Scottish Criminal Cases Review Commission

2018/19 Annual Audit Report

AUDIT SCOTLAND

Prepared for the Scottish Criminal Cases Review Commission and the Auditor General for Scotland
June 2019

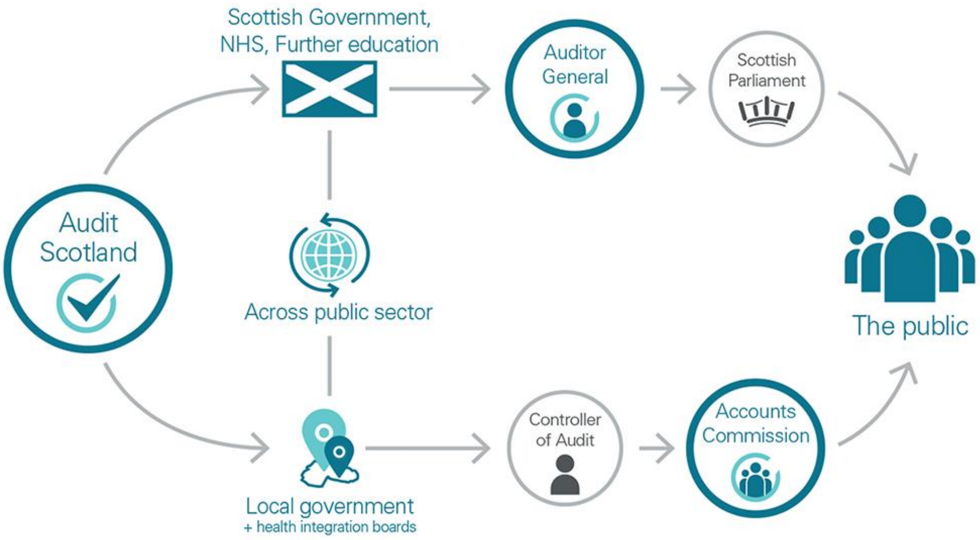
Who we are

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

2018/19 annual report and accounts

1 **The Commission's financial statements give a true and fair view and were properly prepared; expenditure and income were incurred in accordance with applicable enactments and guidance.**

2 **The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.**

Financial sustainability and governance

3 **We concluded that the Commission underspent against its revised annual budget from the Scottish Government.**

4 **The 2019/20 financial plan will be challenging to achieve given a frozen budget and works associated with a planned property move. This will utilise a proportion of the Commission's cash reserves.**

5 **We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers. Governance arrangements at the Commission are effective.**

Introduction

1. This report summarises the findings from our 2018/19 audit of the Scottish Criminal Cases Review Commission (the Commission).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 13 February 2019 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the Scottish Criminal Cases Review Commission's annual report and accounts
- our consideration of the financial sustainability of the Commission.

Adding value through the audit

3. We add value to the Commission through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides
- Providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance and financial sustainability.

4. In so doing, we aim to help the Commission promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. The Commission has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. The Commission is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

6. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the *Code of Audit Practice 2016 and* supplementary guidance and International Standards on Auditing in the UK.

7. As public-sector auditors we give independent opinions on the annual report and accounts and conclude on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.

8. The *Code of Audit Practice 2016* (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. As highlighted in our 2018/19 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2018/19 audit.

9. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £7,770 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to the Commission and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual report and accounts

Main judgements

The Commission's financial statements give a true and fair view and were properly prepared; expenditure and income were incurred in accordance with applicable enactments and guidance.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Audit opinions on the annual report and accounts

14. The annual report and accounts for the year ended 31 March 2019 were approved by the Audit Committee on 13 June 2019. We reported, within the independent auditor's report that:

- The financial statements give a true and fair view and were properly prepared
- Expenditure and income are regular and in accordance with applicable enactments and guidance
- The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.
- We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual report and accounts for audit

15. We received the unaudited annual report and accounts on 7 May 2019 in line with our agreed audit timetable.

16. The unaudited annual report and accounts provided for audit were of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risks of material misstatement

17. Appendix 2 provides a description of those assessed risks of material misstatement in the annual report and accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

18. We have reported a number of issues from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan. These relate to expenditure testing (risk number three) and are included in the action plan at Appendix 1. From the work we have carried out, we have not identified any risks in relation to management override of control or fraud over expenditure. We note that the future financial position remains challenging for the Commission in Appendix_2.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

20. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in Exhibit 1. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

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

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£11,000
Performance materiality	£6,600
Reporting threshold	£1,000

Source: Annual Audit Plan 2018/19

Significant findings from the audit (ISA 260)

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body’s accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

23. The significant findings are summarised in Exhibit 2. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included.

Qualitative aspects of the audit

24. We have no significant findings to report around the qualitative aspects (accounting policies, accounting estimates/judgements, significant financial statements disclosures) of the 2018/19 accounting practices.

Exhibit 2
Significant findings from the audit of the financial statements

Finding	Resolution
1. Bank reconciliations There were errors in the year end bank reconciliations which resulted in errors in the financial statements of £41k and £4k in the central and local bank accounts respectively. The central bank reconciliation, carried out by the Scottish Government finance team, had a reconciling item regarding a PAYE payroll accrual which was an error, and this was not identified through the reconciliation process. The local bank account balance was incorrectly excluded from the financial statements.	Officers corrected this error in the accounts. Recommendation 1 (refer appendix 1, action plan)
2. Trade payables There has been a £9k trade payables balance in the accounts for a number of years. Whilst investigating this balance, we identified that it was made up of transactions from 2016 and earlier. The obligations in trade payables had expired, and therefore these had to be derecognised in year.	Officers arranged for these balances to be derecognised in year. Recommendation 2 (refer appendix 1, action plan)
3. Income relating to award of legal costs The Commission were awarded legal costs of £32k relating to a case. This award of income, although unlikely to be received, had not been recognised in the accounts or subject to any impairment review.	Officers included this income and subsequent bad debt in the accounts. Recommendation 3 (refer appendix 1, action plan)
4. Prepayments incorrectly recorded From our sample of 25 expenditure transactions, we identified one which included £2.6k relating to 2019/20 which should have been recorded as a prepayment. In addition, we identified 2 transactions which were incorrectly classified as prepayments. In both cases, the invoice related to 2019/20 and the invoice was not paid until 2019/20. This error amounted to £2k.	Officers corrected these errors in the accounts. Recommendation 4 (refer appendix 1, action plan)
5. Lease accrual The current property lease has a three month 'rent-free' period at the beginning of its term. For accounting purposes, the rent-free period must be applied across the life of the lease. The year-end accrual resulting from the rent-free period of £8.7k had not been included in the unaudited accounts.	Officers worked with the Scottish Government to correct this error, and the accrual has now been included in the accounts. Recommendation 5 (refer appendix 1, action plan)

Source: Audit Scotland

How we evaluate misstatements

25. There were a number of material adjustments to the unaudited annual report and accounts arising from our audit, as reported above. All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements.

26. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

Follow up of prior year recommendations

27. The Commission has made some progress in implementing our prior year audit recommendations. The use of the capital incentive and work on longer term financial sustainability remain ongoing for the Commission. We have noted some progress in the identifying of accruals and prepayments as part of the closedown procedures, but there were still some errors with accruals and prepayments as identified in the table above. Revised responses and timescales have been agreed with management and are set out in Appendix 1.

Part 2

Financial sustainability and governance

Main judgements

We concluded that the Commission underspent against its revised annual budget from the Scottish Government.

The 2019/20 financial plan will be challenging to achieve given a frozen budget and works associated with a planned property move. This will utilise a proportion of the Commission's cash reserves.

We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers. Governance arrangements at the Commission are effective.

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.

Financial performance in 2018/19

28. The main financial objective for the Commission is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government. The Commission had an initial budget allocation of £1,039k for 2018/19. Additional funding of £100k was provided by the Scottish Government which was greater than in previous years.

29. The Statement of Net Comprehensive Expenditure shows expenditure in year of £1,111k, which results in an underspend of approximately £28k against the revised budget of £1,139k in 2018/19.

Short term financial planning

30. Funding from the Scottish Government is the Commission's sole source of income and there is a greater degree of certainty over future funding streams than for some other public sector organisations who are involved in income generating activities. Therefore, the focus for the Commission is achieving a balanced financial plan to remain within their annual allocation.

31. Funding had been frozen since 2014/15 to 2017/18. There has been a small increase in funding of £20k at the start of the year, with additional funding of £100k during the year for specific matters. The Commission has used its relatively high cash reserves to help fund expenditure, over the last few years. Costs associated with the upgraded case management system will be covered by the 2018/19 underspend. The works associated with the proposed office move in 2019/20 will use a proportion of these cash reserves.

Medium to long term financial planning

32. The Commission has a new Corporate Plan covering the period 2019-2022. This includes a high-level financial plan based on an assumed level of funding from the Scottish Government and estimated costs. The plan assumes that funding from the Scottish Government will remain the same at £1,139k over the medium term.

33. The Corporate Plan 2019-22 identifies that the Commission has entered into an analogue pay agreement with the Scottish Government, which means that staff are now on Scottish Government pay points and part of the central bargaining for annual pay negotiations. To fund this new pay structure, the Commission is having to work at less than the full complement of staff over the duration of the corporate plan.

34. While efforts have been made in the past to achieve savings to operate within budget, future efficiencies are now limited. Staff costs account for around 69% of spend and accommodation costs account for 13% of costs, meaning that almost 85% of costs are fixed. In the past two years, the Commission has used cash reserves to help fund the Commission's expenditure, however this is not sustainable in the longer term. It will be challenging to realise further savings without impacting on core services.

Recommendation 6

The Commission faces significant financial challenges in the short and medium term. The Commission should ensure that savings plans are developed for the medium term.

EU Withdrawal

35. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

36. The Commission receives all its funding from the Scottish Government and the impact of changes in legislation/regulations is low as the work of Commission is based on Scottish law. There are no significant workforce issues for the Commission.

37. We concluded that the Commission was prepared for EU withdrawal as at 29 March 2019 and continues to be in a state of preparedness for EU withdrawal.

Governance arrangements

38. Our review of the governance statement assessed the assurances which are provided to the Chief Executive as Accountable Officer regarding the adequacy and effectiveness of the board's system of internal control which operated in the financial year.

39. We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by Scottish Ministers.

40. We reviewed the governance arrangements in place at the Commission to ensure they are appropriate and operating effectively. We attended the Audit Committee and reviewed the financial performance quarterly report, and other committee papers and minutes.

41. We concluded that the financial reports are satisfactory and presented timeously to the Board and that there is a good level of scrutiny and challenge on decision making.

Appendix 1

Action plan 2018/19

No.	Issue/risk	Recommendation	Agreed management action/timing
1	**Bank reconciliations** There were errors in the year end bank reconciliations which has resulted in errors in the financial statements of £41k and £4k in the central and local bank accounts respectively. The central bank reconciliation, carried out by the Scottish Government finance team, had a reconciling item regarding a PAYE payroll accrual which was an error, and this was not identified through the reconciliation process. The local bank account balance was incorrectly excluded from the financial statements **Risk –** There is a risk that the year-end bank balances are materially misstated in the annual accounts.	The Commission should have oversight of the both the central and local bank reconciliations, and there should be evidence of review of both reconciliations. Reconciling items should be reviewed at each period end to ensure they are valid. At the year end details of the reconciliations should be provided to the Scottish Government timeously. Exhibit 2	**Narrative on agreed action:** The £41k error identified was in respect of an accrual posting by Scottish Government Finance Team in July 2018 in respect of payroll accounts that they manage on our behalf. There was no direct consequence to the Commission of this misposting and there was no risk of any overpayments being made. This has however been corrected by the team and the Commission has taken over direct responsibility for reconciling the central GBC account from 1 April 2019 – ensuring that any future mispostings or errors are picked up monthly. The £4k represents to local bank account balance at year-end. This highlights the fact that there is no direct linkage between SEAS and the local account – the £4k would have been realised as expenditure on SEAS as it was transferred to the local account to fund direct debit or cheque payments. Solution – confirmation of cash balance will be made with Accountancy Services as part of future year-end close down to ensure it appears in the balance sheet. **Responsible officer:** Director of Corporate Services & Senior Admin Officer **Agreed date:** Immediately

No.	Issue/risk	Recommendation	Agreed management action/timing
2	**Trade payables** There has been a £9k trade payables balance in the accounts for a number of years. Whilst investigating this it was identified that the transactions were from 2016 and earlier. The obligations in trade payables had expired, and therefore these had to be derecognised in year. **Risk –** There is a risk that balances included in the accounts are materially misstated.	The Commission should review balances in the accounts, particularly when there has no movement from the prior year, to ensure that the balances remain valid. The accounts preparation process should have sufficient time built in for review. Exhibit 2	**Narrative on agreed action:** This accumulation of small balances was investigated by Accountancy Services Team who confirm that they were historical, dating back to 2011 when the new SEAS ledger was created. The agreed action for this balance has been process and the balance cleared. Review of this balance will be incorporated into all future year-end close down procedures. **Responsible officer:** Director of Corporate Services & Senior Admin Officer **Agreed date:** In time for 2019-20 close down.
3	**Income relating to the award of legal costs** The Commission was awarded £32k of legal costs relating to a case. This award of income, although unlikely to be received, had not been recognised in the accounts or subject to impairment. **Risk –** There is a risk that, as the Commission rarely receives non SG income, it is not included correctly in the annual accounts.	The Commission should identify any sources of income and discuss with the Scottish Government and Audit Scotland the proposed accounting treatment. The income should then be included in the unaudited accounts. Exhibit 2	**Narrative on agreed action:** The Commission identified this as a potential issue in advance of year-end and sought advice directly from external audit on the correct treatment of this award, on the basis that recovery was extremely unlikely. We have consulted with external audit and accountancy services throughout the year-end process on how to show this within the accounts and obtained agreement on the correct treatment from all parties before including within the account. **Responsible officer:** Director of Corporate Services **Agreed date:** Complete
4	**Prepayments incorrectly recorded** We sample tested 25 expenditure transactions, and identified one which included an element relating to 2019/20. This should have been recorded as a prepayment, and not as 2018/19	The Commission has made progress in identifying prepayments at year end, but there is scope for reviewing closedown procedures to ensure that they are adequate for identify prepayments.	**Narrative on agreed action:** The prepayment of £2.6k not identified was in respect of a Law Society renewal invoice received in October 2018 and should have been split over the 2 financial years – this was updated in the financial statements.

No.	Issue/risk	Recommendation	Agreed management action/timing
	expenditure. This error amounted to £2.6k. In addition, we identified 2 transactions which had been incorrectly classified as prepayments. In both cases, the invoice related to 2019/20 and the invoice was not paid until 2019/20. This error amounted to £2k. **Risk –** There is a risk that the expenditure recorded for the year is materially incorrect.	The accounts preparation process should have sufficient time built in for review. Exhibit 2	The other two transactions amounting to £2k were in respect of transfers from the central account to the local bank account to meet direct debit payments – because of the time of these payments they were included on the prepayments schedule instead of simply being shown within the local bank balance – this again highlights the issue regarding no direct linkage between SEAS and the local account as noted at 1. above. We will continue to be more vigilant regarding mid-year accruals and review local account balances as part of year-end close down. Otherwise, this is a much improved position compared to 2017-18, **Responsible officer:** Director of Corporate Services & Senior Admin Officer **Agreed date:** Immediately
5	**Lease accrual** The current property lease has a three month 'rent-free' period at the beginning of its term. For accounting purposes, the rent-free period must be applied across the life of the lease. The year-end accrual resulting from the rent-free period of £8.7k has not been included in the unaudited accounts. **Risk -** There is a risk that the accrual relating to the lease is materially incorrect.	The Commission should ensure that the lease accrual is included in the unaudited accounts. The accounts preparation process should have sufficient time built in for review. Exhibit 2	**Narrative on agreed action:** The rent-free period had continued to be shown within the commitment under operating leases at Note 14 although the actual accrual had not been processed. The calculation has subsequently been reviewed/corrected and the accrual processed. This will change further as part of the new lease arrangements but will be agreed as part of year-end close down for 2019-20. **Responsible officer:** Director of Corporate Services & Senior Admin Officer **Agreed date:** 31 March 2020
6	**Financial sustainability** The Commission faces significant financial challenges in the short and medium term.	The new Corporate Plan 2019-2022 identifies the financial pressures which are facing the Commission over the medium	**Narrative on agreed action:** A full review of short to medium term sustainability will be undertaken during 2019-20

No.	Issue/risk	Recommendation	Agreed management action/timing
	The Commission has used cash reserves in previous years to support annual expenditure costs, although this was not required in 2018/19. Works associated with the proposed office move in 2019/20 will use a proportion of the cash reserves. **Risk** - With Scottish Government funding frozen and limited scope for the Commission to make future efficiencies there is a risk that the Commission is unable to continue to fund its operating costs. The use of cash reserves to support the financial position is not sustainable in the medium term. The Commission should ensure that savings plans are developed for the medium term.	term. The Commission should seek to identify any further opportunities where savings can be made, for example, further collaborative or shared service work. The Commission should look to build any planned efficiency savings into action plans to support the Corporate Plan. Paragraph 34	which will also seek to identify further scope for efficiencies. This will also include further discussions with Justice Directorate who have confirmed additionally funding to cover increasing staff costs, lease costs and any increased legal/investigation costs. **Responsible officer:** Director of Corporate Services **Agreed date:** 31 March 2020
Follow up of prior year recommendations			
7	**Errors in recording expenditure** From our sample of 22 expenditure transactions for 2017/18, we identified 7 invoices which included elements which did not relate to 2017/18 and which should not have been recorded as expenditure in the financial statements for this year. **Risk -** There is a risk that the expenditure recorded for the year is materially incorrect.	Internal closedown procedures should be reviewed to ensure that they are adequate. The accounts preparation process should have sufficient time built in for review.	**Updated response:** As noted at 4 above – the year-end position at 31 March 2019 was much improved, although 3 points were still raised. **Revised action:** We will continue to be more vigilant, particularly with mid-year accruals, and undertake a more comprehensive review of local account balances at year-end. **Responsible officer:** Director of Corporate Services **Revised date:** Immediately
8	**New Lease on Portland House** As part of the lease renewal, the landlord provided a capital incentive of £50,000 to be used for refurbishment works. Once this expenditure has	All expenditure that relates to the refurbishment should be separately identified to ensure that the utilisation of deferred income is for the intended purpose.	**Updated response:** Same as 2017-18 – the £50k capital incentive is still recorded as deferred income to be realised once we spend this as part of the office move. **Revised action:** None

No.	Issue/risk	Recommendation	Agreed management action/timing
	been incurred it should be released from deferred income and appropriately recognised in the 2018/19 financial statements. **Risk -** Only expenditure that has been properly incurred for the purposes intended can be offset against the deferred income balance.	The existing provision will also require to be reviewed during 2018/19.	**Responsible officer:** Director of Corporate Services **Revised date:** n/a
9	**Overspend Position** The Commission's budget for 2017/18 was £1,019k. The Statement of Comprehensive Net Expenditure shows expenditure for the year of £1,082k. After including additional Scottish Government funding of £40k there was an overspend of approximately £23k against the revised budget of £1,059k. **Risk -** With Scottish Government funding frozen and limited scope for the Commission to make future efficiencies there is a risk that the Commission is unable to continue to fund its operating costs. The utilisation of cash balances is not a long-term solution.	The preparation of the Corporate Plan for 2019-22 will provide the Commission with the opportunity to consider its ability to continue to fund its operations at the current level of funding and whether the assumptions used remain adequate. Any plans to achieve efficiency savings need to be built into the medium-term financial plans included in the Corporate Plan.	**Updated response:** As agreed at 6 above – a further review of short term sustainability will be undertaken during the year now that further funding assurances have been received from SG. This will help to inform future spending business plan projections. **Revised action:** As per 6 above. **Responsible officer:** Director of Corporate Services **Revised date:** 31 March 2020

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		
1 Risk of management override of controls 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 to change the position disclosed in the financial statements.	• Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.	No issues were identified in relation to management override of controls.
2 Risk of fraud over expenditure ISA 240 and the *Financial Reporting Council's Practice Note 10 (revised)* requires public sector auditors to give consideration to the risk of fraud over expenditure. The nature and extent of expenditure means that that there is an inherent risk of fraud.	• Variance analysis on expenditure streams. • Detailed testing of expenditure transactions.	No issues were identified in relation to fraud over expenditure.
3 Expenditure Our 2017/18 audit work on expenditure identified 7 invoices from a sample of 22 which included elements which did not relate to 2017/18. This should not have been recorded as expenditure in the financial statements for that year. In 2018/19, SCCRC identified that they received 3 invoices relating to 2017/18 in July 2018	• Variance analysis on expenditure streams. • Focused substantive testing of expenditure. • Focused substantive testing of accruals and prepayments.	We identified a number of errors in our work on expenditure. Three prepayments were not recorded in the correct accounting period. One error relating to an accrual resulted from an incorrect journal in year which was not identified through the bank reconciliation process. These issues were human error, and as identified above, did not indicate any fraudulent behaviour.

Audit risk	Assurance procedure	Results and conclusions
after the accounts had been signed. There is a risk that expenditure recorded in 2018/19 is materially incorrect.		
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
4 Financial sustainability High level financial forecasts included in the 2016-19 Corporate Plan estimated expenditure over the period based on a frozen budget. SCCRC planned to reduce running costs through continuing to working collaboratively and through shared service agreements and have made efficiency savings. In the last 2 years, expenditure has exceeded Scottish Government funding. Although there has been a small increase in funding for 2018/19, it will be challenging to realise further savings without impacting on core services.	• Monitor the year end position and the medium to long term plans in place for 2019/20 onwards. We will comment where appropriate in our 2018/19 Annual Audit Report	In 2018/19 expenditure was less than Scottish Government funding. However, there was a significant reduction in cash reserves. There is an expectation of frozen budgets in the medium term which is an assumption in the 2019-2022 Corporate Plan. Future savings will be challenging with almost 85% of costs fixed for staff and accommodation.

Appendix 3

Summary of national performance reports 2018/19

2018/19 Reports

Local government in Scotland: Challenges and performance 2018	**Apr**	
Councils' use of arm's-length organisations	**May**	Scottish Fire and Rescue Service: an update
Scotland's colleges 2018	**Jun**	
	Jul	The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing	**Aug**	Major project and procurement lessons
Children and young people's mental health	**Sept**	Superfast broadband for Scotland: further progress update
NHS in Scotland 2018	**Oct**	
Health and social care integration: update on progress	**Nov**	Local government in Scotland: Financial overview 2017/18
	Dec	
	Jan	
	Feb	
	Mar	Local government in Scotland: Challenges and performance 2019

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