

# Scottish Criminal Cases Review Commission

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

Prepared for Scottish Criminal Cases Review Commission

March 2017

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Scottish Criminal Cases Review Commission (SCCRC). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

Audit Risk	Management assurance	Planned audit work
<b>Financial statement issues and risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p><b>2 Risk of fraud over income and expenditure</b></p> <p>ISA240 and the Code of Audit Practice require auditors to consider the risk of fraud over recognition of revenue which is considered to be an inherent risk in any audit.</p> <p>As SCCRC receives all of its income from Scottish Government funding the risk of fraud over income can be rebutted and no additional audit work is required.</p>	<p>Assurance provided by way of internal controls built into financial procedures, regular account reconciliation and management review. In addition, all financial transactions are overseen by two members of the management team.</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions.</p>

Audit Risk	Management assurance	Planned audit work
<p>ISA240 and the Code of Audit Practice require auditors to consider the risk of fraud over certain types of public sector expenditure.</p> <p>As around 71% of SCCRC's expenditure relates to staff costs the risk of fraud over expenditure is very low and will not impact on our planned audit work.</p>		
<p><b>3 Lease of Portland House</b></p> <p>The current lease on Portland House was due to terminate in February 2017. A provision for £75k has been set aside to pay for any dilapidations at the end of the lease. However the lease has been renewed and some of this provision will now be used for office refurbishment.</p>	<p>The extension to the lease is still being agreed. Once signed, advice will be obtained from SG on the release of dilapidation provisions and the appropriate accounting arrangements which will be available to audit in 2017-18.</p>	<p>Review and assess the accounting treatment to ensure there has been a release from the provision to offset the refurbishment costs incurred, with any excess balance released back to the general reserve.</p>
<p><b>Wider dimension risks</b></p>		
<p><b>4 Financial management: Level of cash reserves</b></p> <p>We reported in our 2015/16 Annual Audit Report that the Commission holds significant cash reserves. The balance had reduced at March 2016 and efforts are underway to further reduce the balance held at March 2017.</p>	<p>The level of cash reserve has been discussed with sponsor team throughout the course of 2016-17 and the balance will be reduced further by 31 March 2017 - this will be reviewed as part of the 2016-17 audit and accounts preparation.</p>	<p>We will review the year end position as part of the 2016/17 financial statements audit to assess the appropriateness of the cash balance.</p>

## Reporting arrangements

**3.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**4.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

**5.** We will provide an independent auditor's report to Scottish Criminal Cases Review Commission, Scottish Parliament and the Auditor General for Scotland summarising the results of the audit of the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

**6.** Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year-end i.e. 31 December.

## Exhibit 2

### 2016/17 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Report including ISA 260 requirements	Xx June 2017 (TBC)	Xx June 2017 (TBC)
Signed Independent Auditor's Report	Xx June 2017 (TBC)	Xx June 2017 (TBC)

### Audit fee

**7.** The agreed audit fee for the 2016/17 audit of Scottish Criminal Cases Review Commission is £7,490. In determining the audit fee we have taken account of the risk exposure of Scottish Criminal Cases Review Commission, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on, 8 May 2017.

**8.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

### Responsibilities

#### Audit Committee and Accountable Officer

**9.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**10.** The audit of the financial statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

#### Appointed auditor

**11.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

**12.** Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Financial statements

**13.** The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Scottish Criminal Cases Review Commission and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Scottish Criminal Cases Review Commission will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**14.** We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the 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.

## Materiality

**15.** Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Scottish Criminal Cases Review Commission are set out in [Exhibit 3](#).



## Exhibit 3

### Materiality values

Materiality level	Amount
<b>Planning materiality</b> - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2017 based on the latest audited accounts for 2016.	£11,000
<b>Performance materiality</b> - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 90% of planning materiality.	£10,000
<b>Reporting threshold</b> - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 10% of planning materiality.	£1,000



16. We review and report on other information published with the financial statements including the performance report, the accountability report, and the remuneration report. Any issue identified will be reported to the Audit Committee.

### Timetable

17. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates.

## Exhibit 4

### Financial statements timetable

 Key stage	 Date
Latest submission date of unaudited financial statements with complete working papers package	8 May 2017
Latest date for final clearance meeting with Director of Corporate Services	15 May 2017
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	Xx June 2017 (tbc)
Independent auditor's report signed	Xx June 2017 (tbc)

### Internal audit

18. Auditing standards require internal and external auditors to work closely together to make best 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 assessment of the internal audit function.



**19.** Internal audit is provided by the Scottish Government Internal Audit Division and has been assessed by our Scottish Government audit team as operating in accordance with the Public Sector Internal Audit Standards (PSIAS) and with sound standards and procedures in place. We can therefore rely on their work in terms of our wider code of audit practice responsibilities.

**20.** In respect of our wider dimension audit responsibilities we plan to consider the following areas of internal audit work:

- Data Protection and Freedom of Information procedures
- Review of Board Functions.

## Audit dimensions

**21.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

### Exhibit 5

#### Audit dimensions



### Financial sustainability

**22.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether SCCRC can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

### Financial management

**23.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether SCCRC has arrangements in place to ensure systems of internal control are operating effectively
- whether SCCRC can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how SCCRC has assured itself that its financial capacity and skills are appropriate
- whether SCCRC has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

### Governance and transparency

**24.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether SCCRC can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

**25.** In September 2010 the Auditor General published a national report on the role of boards. The report highlighted a number of key messages on the role of boards, how they are accountable to the Scottish Government and the Scottish Parliament, and board members' skills and expertise. A follow up of this report is planned for 2016/17. As part of our review of governance arrangements we will consider SCCRC's performance in relation to the recommendations in the 2010 report.

### Value for money

**26.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- SCCRC can provide evidence that it is demonstrating value for money in the use of its resources.
- SCCRC can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- SCCRC can demonstrate that outcomes are improving.
- There is sufficient focus on improvement and the pace of it.

### Independence and objectivity

**27.** Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are

overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

**28.** The engagement lead for Scottish Criminal Cases Review Commission is Liz Maconachie, Senior Audit Manager. Auditing and ethical standards require the appointed auditor, Liz Maconachie to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Scottish Criminal Cases Review Commission.

## Quality control

**29.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**30.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

# Scottish Criminal Cases Review Commission

## Annual Audit Plan 2016/17

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)