

Scottish Criminal Cases Review Commission

2016/17 Annual Audit Report



 AUDIT SCOTLAND

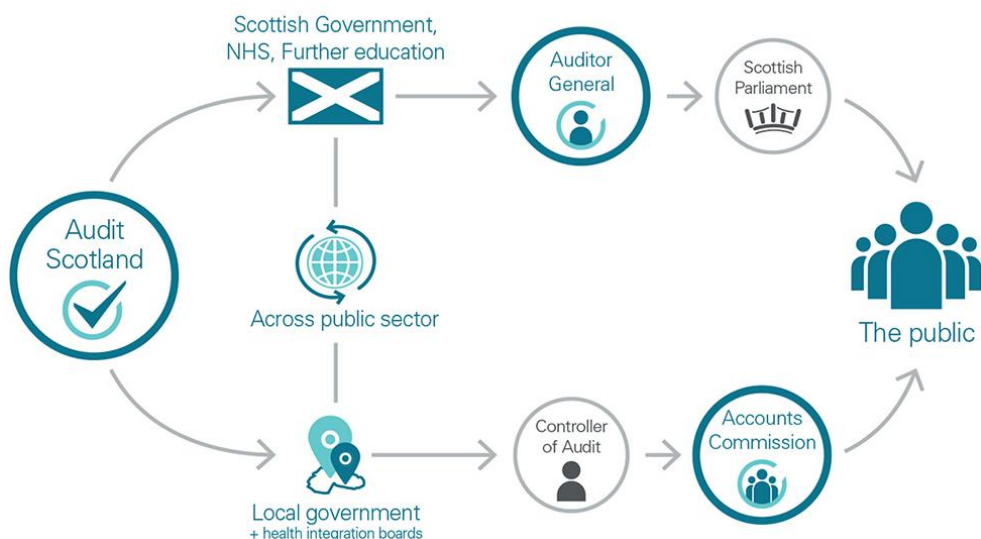
Prepared for Scottish Criminal Cases Review Commission and the Auditor General for Scotland

14 June 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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Key messages

Audit of the 2016/17 financial statements

- 1 The financial statements of the Scottish Criminal Cases Review Commission (the Commission) give a true and fair view of the financial position and its expenditure and income.
- 2 The expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.
- 3 The other information in the annual report and accounts was consistent with the financial statements and prepared in accordance with legal requirements.

Financial management

- 4 We concluded that the Commission has effective arrangements in place for financial management.

Financial sustainability

- 5 We concluded that the Commission has adequate financial planning arrangements in place.

Governance and transparency

- 6 We concluded that the Commission has effective governance arrangements in place.
- 7 We also concluded that the transparency of decision making is appropriate given the sensitive nature of the work that they carry out.

Value for money

- 8 We concluded that the Commission has an effective performance management framework in place which supports the achievement of value for money and continuous improvement in the way services are delivered.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of the Scottish Criminal Cases Review Commission (the Commission).
2. The scope of our audit was set out in our Annual Audit Plan and presented to the Audit Committee in March 2017. This report comprises:
 - an audit of the annual report and accounts
 - consideration of the wider dimensions set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
 - an audit of the Commission's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions
4. The Commission is responsible for preparing financial statements that give a true and fair view, for the accuracy of the other information in the annual report and accounts, and for establishing effective arrangements for governance, propriety and regularity that enable the board to successfully deliver its objectives.
5. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice](#)

[2016](#), supplementary guidance and, guided by the auditing profession's ethical guidance.

6. These responsibilities include giving independent opinions on the financial statements, regularity, the remuneration and staff report, the performance report and the governance statement. We also review and report on the arrangements within the Commission to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

8. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 17\)](#). It sets out specific recommendations, responsible officers and dates for implementation.

9. Communication in this report of matters arising from the audit of the annual report and accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

11. This report is addressed to both the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

12. We would like to thank all management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2016/17 financial statements



Main judgements

The financial statements of the Commission for 2016/17 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.

The other information in the annual report and accounts was consistent with the financial statements and prepared in accordance with legal requirements.

Unqualified audit opinions

13. The annual report and accounts for the year ended 31 March 2107 were approved by the board on 13 June 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements;
- an unqualified opinion on regularity of expenditure and income; and
- an unqualified audit opinion on the remuneration and staff report, performance report and governance statement.

14. Additionally, we are satisfied that there are no matters which we are required by the Auditor General to report by exception.

Submission of annual report and accounts for audit

15. We received the unaudited financial statements on 8 May 2017, in line with our agreed audit timetable. However as with previous years, the pension information required for the remuneration report was not received from Scottish Government until after our fieldwork was complete. The information was received by the Commission on 30 May 2017 and the annual report and accounts were updated and provided for audit.

16. The working papers provided with the unaudited financial statements were of a good standard and finance staff provided support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risk of material misstatement

17. [Appendix 2 \(page 19\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the annual report and accounts we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£11,300
Performance materiality – 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 overall materiality.	£10,200
Reporting threshold – 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 £1,000.	£ 1,000

Source: Audit Scotland

Evaluation of misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit. All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements.

Significant findings from the audit

22. International Standard on Auditing (UK and Ireland) 260 requires us to communicate significant findings from the audit to you. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1 \(page 17\)](#) has been included.

Exhibit 3

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Portland House lease</p> <p>The lease on the Commission's premises at Portland House ended on 28 February 2017. The Commission carried out a full asset management review to assess the best option and it was determined that an extension of the current lease was the most appropriate option. There have been delays in the completion of this process and as a result the lease remains unsigned as at 5 June 2017.</p>	<p>Additional narrative has been added to the accounts to explain the situation as at the date of signing the accounts.</p> <p>Copies of confirmation from the Scottish Government that the Commission are permitted to enter into the new lease have been provided to audit.</p> <p>Action Plan (Appendix 1, point 1)</p>
<p>2. Pension Information</p> <p>The unaudited accounts provided on 13 May 2017 did not contain the pension information required for the remuneration report. This information is provided by the Scottish Government who administers the Civil Service Pension Scheme. This late submission of information has been an issue in previous years.</p>	<p>The information was provided to the Commission on 30 May allowing the complete remuneration report to be subject to audit on 1 June 2017.</p>
<p>3. Overspend on legal costs</p> <p>The budget for 2016/17 included an estimate of £10k for legal costs. Due to costs incurred relating to a number of court cases actual expenditure was higher than budgeted for in 2016/17. While the Scottish Government agreed to fund this overspend, the Commission utilised some of its cash balance instead.</p>	<p>The Scottish Government has given a commitment to meet any overspend resulting from the increase in legal costs which are outwith the Commission's control.</p> <p>Action Plan (Appendix 1, point 2)</p>

Source: Audit Scotland

Other findings

23. Our audit identified some minor presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

Part 2

Financial management



Main judgements

The Commission had effective overall management of the 2016/17 budget.

Systems of internal control operated effectively in 2016/17.

Finance team members have appropriate skills, capacity and capability to support the Commission.

Financial performance in 2016/17

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

25. The Commission has reported an outturn of £1.131 million with an overspend of £0.112 million against its resource DEL. The financial performance against Departmental Expenditure Limits (DEL) is shown in [Exhibit 4](#).

Exhibit 4

Performance against DEL in 2016/17

Performance	Initial budget £000	Final budget £000	Actual outturn £000	Overspend/ (underspend) £000
Resource DEL	1,019	1,019	1,131	112
Capital DEL	4	4	0	(4)
Total DEL	1,023	1,023	1,131	108

Source: Audit Scotland

26. During 2016/17 additional legal costs in relation to ongoing court actions were incurred. This amounted to approximately £100k which was considerably greater than the budgeted amount of £10k, resulting in an overspend for the year.

27. The Scottish Government confirmed that it would fund this additional expenditure. However it was agreed that the additional funding requirement would instead be met using the Commission's cash balances. The 2015/16 annual audit report contained the recommendation that given the high level of cash balances

held by the Commission, efforts should be made to reduce them in 2016/17. Therefore this approach was considered appropriate and prudent.

Budgetary processes

28. We also reviewed the Commission's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports and committee papers we confirmed that senior management and members receive regular, timely and up to date financial information on the financial position.

29. We concluded that the Commission has strong budgetary monitoring and control arrangements that allow both members and officers to carry out effective scrutiny of its finances.

Prevention and detection of fraud and irregularity

30. We assessed the Commission's arrangements for the prevention and detection of fraud and have concluded that there were appropriate and adequate arrangements in place during 2016/17.

National Fraud Initiative

31. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error ([Exhibit 5](#)).

32. The Commission participates in this initiative. At this time there have been no matches identified which would require investigation.

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

33. We have reviewed the arrangements in place to maintain standards of conduct including the Staff and Members' Codes of Conduct and have concluded that the Commission has appropriate arrangements in place for the prevention and detection of bribery and corruption.

Part 3

Financial sustainability



Main judgements

The Commission has adequate financial planning arrangements in place based on Strategic Plan.

There are no significant concerns about overall financial position of the Commission.

Financial planning

34. The Commission has a resource allocation of £1.019 million which is at the same level as the 2016/17 budget allocation.

35. The 2016/17 Statement of Comprehensive Net Expenditure shows operating costs of £1.131 million, of which 68% is staff costs. The only income that the Commission receives is Scottish Government funding. Therefore the Commission has very little scope for reducing its outgoings or increasing its income. Efficiency savings have been made in previous years and it has now becoming increasingly challenging for the Commission to identify further areas of cost reduction.

36. While the majority of the operating costs can be predicted and planned for there is uncertainty around potential legal costs as these are dependent on external factors over which the Commission has no control. The Justice Directorate has given assurance that they will continue to provide funding for any costs associated with legal proceedings which exceed the Commission's allocated budget.

37. As at 31 May 2017, the Commission had spent £149k which represents 15% of the 2017/18 annual budget. At this point in the year costs associated with both investigations and legal costs are higher than anticipated. As explained above, these demand led costs are difficult to forecast. The Commission will discuss this matter with the Scottish Government at the next quarterly meeting.

2016/17 financial position

38. The Statement of Financial Position summarises what is owned and owed by the Commission. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of physical assets.

39. The financial statements show net liabilities of £0.025 million. The position at 31 March 2016 was a net asset of £0.083 million. This decrease can be attributed to the decision detailed at paragraph 27 to utilise cash balances to offset the year end overspend.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Medium to long term financial planning

40. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term. We recognise that the Commission is fully funded from its Grant-in-aid allocation from the Scottish Government and this is set on a year-on-year basis by the SG. However, this should not preclude the Commission from preparing medium to long term financial plans based on sensitivity analysis and scenario planning for possible budget changes ([Action Plan: Appendix 1 Point 3](#)).

Part 4

Governance and transparency



Main judgements

The Commission has effective governance arrangements in place.

Taking account of the sensitive and confidential nature of its work, where possible, the Commission is open and transparent in the way it conducts its business.

Internal audit operates accordance with the Public Sector Internal Audit Standards.

Governance arrangements

41. The Code of audit practice requires auditors to provide conclusions on the four dimensions of wider-scope public audit, one of which is governance and transparency. In September 2010 the Auditor General published a report on the role of boards which highlighted a number of key messages on the role of boards, and their accountability to the Scottish Government and the Scottish Parliament, board members' skills and expertise and how boards operate.

42. A follow up of this work was carried out on all bodies during 2016/17 to gain an understanding of Scotland's public sector governance arrangements and in particular the extent to which public bodies have implemented the recommendations in the 2010 report.

43. From our work in this area we concluded that arrangements for governance, scrutiny and decision making are appropriate and adequate for the size and nature of the Commission.

The Annual Governance Statement

44. Under the Treasury's Financial Reporting Manual (FReM), the Commission must prepare an annual governance statement within the Annual Report and Accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the statement and provides assurances around the achievement of the organisation's strategic objectives.

45. We concluded that the annual governance statement 2016/17 complies with the guidance issued by the Scottish Ministers and based on our knowledge and work performed presents a comprehensive picture of governance arrangements and matters.

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.

Internal audit

46. Internal audit provides the Commission and the Accountable Officer with independent assurance on the Commission's overall risk management, internal control and corporate governance processes.

47. The internal audit function is carried out by the Scottish Government Internal Audit Directorate. A review of the adequacy of the internal audit function concluded that it operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

48. We did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work.

Risk management

49. The Commission has a risk management strategy in place which is supported by procedural guidance to provide staff with advice on the operation of the risk management process. Given the size of the organisation, the risk management arrangements appear reasonable.

Transparency

50. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources.

51. Given the sensitive and at times confidential nature of the work undertaken by the Commission, Board and committee meetings are held in private. Minutes of these meetings are publicly available on the Commission's website with personal details redacted where appropriate. Other information relating to governance, information management and the Commission's policies and procedures are available on the website.

52. The level of transparency around the Commission's business is appropriate and adequate.

Part 5

Value for money



Main judgements

The Commission has a well developed performance management framework in place.

It will remain a significant challenge for the Commission to meet its financial targets in 2017/18.

Performance management

53. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. 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 the Commission agree to undertake local work in this area.

54. The Commission undertook a Best Value review during 2016/17, carrying out a self assessment against all of the core principles. The overall conclusion of the review was that arrangements for securing Best Value are well developed. An action plan has been created with a number of areas identified where improvements could be made during 2017/18.

55. We concluded that the Commission has an effective performance management framework in place which supports the achievement of value for money and continuous improvement in the way services are delivered.

Value for money is concerned with using resources effectively and continually improving services.

Performance trends

56. The performance of the Commission is measured against a number of targets which support the delivery of the Scottish Government's national performance framework. The Commission has also set itself a number of key performance indicators which it also reports against. These targets are set out in the Commission's Strategic and Corporate Plans.

57. Performance is measured and reported on a monthly basis and reviewed by the Management Team. Regular reporting to the Board also takes place.

58. We reviewed the main performance indicators used by the Commission and note that the trend has been one of steady improvement. The key targets have all been met for 2016/17 and the performance indicators have improved year on year for the past 5 years.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
9	<p>1. Finalisation of Portland House lease arrangements</p> <p>At the date of signing the accounts, 13 June 2017, the lease for Portland House has not been finalised. The previous lease expired on 28 February 2017.</p> <p>Risk</p> <p>While the landlord has given a commitment to extend the lease at favourable terms, until the lease is signed there remains a risk that the terms of the lease can be changed.</p>	<p>The board should ensure that the lease is signed as a matter of urgency.</p>	<p>As at 6 June 2017 the Commission had received confirmation that the Scottish Ministers had approved their recommendation to extend the existing lease for a further period of 5 years. Solicitors for both parties are now working on the extension.</p> <p>Director of Corporate Services</p> <p>By 1 July 2017</p>
9	<p>2. Financial Planning</p> <p>The budget for 2016/17 included an estimate of £10k for legal costs. Due to costs incurred relating to a number of court cases actual expenditure was higher than budgeted for in 2016/17. We note that the Commission has had its funding from the Scottish Government frozen at £1.019 million since 2014/15. Since the majority of operating expenditure is staff costs there are, therefore, restricted opportunities to make savings.</p> <p>Risk</p> <p>The board may not be able to operate within its budget for 2017/18.</p>	<p>The board should continue to consider ways to reduce day to day running costs and seek opportunities to make efficiencies where possible.</p>	<p>As part of the Commission's 2017-18 Business Plan Objectives a full review of the Commission's contracts register has been agreed in order to identify possible efficiencies and cost reductions.</p> <p>Director of Corporate Services</p> <p>By 31 March 2018</p>
13	<p>3. Long term financial sustainability</p> <p>The Commission is fully</p>	<p>The Commission should consider the development of longer term financial plans through discussion with its</p>	<p>The Commission will include this on the agenda of the next quarterly sponsorship meeting and discuss/agree an</p>



**Page
no.**

Issue/risk

Recommendation

**Agreed management
action/timing**

funded from its Grant-in-aid allocation from the Scottish Government and this is set on a year-on-year basis. However, this should not preclude the Commission from preparing medium to long term financial plans to ensure long term financial sustainability.

Risk

There is a risk that the Commission is not in a position to adapt to future changes to its budget.

sponsor team to help make it more capable of dealing with changes in future funding.

appropriate way of setting out longer term financial forecasts along with the types of assumption that would need to be taken into account. Thereafter the Commission will include this in quarterly sponsorship meetings along with normal quarterly financial reporting.

Director of Corporate Services.

By 30 September 2017

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</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>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>No issues identified.</p>
<p>2 Risk of fraud over income and expenditure</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>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>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions.</p>	<p>No issues identified.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>3 Lease of Portland House</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>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>As at 1 June 2017 the new lease, whilst agreed, has not been signed.</p> <p>Any use of the dilapidation provision will take place in 2017/18 and will be subject to audit in that year.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>4 Financial management: Level of cash reserves</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>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>	<p>Due to an overspend in legal costs in the year it was agreed by Scottish Government that cash balances would be utilised instead of additional funding being drawn down. The cash balance is now £215k, a 7% reduction from 2015/16.</p>
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