

Scottish Criminal Cases Review Commission

Annual report on the 2013/14 audit



Prepared for Members of the Scottish Criminal Cases Review Commission and the Auditor General
for Scotland

10 June 2014

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	4
2013/14	4
Outlook.....	4
Introduction.....	5
Financial statements	6
Conduct and scope of the audit.....	6
Audit opinion & accounting issues	6
Presentational and monetary anomalies found in the unaudited accounts.....	6
Financial position	6
Corporate governance and systems of internal control	8
Appendix 1: Action Plan.....	11
Key Risk Areas and Planned Management Action	11

Key Messages

2013/14

We have given an unqualified opinion that the financial statements of the Scottish Criminal Cases Review Commission (the Commission) for 2013/14 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

During 2013/14 the budget allocated to the Commission was £1.051 million. On an accruals basis, the net expenditure for the year was £1.082 million and the Commission overspent on budget by £0.031 million. Excluding notional costs and depreciation, which do not result in a cash outflow, the overspend is £0.022 million. However, as the annual allocation is made on a cash basis, in order to determine whether the Commission operated within the allocation, expenditure for the year also requires to be considered on a cash basis.

On a cash basis the Commission overspent their budget by £0.007 million as expenditure for the year was £1.057 million. This overspend was due to an increase in legal costs as a result of additional judicial reviews. The impact of the overspend reduced the cash and cash equivalent figure from £0.366 million to £0.359 million and reduced the general reserves balance by £0.007 million. Scottish Government approval was obtained during the period to cover the overspend in budget.

Overall the Commission's arrangements for the prevention and detection of fraud were satisfactory during 2013/14. From our review of the key controls within the main financial systems, we concluded that the Commission's systems of internal control are operating effectively.

Outlook

We consider the financial sustainability of the Commission on the basis of its current and projected financial position. The financial position going forward is becoming even more challenging than previous years with limited increases in funding coupled with increasing cost pressures. This represents a major issue for the Commission as its core activities are predominantly demand led. Therefore, expenditure will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

Introduction

1. This report is the summary of our findings arising from the 2013/14 audit of the Scottish Criminal Cases Review Commission (the Commission). 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.
2. 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 Commission and no responsibility to any third party is accepted.
3. Appendix 1 is an action plan setting out the high level risks we have identified from the audit. 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. Board Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report will be published on our website after consideration by the Commission and after the financial statements have been laid before parliament.
5. 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

Conduct and scope of the audit

6. 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 Audit Committee on 9 December 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
7. 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 2013/14 agreed fee for the audit was £7,200 (£7,200 in 2012/13) 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

8. We have given an unqualified opinion that the financial statements of the Commission for 2013/14 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 5 June 2014.
9. We received the unaudited financial statements on 12 May 2014 in accordance with the agreed timetable and staff provided good support to the audit team which enabled us to complete our on-site fieldwork by the target date of 16 May 2014. The Commission is required to follow the 2013/14 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Presentational and monetary anomalies found in the unaudited accounts

10. A small number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with management who agreed to amend the unaudited financial statements. There were no unadjusted misstatements.
11. The Commission have been accumulating a provision over recent years to meet the expected costs of restoring the building to its original condition at the termination of the lease of their offices at Portland House. As an extension to this lease was signed in 2012/03, with the expiry date now in 2017, a new quote was obtained to provide the best estimate of the costs likely to be incurred at this point. Taking into account the dilapidation costs quote and the time cost of money, management have increased the provision by £15,000 to £75,000.

Financial position

2013/14 Outturn

12. The main financial objective for Commission is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers.

2013/14 Financial position

13. The 2013/14 financial statements show that on a cash basis the Commission's outturn was £1.057 million, representing an overspend of £0.007 million against their Grant-in-Aid allocation for the year of £1.050 million.
14. On an income and expenditure basis, the financial statements show a deficit of £0.031 million. This is the difference between the net operating cost for the year as shown in the Statement of Comprehensive Net Expenditure of £1.082 million and the annual funding received from the Scottish Government of £1.051 million.
15. Due to the continuous reduction in funding that the Commission is allocated by the Scottish Government, no formal efficiency targets were set for 2013/14. They do however continue to strive to achieve year-on-year efficiencies, and savings were directly achieved as a result of framework contracts that were entered into during the period.

Financial planning

16. We found the 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.
17. The Scottish Government issued the Commission with indicative funding figures for a three year period, 2012/13, 2013/14 and 2014/15. Grant in Aid funding for 2014/15 allocated to the Commission by the Scottish Government is £1.018 million. This represents a 3% reduction from funding allocated in 2013/14.
18. The Commission has experienced a continued high volume of cases during 2013/14. In addition, the increase in judicial reviews in the previous financial year has resulted in a significant increase in legal costs in 2013/14 and in turn impacted on the net expenditure for the year exceeding the budget allocated. During 2014/15 the Commission is expecting to be involved in further work regarding high profile cases that will potentially have further resource implications.

Action Point 1

Corporate governance and systems of internal control

Overall governance arrangements

19. 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.
20. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Commission had sound governance arrangements in place which included a number of standing committees overseeing key aspects of governance.

Framework document

21. As reported in our 2013/14 Annual Audit Plan a draft framework document has been issued by the Scottish Government (SG) which sets out the broad framework within which the Commission operates and defines key roles and responsibilities which underpin the relationship between the Commission and the Scottish Government. As this document has still not been approved the Commission are currently operating in accordance with the requirements of the management statement / financial memorandum which was last updated in 2008. This presents a small risk that the requirements of the document do not adequately reflect their current activities or applicable legislation.

Action plan 2

Processes and committees

22. The members of the board are appointed by Her Majesty the Queen on the recommendation of Scottish Ministers. The current board has eight members including the chairman. 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 2013/14.
23. The chairman of the board throughout 2012/13 and 2013/14 was Mrs Jean Couper CBE. The Commission's chief executive and accountable officer is Mr Gerard 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.
24. A number of committees are in operation and meet regularly throughout the year. The Board is supported by 3 Case Committees, the Audit Committee and the Remuneration Committee. In addition, the full Board sits twice a year as the Policy Group.
25. The Audit Committee has the direct responsibility for overseeing the Commission's arrangements for corporate governance and provides the Accountable Officer with assurance

as to the Commission's compliance. The committee considers all internal and external audit reports and ensures any issues raised are addressed.

Accounting and internal control systems

26. 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.
27. 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.
28. 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 2013/14.
29. As part of our risk assessment and planning process our Scottish Government audit team 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.

Prevention and detection of fraud and irregularity

30. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
31. There were no instances of fraud or corruption reported by the Commission in 2013/14.
32. The Commission has appropriate arrangements in place (based on Scottish Government guidance) to prevent and detect instances of fraud and corruption. In our opinion, the overall arrangements for the prevention of fraud are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

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

33. 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. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Best value

34. The Commission have considered Scottish Government guidance on Best Value and have been proactive in their approach.
35. The Commission undertook another full best value self-assessment review in 2013/14, as set out within the 2013/14 Business Plan, assessing arrangements within the organisation in nine key areas of best value. This resulted in an action plan with tasks for improvement identified in three of the nine areas.

Acknowledgements

36. We would like to express our thanks to the staff of the Commission 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 1: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Issue	Planned Management Action	Responsible Officer	Target Date
1	18	<p>2014/15 Budget Monitoring</p> <p>During 2013/14 additional judicial review work was required by the Commission resulting in an overspend on budget. There is potential that this level of work will remain or increase during 2014/15 potentially having future resource implications.</p>	<p>All judicial review costs realised in 2013/14 related to actions raised in 2012/13. No new judicial reviews were received in 2013/14 and this may have a positive impact on the 2014/15 outturn. Scottish Government continue to provide assurance that additional financial resources will be made available to the Commission in respect of unforeseen demand led costs such as those associated with judicial reviews. This is therefore kept under continuous review and discussed at each quarterly sponsor meeting.</p>	Chief Executive & Director of Corporate Services	Ongoing
2	21	<p>Scottish Government Framework document</p> <p>As the draft framework document has still not been approved the Commission are currently operating in accordance with the</p>	<p>The next sponsor meeting with Scottish Government is on 6 June 2014 and the outstanding framework document is on the agenda. The Commission will</p>	Chief Executive & Director of Corporate Services	30 September 2014

Action Point	Refer Para No	Issue	Planned Management Action	Responsible Officer	Target Date
		requirements of the management statement / financial memorandum which was last updated in 2008. This presents a small risk that the requirements of the document do not adequately reflect their current activities or applicable legislation.	endeavour to get a full update from Scottish Government at this point and agree an implementation target date.		