

# Scottish Human Rights Commission

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Human Rights Commission and the Auditor General for Scotland

September 2024

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# Key messages

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## **2023/24 annual report and accounts**

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 No material adjustments were required to the annual report and accounts.

## **Financial sustainability**

- 3 The Scottish Human Rights Commission operated within its revised budget for 2023/24, and management arrangements are effective and appropriate.
- 4 A medium-term financial plan is included in the Strategic Plan 2024-28.

## **Vision, leadership, and governance**

- 5 The Scottish Human Rights Commission has effective and appropriate governance arrangements for the delivery of its plans and to support scrutiny of decisions made by the Commission.
- 6 Governance arrangements are being strengthened through the implementation of the independent strategic governance review recommendations.

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# Introduction

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**1.** This report summarises the findings from the 2023/24 audit of the Scottish Human Rights Commission. The scope of the audit was set out in an Annual Audit Plan presented to the 18 March 2024 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the Scottish Human Rights Commission's annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [\*Code of Audit Practice 2021\*](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

**2.** This report is addressed to the Scottish Human Rights Commission and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment

**3.** I, Liz Maconachie, have been appointed by the Auditor General for Scotland as the auditor of Scottish Human Rights Commission for the period from 2022/23 until 2026/27.

**4.** My team and I would like to thank everyone involved for their cooperation and assistance in this year's audit, and we look forward to working together constructively over the course of the remainder of the five-year appointment.

## Responsibilities and reporting

**5.** The Scottish Human Rights 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 account's direction from the Scottish Ministers. The Scottish Human Rights Commission is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**6.** My responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice

2021, supplementary guidance and International Standards on Auditing in the UK (ISAs).

**7.** Weaknesses or risks identified are only those which have come to the attention of the audit team during our normal audit work and may not be all that exist. Communicating these does not absolve management of the Scottish Human Rights Commission from its responsibility to address the issues I raise and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## Auditor Independence

**9.** I can confirm that the audit team comply with the Financial Reporting Council's Ethical Standard. I can also confirm that I have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £20,070 as set out in my 2023/24 Annual Audit Plan remains unchanged. I am not aware of any relationships that could compromise our objectivity and independence.

**10.** The annual audit adds value to the Scottish Human Rights Commission by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

Audit opinions on the annual report and accounts are unmodified.

No material adjustments were required to the annual report and accounts.

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## Audit opinions on the annual report and accounts are unmodified

**11.** The Audit and Risk Committee recommended for approval the annual report and accounts for the Scottish Human Rights Commission for the year ended 31 March 2024 on 16 September 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the Remuneration and Staff Report was prepared in accordance with the Government Financial Reporting Manual
- the Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.

## Overall materiality was assessed as £25,000

**12.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues

may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

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## Exhibit 1

### Materiality values

Materiality level	Amount
Overall materiality	£25,000
Performance materiality	£18,000
Reporting threshold	£1,000

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**14.** The overall materiality threshold was set with reference to gross expenditure which I judged as the figure most relevant to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 70% of overall materiality, reflecting the limited issues identified during our planning work, but acknowledging that misstatements were identified during our prior year audit work.

**16.** It is my responsibility to request that all misstatements are corrected other than those below the reporting threshold. The final decision on making the correction lies with the Board

## Significant findings and key audit matters

**17.** Under ISA (UK) 260, I communicate significant findings from the audit to the Board, including my view about the qualitative aspects of the Board's accounting practices.

**18.** The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance.

**19.** I have no issues to report from the audit.

## Audit assurances have been obtained for the risks of material misstatement we identified in the annual report and accounts

**20.** My team and I have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements identified in my 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 2

#### Identified Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• Assess the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> </ul>	<p>We have not identified any indication of management override of controls in the year leading to material misstatement or significant concern.</p> <p>We have reviewed the Scottish Human Rights Commission's accounting records and obtained evidence to ensure that transactions outside normal processes were accounted for correctly.</p> <p>We have also reviewed management estimates and the journal entries posted in the period and around the year end. We did not identify any areas of bias in key judgements made by management.</p> <p>We have substantively tested year-end income and expenditure transactions, alongside accounting accruals and prepayments. We did not identify any issues as a result of this work.</p>



Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> <li>Focussed testing of accounting accruals and prepayments</li> </ul>	

## There were no identified misstatements within the financial statements

21. Our audit identified no misstatements above our reporting threshold.

## The unaudited annual report and accounts were received in line with the agreed audit timetable

22. The unaudited annual report and accounts were received in line with the agreed audit timetable on 31 July 2024.

## Good progress was made on prior year recommendations

23. The Scottish Human Rights Commission has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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## 2. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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### Conclusion

The Scottish Human Rights Commission operated within its revised budget for 2023/24, and management arrangements are effective and appropriate.

A medium-term financial plan is included in the Strategic Plan 2024-28.

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### The Scottish Human Rights Commission operated within its revised budget for 2023/24

**24.** The Scottish Human Rights Commission receives its budget on a cash basis from the Scottish Parliamentary Corporate Body (SPCB) and this is the Commission's only source of income.

**25.** The core cash budget for 2023/24 was £1.341 million, which was supplemented by an additional £0.037 million from contingency funding – resulting in a total budget of £1.378 million. The Commission's main financial objective is to ensure that its financial outturn in-year is within the budget agreed with the SPCB.

**26.** The contingency funding application, alongside the core cash budget allowed the Scottish Human Rights Commission to maintain a stable staffing establishment and the continuation of statutory functions during the year. Total net expenditure for the year amounted to £1.303 million.

### The Scottish Human Rights Commission's Strategic Plan 2024-28 sets out a medium-term financial plan

**27.** The Scottish Human Rights Commission operates under four-year strategic planning cycles, with the Strategic Plan 2024-28 being approved by the Commission in January 2024. The Plan includes a 'Financial Plan 2024-28' section which details the indicative costs for the delivery of the Commission's strategic aims for the next four years. Our review of the assumptions used confirms that these are reasonable and appropriate to ensure that the Scottish Human Rights Commission can continue to sustainably provide services for the duration of the Plan.

**28.** Overall, we are satisfied that the strategic planning arrangements made within the Scottish Human Rights Commission take appropriate account of the need for the organisation to be financial sustainable.

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# 3. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

The Scottish Human Rights Commission has effective and appropriate governance arrangements for the delivery of its plans and to support scrutiny of decisions made by the Commission.

Governance arrangements are being strengthened through the implementation of the independent strategic governance review recommendations.

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## Governance arrangements are effective and appropriate

**29.** The Scottish Human Rights Commission's governance arrangements have been set out in the Governance Statement in the annual accounts. I have reviewed these arrangements and concluded that they are effective and appropriate. In addition, scrutiny arrangements are working well with opportunities provided to all members to participate.

**30.** Our audit opinion considers whether the Governance Statement has been prepared in accordance with the Scottish Commission for Human Rights Act 2006 and directions made by Scottish Ministers. We are satisfied that the Governance Statement for the year to 31 March 2024 has been prepared in accordance with the applicable act and directions.

## The Scottish Human Rights Commission is continuing to strengthen its governance arrangements

**31.** Following a period of transition, the Scottish Human Rights Commission instigated an independent Strategic Governance Review during 2023/24 which resulted in several recommendations for the improvement of its governance arrangements. All the review recommendations were accepted and good progress is being made in implementing these. The Accountable Officer role is now held by the Executive Director, and the position of the Chair (previously a full-time appointment) is reduced to part-time. To date circa. 80% of all recommendations have been successfully implemented.

**32.** We have reviewed the minutes and papers for the Commission and the Audit and Risk Committee throughout the year. The papers are detailed and comprehensive and allow for effective decision-making and scrutiny of performance. However, we have identified that updates on financial performance are being provided verbally. This approach could limit the ability of members to effectively scrutinise financial performance and we recommend that regular budget monitoring papers are produced.

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## **Recommendation 1**

**To ensure effective scrutiny of financial performance, regular budget monitoring reports should be produced and presented to Commission / ARC members' in advance of meetings and in line with agreed frequency.**

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**33.** In 2023/24, the Scottish Human Rights Commission agreed a shared services arrangement with the Scottish Public Services Ombudsman (SPSO) for the provision of support across various functions including payroll, finance and HR. The relationship is managed under the terms of a memorandum of understanding. Our audit procedures confirmed that adequate control systems are maintained between the Scottish Human Rights Commission and the SPSO for the initiation and processing of transactions under the arrangement.

**34.** We noted some procedures exist for providing checks over transactions processed by the SPSO but that these are not fully documented. Procedures could be strengthened with the formalisation of documented post-processing controls within the Commission which confirms that transactions processed by SPSO were in line with expectations.

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## **Recommendation 2**

**The procedure for documenting post-processing controls for transactions processed by the SPSO should be formalised.**

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# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Introduction of Budget Monitoring Reports</b></p> <p>Updates on the Commission's financial performance is being provided verbally to the Commission/ARC.</p> <p>Risk – Commission and committee members are not able to effectively scrutinise the financial performance of the Scottish Human Rights Commission.</p>	<p>To ensure effective scrutiny of financial performance, regular budget monitoring reports should be produced and presented to Commission / ARC members' in advance of meetings and in line with agreed frequency.</p> <p><a href="#">Paragraph 32.</a></p>	<p><b>Accepted</b></p> <p>A financial monitoring report will be developed and implemented for Commission/ARC meetings that allows effective scrutiny of financial performance.</p> <p>Executive Director 31 March 2024</p>
<p><b>2. Improvement of post-processing controls for transactions processed under shared services arrangement</b></p> <p>Some procedures are in place for providing checks over transactions processed by the SPSO but these are not fully documented.</p> <p>Risk – There is a risk that the Scottish Human Rights Commission has insufficient assurance over the transactions processed on its behalf by SPSO.</p>	<p>The procedure for documenting post-processing controls for transactions should be formalised.</p> <p><a href="#">Paragraph 34.</a></p>	<p><b>Accepted</b></p> <p>An additional formal procedure for post processing controls of transactions under the Shared Services Agreement will be developed and incorporated into the existing control routines.</p> <p>Executive Director 31 December 2024</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p><b>b/f 1. Fixed Asset Register</b></p> <p>We identified the following issues: -</p> <ul style="list-style-type: none"> <li>• Some assets were recorded in the wrong year</li> <li>• Some asset lives were incorrect resulting in incorrect depreciation being charged</li> </ul> <p>Risk – the annual report and accounts are misstated.</p>	<p><b>Recommendation</b></p> <p>The Fixed Asset Register should be reviewed and updated to ensure it contains all the necessary information.</p> <p><b>Agreed action</b></p> <p>The Fixed Asset Register will be reviewed and appropriate rectifications made where necessary.</p> <p>Executive Director 1 April 2024</p>	<p><b>Implemented</b></p> <p>The external accountant has undertaken a refresh of the Scottish Human Rights Commission fixed asset register, and our review confirms this contains all necessary assets / information and is appropriately formatted.</p>
<p><b>b/f 2. Holiday Pay Accrual</b></p> <p>We identified some issues with those working a condensed working pattern or less than a 1.0 FTE. We also found flexi leave balances used were at the start of the day on the 31 March rather than the end of the day.</p> <p>Risk – the annual report and accounts are misstated.</p>	<p><b>Recommendation</b></p> <p>The Holiday Pay Accrual calculation should be reviewed to ensure that it accurately reflects the position at 31 March 2024.</p> <p><b>Agreed action</b></p> <p>The provision of flexi leave balances at the beginning of the day rather than the end was an error of selection in a standard report output from the Flexplanner system, although the variation in value was minimal.</p> <p>Further guidance and instruction will be developed in Q3 for those non-standard working patterns when recording specific leave types.</p> <p>Executive Director 31 March 2024</p>	<p><b>Implemented</b></p> <p>Review of the holiday / flexi leave accrual has confirmed that calculation and methodology used are appropriate. Data utilised is in line with expectations and generated at the correct time point.</p>
<p><b>b/f 3. Ledger Entries</b></p> <p>We identified a small number of ledger entries that did not</p>	<p><b>Recommendation</b></p> <p>To ensure a clear audit trail, SPSO staff should be</p>	<p><b>Superseded</b></p> <p>The .csv file upload has continued to be used to</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>show the user that had posted them.</p>	<p>reminded not to upload entries using the .csv file upload.</p> <p><b>Agreed action</b></p> <p>Agreed. We are content that adequate review arrangements were in place, however, the process will be revised to ensure that the .csv file is not used to upload the ledger entries, ensuring an audit trail is maintained.</p> <p>Executive Director 30 October 2023</p>	<p>create journals for credit card transactions paid on behalf of SHRC by SPCB.</p> <p>Discussion with officers confirmed that the only alternative method of uploading the statement information provided from SPCB would be to manually upload each individual line from the credit card statement which would be time-consuming and disproportionate.</p> <p>Sufficient controls are in place to reduce the risk sufficiently, so satisfied no further action is required.</p>
<p><b>b/f 4. System User Access</b></p> <p>We identified there was only one login for the payroll system and the password was not regularly changed.</p> <p>Risk – former users could still access the payroll system, including the personal information it holds.</p>	<p><b>Recommendation</b></p> <p>System user access arrangements should be reviewed and strengthened.</p> <p><b>Agreed action</b></p> <p>This was rectified immediately and a regime implemented for regular password change. It should be noted that the password for this or any other application can only be accessed via our secure LastPass system which can only be accessed by active employees with relevant permissions.</p> <p>Executive Director September 2023</p>	<p><b>Implemented</b></p> <p>Password change and protection regime was implemented immediately following recommendation in prior year.</p>
<p><b>b/f 5. Policies and Procedures</b></p> <p>We identified that a range of policies and procedures required to be updated. This</p>	<p><b>Recommendation</b></p> <p>A timetable should be devised to ensure that all policies and procedures are</p>	<p><b>Work in progress</b></p> <p>Agreed. Implementation of the Governance Review has had an impact on capacity to deliver alongside business as</p>



Issue/risk	Recommendation and Agreed Action	Progress
<p>should be undertaken in line with the findings from the Strategic Governance Review.</p>	<p>updated within a reasonable timeframe.</p> <p><b>Agreed action</b></p> <p>Agreed. A policy review update will be scheduled in the last two quarters of 23/24. The independent Governance Review was prioritised with a view that it would influence the Commission's overall approach to Governance, including the policy development. This has been the case and an overall Governance Framework will be developed incorporating core governance policies, processed and controls.</p> <p>Executive Director 31 March 2024</p>	<p>usual outputs against the Commission's mandate. Following review and preparatory work in Q3/Q4 of 23/24 of this element of the Governance Review, and in recognition of the resultant scale of this project and associated employee engagement, it was decided that the priority task was completion of the Code of Governance, which was the primary recommendation of the Review. This work was considered by the ARC in June 2024, and subsequently adopted by the Commission on 2 September 2024. Capacity to deliver the policy review is being kept under review and has been raised with the SPCB as an area where the Commission requires additional temporary support.</p> <p>Executive Director <b>Q4 24/25- Q1 25/26</b></p>
<p><b>b/f 6. Controls over services provided through the Shared Services Arrangement</b></p> <p>The Commission did not have any controls in place to review the general ledger services provided by the SPSO during 2022/23.</p> <p>A wider range of services, including payroll, will be provided under the Shared Services Arrangement with the SPSO in 2023/24.</p>	<p><b>Recommendation</b></p> <p>Scottish Human Rights Commission need to establish adequate controls over services provided through the Shared Services Agreement.</p> <p><b>Agreed action</b></p> <p>The Shared Services Agreement was implemented on 1 April 2023 and has been effectively delivering core functions in Finance, Admin and HR, including Payroll and Cyber Security, including</p>	<p><b>Superseded</b></p> <p>23/24 recommendation 1.</p> <p>Following implementation of a full shared services arrangement with SPSO on 1 April 2024, we are satisfied that a suite of controls has been put in place to provide assurance over transactions processed on the Commission's behalf. Additional strengthening of these controls would be beneficial to increase assurance.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>Risk – The Commission does not have assurance over the information processed on their behalf by service organisations.</p>	<p>training. There has been a bedding in period with the new arrangements with regular informal meetings and a formal quarterly review process has been scheduled, commencing October 2023. This will include discussions on potential revisions and developments for 24/25. Escalation procedures are also included in the SSA for any problems or issues that arise. The agreement also includes provision of Shared Policy manuals including Finance and Financial Processes which are being adopted, where appropriate.</p> <p>Executive Director 30 November 2023</p>	
<p><b>b/f 7. Levels of Departures 2021/22 AAR</b></p> <p>There was a significant level of Commission and senior staff departures.</p>	<p><b>Recommendation</b></p> <p>We recommend that a root cause analysis of why there have been such a significant level of departures in both Commission members and Staff be performed and a remediation plan implemented based on its findings.</p> <p><b>Agreed action</b></p> <p>An independent Strategic Governance Review has been undertaken. The SHRC has accepted all of the recommendations and these will be actioned during 23/24 and beyond.</p> <p>Executive Director 31 March 2024</p>	<p><b>Implemented</b></p> <p>The process of implementing all recommendations from the independent Strategic Governance Review is in progress.</p> <p>No staff turnover has been experienced during 23/24.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p><b>b/f 8. Financial Planning 2020/21 AAR</b></p> <p>The Commission does not have a medium-term financial plan.</p>	<p><b>Recommendation</b></p> <p>The Commission should develop a medium-term financial plan to ensure that it can manage its finances sustainably and deliver services effectively over the medium to longer term.</p> <p><b>Agreed action</b></p> <p>The Commission's budget is approved annually by the SPCB. The Commission's 2023/24 Transition Strategy will direct what resources are required going forward and will feed into the 2024-2028 Strategic Plan.</p> <p>Executive Director 31 March 2024</p>	<p><b>Implemented</b></p> <p>Due to the Commission's annual budget cycle, it can be difficult for the Commission to effectively plan for the medium-term. Nonetheless, the Strategic Plan 2024-28 contains financial plan covering the four-year period which provides indicative budget requirements based on current remit and this is deemed to be sufficient / appropriate.</p>
<p><b>b/f 9. Workforce Plan 2020/21 AAR</b></p> <p>There is no workforce plan to support the Commission over the medium to longer term.</p>	<p><b>Recommendation</b></p> <p>The Commission should develop a workforce plan ensuring it can identify necessary resources over the medium to longer term.</p> <p><b>Agreed action</b></p> <p>The Commission is committed to a further detailed review following the outcome of the independent Governance Review and to support the approach developed through the Transition Strategy in 23/24. This will continue through the development of the 2024-2028 four year strategy that will be presented to the SPCB in Q4.</p> <p>Executive Director 31 March 2024</p>	<p><b>Superseded</b></p> <p>b/f recommendation 5.</p> <p>Independent Strategic Governance Review outlined several recommendations to improve the Commission's overall workforce arrangements.</p> <p>The Commission is in the process of implementing these arrangements, which will include a new Governance Framework; refreshed Staff Policies / Staff Handbook; and improved succession planning. We will continue to monitor the progress of implementation through the recommendation.</p>

# Scottish Human Rights Commission

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