally by the Scottish Government. We review the controls in place within these systems centrally. This approach ensures we are delivering an efficient co-ordinated audit that avoids unnecessary duplication

and expense. Our review did not identify any significant control weaknesses in the Scottish Government systems utilised by the Commission in 2012/13.

44. As part of our risk assessment and planning process we assessed the Scottish Government Internal Audit Division, the Commission's internal auditors, and concluded that they operate in accordance with the Government Internal Audit Manual. We were therefore able to rely on their work to obtain further assurances over the effectiveness of the systems of internal control in place at the Commission.
45. We have concluded that good governance arrangements are in place at the Commission.

Prevention and detection of fraud and irregularities

46. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
47. There were no instances of fraud or corruption reported by the Commission in 2012/13.
48. The Commission has appropriate arrangements in place (based on Scottish Government guidance) to prevent and detect instances of fraud and corruption including detailed policies which have recently been reviewed and updated.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

49. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions.
50. The Commission has updated both its codes of conduct for staff and members and its Management Statement and Financial Memorandum. We have concluded that the arrangements are appropriate and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

51. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
52. This section provides a commentary on the Best Value/ performance management arrangements within the Commission.

Management arrangements

Best Value

53. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement. .
54. The Commission undertook a self-assessment review in 2010/11, assessing arrangements within the organisation in nine key areas of best value. This resulted in an action plan with tasks for improvement identified in five of the nine areas.
55. A review of progress against the targets detailed within the action plan was carried out in 2012/13. The results of this review were presented by management to the Commission's audit committee on 6 June 2013 and confirmed that all outstanding actions had been completed or had been superseded. It was also reported that another full best value review would be undertaken by 31 March 2014 as set out within the 2013-14 Business Plan.

Performance management

56. The Commission assesses its performance against the strategic aims which they have agreed with Scottish Ministers and progress is measured with reference to various key targets associated with each of these aims with progress reported in the Commission's annual report.
57. In addition to progress against strategic aims as detailed above, the Commission also assesses its performance against key performance indicators which again are reported in the annual report.
58. Performance against targets is also a key item discussed by the Commission's board at quarterly meetings.

Community/user engagement

59. Management have advised us that engagement with stakeholders is achieved through its User Group Forum. A range of stakeholder organisations are represented on the forum,

which last met in February 2013. Topics discussed included procedures, plans, targets, standards reporting and research.

Overview of performance in 2012/13

Performance measurement outcomes reported by the Commission

60. The Commission reports that all agreed targets were achieved in 2012/13. These measures of performance achieved include:
- all cases allocated on average within 1 month of receipt
 - conclusion of sentence only reviews within an average of 4 months from the date of allocation, and
 - conclusion of conviction reviews within an average of 9 months from the date of allocation.

Appendix A: audit reports

External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	30 Nov 2012	20 Dec 2012
Report on financial statements to those charged with governance (ISA 260 report)	3 June 2013	6 June 2013
Audit opinion on the 2012/13 financial statements	6 June 2013	6 June 2013
Annual Audit Report on the 2012/13 audit	28 Jun 2013	4 Sept 2013

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	18	<p>Payroll recharge arrangements</p> <p>To minimise the risk of misstatement in the future the Commission should investigate whether the current salary recharge arrangements could be reviewed and revised going forward.</p>	<p>Management have agreed to take this up with the payroll administrator and the Scottish Courts Service to identify whether a service level agreement or direct invoicing could be put in place.</p>	Chief Executive/ Director of Corporate Services	Immediate
2	34	<p>2013/4 Budget Monitoring</p> <p>Additional work out-with normal case processing may need to be undertaken by the Commission in 2013/14 in relation to the Criminal Justice (Punishment and Review) (Scotland) Bill. This may make it difficult to ensure expenditure remains within budget.</p>	<p>The Commission has considered fully the potential resource implications of the Bill and communicated these to the sponsor team and Parliament. In order to review the impact on an ongoing basis the 2013/14 Business Plan specifically includes action to assess the implications/risks of the Bill on an ongoing basis.</p>	Chief Executive/ Director of Corporate Services	31 March 2014

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	35	<p>Joint working</p> <p>The Commission has taken initial steps to become involved in a joint procurement arrangement (Scottish Government procurement cluster 2) in partnership with other Scottish central government bodies.</p> <p>The Commission should continue to explore avenues for joint working in order to ensure efficiency is maximised.</p>	<p>The Commission will continue to identify opportunities for collaborative working and shared services. This is an ongoing objective within its annual business plan.</p>	Chief Executive and board	31 March 2014