Scottish Criminal Cases Review Commission

2023/24 Annual Audit Report

AUDIT SCOTLAND

Prepared for the Commission and the Auditor General for Scotland

July 2024

Contents

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Key messages

2023/24 annual report and accounts

1 Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

2 Adjustments were made to the unaudited accounts to correct the accounting treatment of the increase in the provision for dilapidation costs.

Wider-scope

3 The Commission has effective and appropriate arrangements in place to continue to deliver services.

4 The Commission has a medium-term financial plan which is supported by an annual Business Plan.

5 The Commission has appropriate arrangements in place for securing Best Value.

6 The results of the Commission’s Cyber Essentials Accreditation submission is imminent.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Scottish Criminal Cases Review (the Commission). The scope of the audit was set out in an Annual Audit Plan presented to the 18 April 2024 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the Commission's annual report and accounts
- conclusions on financial sustainability as required by the *Code of Audit Practice 2021*.

2. 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.

Audit appointment

3. I, Gillian McCreadie, have been appointed by the Auditor General as auditor of Scottish Criminal Cases Review Commission (the Commission) for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment.

4. My team and I would like to thank the Director of Corporate Services and staff for their cooperation and assistance this year and we look forward to working together constructively over the remainder of the five-year appointment.

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.

6. My responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice 2021 and supplementary guidance and International Standards on Auditing in the UK (ISAs)

7. The weaknesses or risks identified in this report 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 from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at Appendix 1 setting out specific recommendations, 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 we have not undertaken any non-audit related services and therefore the audit fee of £11,360 as set out in the 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 Commission by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

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

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

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Material adjustments have been made to the annual report and accounts as a result of the audit process to correct the treatment of the increase to the provision for dilapidation costs.

Audit opinions on the annual report and are unmodified

11. The Audit Committee approved the annual report and accounts for the Commission for the year ended 31 March 2024 on 9 July 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 are regular and 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 all consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.

Overall materiality was assessed on receipt of the annual report and accounts as £24 thousand

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 accounts, 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. Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£24 thousand
Performance materiality	£16.8 thousand
Reporting threshold	£1 thousand

14. The overall materiality threshold was set with reference to gross expenditure, which we 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 fact there were no significant issues identified in the prior year audit.

16. It is our responsibility to request that all misstatements are corrected, other than those below the reporting threshold. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under ISA (UK) 260, we communicate significant findings from the audit to the Audit Committee, including our view about the qualitative aspects of the body's accounting practices.

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

19. The significant findings and key audit matters are summarised in Exhibit 2.

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
1. Dilapidations provision The Commission recognise a provision for contractual costs associated with the potential reinstatement, dilapidation or redecoration works as part of its premises lease agreement. The provision was increased in year following a review by an external valuer. We reviewed the accounting treatment for the increased provision in the unaudited accounts and found that the provision had not been calculated based on its net present value in line with IAS 37. The Commission also applied the full value of the provision to the right-of-use asset rather than just the increase as required by IFRS 16. The impact on the accounts was: • a decrease in the net book value of the right-of-use asset of £100 thousand • an increase in the net book value of fixtures & fittings of £47 thousand • a decrease of provisions of £28 thousand • a net decrease to the general fund of £25 thousand.	The Commission correctly adjusted the accounts.
2. Pension Information Accrued pension benefits for directors were not included in the 2023/24 annual report and accounts due an exceptional delay in the calculation of these figures following the application of the public service pension remedy. The 2023/24 Government Financial Reporting Manual was revised to enable bodies to include a disclosure explaining why the information was not included in the 2023/24 annual report and accounts.	Management have included the required disclosure in the 2023/24 annual report and accounts.

Audit work responded to the risks of material misstatement identified in the annual report and accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. Exhibit 3 sets out the significant risks of material misstatement to the financial statements identified in our 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 3
Identified Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
1. Risk of Material Misstatement due to Fraud caused by management override of controls As stated in International Standard on Auditing (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.	• Assessed the design and implementation of controls over journal entry processing. • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Tested journals at the year-end and post-closing entries and focussed on significant risk areas. • Considered the need to test journal entries and other adjustments throughout the year. • Evaluated significant transactions outside the normal course of business. • Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • Assessed any changes to the methods and underlying assumptions used to prepare	**Results**: Work undertaken included detailed testing of journal entries, accruals, prepayments and invoices; as well as review of accounting estimates and transactions for appropriateness. Specific enquiries were made of individual staff as to whether they had knowledge or awareness of manipulation of financial recording or processing of fraudulent journals. **Conclusion**: No incidents of management override of controls were identified.

Audit risk	Assurance procedure	Results and conclusions
	accounting estimates compared to the prior year. • Substantively tested expenditure transactions around the year-end to confirm they were accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.	

Material misstatements were identified within the financial statements

21. Other than the corrected material misstatement detailed as a significant finding in Exhibit 2, the audit identified no misstatements above the reporting threshold.

22. Our audit identified some presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts. This is normal audit practice and none of the presentational changes have any impact on the Commission's outturn for the year.

The unaudited annual report and accounts were not received in line with the agreed timetable

23. Per the agreed timetable in the 2023/24 Annual Audit Plan, the unaudited annual report and accounts were to be provided to audit on 13 May 2024. The Commission was unable to deliver the unaudited annual report and accounts by this date due to the delays by the Scottish Government Accounts Department. These were received on 17 May 2024. The accounts were supported with good quality working papers and additional evidence was provided on request.

Progress was made on prior year recommendations

24. The Commission has made 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.

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term

Conclusion

The Commission has effective and appropriate arrangements in place to continue to deliver services

The Commission has a medium-term financial plan which is supported by an annual Business Plan

The Commission has appropriate arrangements in place for securing Best Value

The results of the Commission's Cyber Essentials Accreditation submission is imminent.

The Commission operated within its revised budget for 2023/24

25. 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.

26. The Commission has reported an outturn of £1.189 million against its overall budget for 2023/24 of £1.235 million. Expenditure on both legal costs and investigations was below budget due to no new legal actions being raised during the year. Recurring savings were also realised in respect of staff costs offset by the implementation of the 2023-24 pay award.

The Commission has a medium-term financial plan which is supported by an annual Business Plan

27. The Commission has in place a Corporate Plan covering the period 1 April 2022 to 31 March 2025. This includes a three-year financial forecast which assumes a budget freeze at £1.219 million and costs being fixed for the duration of the plan. The Corporate Plan is supported by an annual Business Plan which sets out the Commission's agreed budgetary provision for the year ahead.

28. The Commission's budget for 2023-24 represents a nominal increase from the 2022-23 budget due to the need for additional funding for staff costs to support the Commission in meeting its pay related commitments under the current analogue pay agreement with Scottish Government.

29. The Commissions 24/25 budget has been agreed at £1.272 million.

30. The Commission has a high level of fixed operating expenditure and the impact of the Scottish Government Resource Spending Review is significant. Despite budget increases in recent years, this means the Commission will continue to face ongoing financial challenges over the next few years in terms of medium to long term financial sustainability.

Sample testing identified expenditure by the Commission for the Board's catering

31. Our sample testing identified one item of expenditure which related to catering for a Board meeting. Discussions with staff confirmed that prior to the pandemic and introduction of hybrid meetings, all Board meetings were catered. The expenditure identified in 2023-24 related to the one meeting which was attended by all Members in person. We concluded that this was satisfactory in terms of the financial statements, and below our reporting threshold. We note the impact of hybrid meetings on future catering costs, however it would be good practice to cover this type of expenditure within the appropriate policy.

Recommendation 1

The Commission should ensure that the practice of paying for the catering of Board meetings is documented and formalised in the appropriate policy.

Cyber Security arrangements are adequate

32. There continues to be a significant risk of cyber-attacks to public bodies and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. We considered the Commission's arrangements for managing and mitigating cyber security risks.

33. In 2022/23, the Commission sought external advice on the adequacy of their digital infrastructure and cyber security arrangements. Several recommendations were made to address risks and gaps in their cyber security arrangements and good progress has been made in implementing the recommendations.

34. Under the Public Sector Cyber Resilience Framework (PSCRF), central government bodies should have some form of independent accreditation as part of their cyber security arrangements. The Commission submitted their Cyber Essentials accreditation application in March 2024. The outcome of this submission is expected imminently. Without this accreditation, there is a risk the Commission is not compliant with the PSCRF.

The Commission has appropriate arrangements in place for securing Best Value

35. Ministerial guidance to Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the Accountable Officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

36. We consider whether Accountable Officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. We may also, in conjunction with the Commission, agree to undertake local work in this area. We did not undertake any specific work in 2023/24.

37. In March 2024, the Commission undertook a Best Value review. This involves a self-assessment against core Best Value principals. Actions identified are included in the Best Value Action Plan which is also used to inform Business Planning objectives for the year ahead.

Appendix 1. Action plan 2022/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. **Catering for Board meetings** Our sample testing identified one item of expenditure which related to catering for a Board meeting. Discussions with staff confirmed that prior to the pandemic and introduction of hybrid meetings, all Board meetings were catered. The expenditure identified in 2023-24 related to the one meeting which was attended by all Members in person. We concluded that this was satisfactory in terms of the financial statements, and below our reporting threshold. We note the impact of hybrid meetings on future catering costs, however it would be good practice to cover this type of expenditure within the appropriate policy. *There is a risk that the Commission spends on expenditure which is not considered regular.*	The Commission should formalise its practice of catering Board meetings in the appropriate policy.	**Accepted** - As noted, all meetings prior to the pandemic and subsequent introduction of hybrid meetings were catered for. Future catering is therefore likely to be on a more ad hoc basis. However, procurement of catering will be updated within existing policy as recommended. **Responsible officer**: Director of Corporate Services **Agreed date**: 30 September 2024

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
1. Provision for dilapidations The Commission recognise a provision for contractual costs associated with potential reinstatement, dilapidation or redecoration works as part of its ongoing premises lease commitments or the termination of the lease. **Risk –** The estimate for this Provision may be materially misstated in the absence of regular review.	It is recommended that the provision for dilapidations is subject to a full review at least once every five years.	**Complete** – A review of the dilapidations provision was undertaken by a professional valuer in 23/24 and an increase in estimated costs reflected in the financial statements.
2. Governance and Transparency As senior management exercise control and influence over the operations of the Commission, a Register of Interests should be completed by each Director to identify any interests that may conflict with their management responsibilities. In addition, Registers of Interest and Audit Committee papers should be kept up to date on the Commission's website. **Risk –** the Commission is not seen as transparent and there are interests held by senior management which conflict with the directing or controlling of the financial activities of the Commission.	The Director of Corporate Services and the Chief Executive should complete a Register of Interests each year. The Commission's website should be updated with the latest information available.	**Complete** – A register of interest has been completed by the Director of Corporate Services and Chief Executive and these are available on the Commissions website. The website has now been updated with the latest registers and Audit Committee minutes.
3. Governance Statement Assurance provided to the Accountable officer and included in the Governance	Management should ensure assurances are in line with the contents of the framework set out in the Certificates of	**Ongoing** – Registers of Interest and Audit Committee papers are up to date on the Commission's website.

Issue/risk	Recommendation and Agreed Action	Progress
Statement should include results of work undertaken in year over controls and any issues identified. **Risk –** Controls or governance issues are omitted from the governance statement with their management responsibilities. In addition, Registers of Interest and Audit Committee papers should be kept up to date on the Commission's website.	Assurance section of the SPFM	Assurance Statement provided by the Director of Corporate Services to the Chief Executive to follow format of SPFM checklist and to consider assurance over shared services from 2024/25.
4. Independent Cyber Security accreditation The Public Sector Cyber Resilience Framework (PSCRF) states that central government bodies should have some form of independent accreditation as part of their cyber security arrangements. The Commission does not currently hold any independent accreditation. **Risk –** the Commission are not compliant with the PSCRF.	Management should aim to achieve independent accreditation on their cyber security arrangements to ensure compliance with PSCRF and to mitigate the risk of cyber-attacks.	**Ongoing** – The Commission submitted their Cyber Essentials accreditation application on 25/03/24. The outcome of this submission is expected imminently.

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