

Scottish Commission for Human Rights

Annual report on the 2012/13 audit



Prepared for the Scottish Commission for Human Rights, and the Auditor General for Scotland
November 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.

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Introduction

1. The Scottish Commission for Human Rights Act 2006 was passed by the Scottish Parliament on 2nd November 2006 and received Royal Assent on 8th December 2006. It provides for the establishment of the Scottish Commission for Human Rights (SCHR).
2. The Scottish Commission for Human Rights Act 2006 (the Act), sets out the general duty and powers of SCHR. Under the Act the Commission has a general duty to promote awareness, understanding and respect for human rights, and in particular to encourage best practice in relation to human rights.
3. SCHR's other statutory functions are to:
 - Conduct inquiries into the policies or practices of Scottish public authorities, where relevant to the promotion of awareness, understanding and respect for human rights;
 - Enter places of detention as part of an inquiry;
 - Intervene in civil court cases where relevant to the promotion of human rights and where the case appears to us to raise a matter of public interest.
4. Professor Alan Miller is the full time Chair of the SCHR, and there are three other Commissioners who act on a part time basis – Professor Kay Hampton, Shelagh McCall and Matt Smith. The SCHR members are supported by ten staff based in Edinburgh.
5. This report is the summary of our findings arising from the 2012/13 audit of the SCHR. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
6. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the SCHR and no responsibility to any third party is accepted.
7. [Appendix A](#) is an action plan setting out the high level risk we have identified from the audit. Officers have considered the issue 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 SCHR understands the risks and has arrangements in place to manage these risks.
8. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Finance Risk and Audit Committee (FRAC).

Financial statements

Conduct and scope of the audit

9. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the FRAC on 17 September 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
10. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

11. We have given an unqualified opinion that the financial statements of the SCHR for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 3 October 2013.
12. We received the unaudited financial statements on 5 July 2013 in accordance with the agreed timetable. The working papers were of a high standard and staff provided good support to the audit team enabling us to complete our on-site fieldwork on 2 August 2013.
13. The SCHR is required to follow the 2012/13 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Financial position

14. The main financial objective for SCHR is to ensure that the cash drawn down for the year is within the budget allocated by the Scottish Parliamentary Corporate Body (SPCB). In 2012/13 the SCHR recorded cash expenditure of £998,000. Cash drawn down from the SPCB totalled £965,000 which was £4,000 less than the original budget. The remaining costs of £33,000 for 2012/13 were funded from reserves brought forward.
15. The balance of taxpayers' equity at 31 March 2013, in the statement of financial position is reported as £ (7,000). The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations. This may be called into doubt if there are significant net liabilities in the statement of financial position. While the current net liability is not significant, the SCHR will wish to consider any consequences should the balance of taxpayers' equity continue to reduce in future years.

Refer action point no 1

Financial planning

16. The financial year 2012/13 was the second year of a 3 year plan which was established to reduce the budget of the SCHR by 15% in real terms. The SCHR recorded a 15% decrease in the baseline budget to 31 March 2014.

Corporate governance and systems of internal control

Overall governance arrangements

17. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the SCHR had satisfactory governance arrangements in place and is supported by a FRAC.
18. The SCHR's governance arrangements are detailed in the governance statement included in the annual accounts. There is no set format of the governance statement but guidance has been published highlighting essential features which should be included.
19. The SCHR's governance statement has been assessed as complying with good practice. The governance statement includes
 - details of the governance framework of the organisation
 - an assessment of corporate governance with reference to compliance with generally accepted best practice principles and relevant guidance,
 - an assessment of the organisation's risk management arrangements and risk profile, including, details of significant risk-related matters arising during the period.

Accounting and internal control systems

20. 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.
21. For 2012/13 Commission members performed an assessment of the effectiveness of SCHR's scheme of control by:
 - the work of the FRAC in its consideration of risk and internal control measures
 - reports and comments made by the external auditors
 - convening monthly Commission meetings to consider the plans and strategic direction of the organisation, to enable officers to monitor progress and highlight any obstacles
 - adhering to the principles of the Scottish Public Finance Manual
 - conducting monthly meetings of the Business Risk Management Group (BRMG). The BRMG and is responsible for monitoring risk and identifying new risks and issues. The BRMG has authority to take action to control risks and are responsible for managing these actions. The BRMG escalates any significant risks to the Commission.

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22. Based on an assessment of risk by SCHR, it was not considered necessary to employ any internal audit service during the year. SCHR will consider whether employing an internal audit service will provide value for money during 2013/14.
 23. The Business Excellence project was established in the SCHR in 2011 and has involved reviewing all governance structures and processes, and implementing necessary changes to ensure compliance with the business excellence model. Financial systems, human resource procedures, risk management and staff development have been reviewed and revised as part of the project. Work is continuing on the project with SCHR performing a review of the efficiency of key systems, in particular information and technology systems.
 24. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Prevention and detection of fraud, irregularity, and corruption

25. 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.
26. In our Annual Audit Plan we also highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the SCHR's overall arrangements for the prevention of fraud, irregularity and corruption are satisfactory, although it should be noted that no system can eliminate the risk of fraud, irregularity or corruption entirely.

Best Value

Best value

27. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with SCHR agree to undertake local work in this area.
28. From our audits of numerous Commissioner and Commission bodies we note the considerable time investment made to ensure effective risk management and governance arrangements, and also for the preparation of financial accounts. At a time of reducing budgets we would encourage public bodies of a similar nature and size to work supportively

with each other, sharing skills and strengths and internal developments which demonstrate best practice in these areas, in the pursuit of best value.

Outlook

29. We confirm the financial sustainability of the SCHR on the basis that SPCB has agreed to fund all liabilities. The financial position going forward is however becoming even more challenging than previous years with limited increases in funding coupled with increasing cost pressures. Expenditure during the year will require to be closely monitored to identify and add any emerging budget pressures or projected overspends at an early stage.

Acknowledgements

30. We would like to express our thanks to the staff of the SCHR for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	15	<p>Taxpayer's equity</p> <p>The balance of taxpayers' equity at 31 March 2013, in the statement of financial position is reported as £ (7,000).</p> <p><i>Risk - there is a risk that the balance of taxpayers' equity will continue to reduce in future years.</i></p> <p>Medium risk</p>	<p>We have obtained assurances from SPCB that any negative balance on taxpayers' equity will not impact on continuing operation of the SCHR.</p> <p>Funding requirements to meet net expenditure for 2013/14 have been agreed with SPCB.</p>	Business Manager	Complete