

Police Investigations and Review Commissioner

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Police Investigations and Review Commissioner and the Auditor
General for Scotland

December 2023

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Key messages

2022/23 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 The Police Investigations and Review Commissioner's [known hence forth as 'the Commissioner'] annual report and accounts give a true and fair view of the state of affairs and were properly prepared in accordance with the financial reporting framework.
- 3 Key risks arising from the audit of the Commissioner's accounts were included in our 2022/23 Annual Audit Plan. There are no significant matters from that work to draw to the attention of the Audit and Accountability Committee.

Wider scope

- 4 The Commissioner should introduce medium term financial planning as part of their annual budget processes to set out the financial pressures the Commissioner faces in the medium term.
- 5 The Commissioner should introduce a digital strategy to capture the broad range of information technologies utilised and help identify any information technology weaknesses.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of the Commissioner. The scope of the audit was set out in an Annual Audit Plan presented to the 27 April 2023 meeting of the Audit and Accountability Committee. This Annual Audit Report comprises:

- significant matters arising from the audit of the Commissioner's annual report and accounts
- wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability.

2. This report is addressed to the Commissioner 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 from 2022/23

3. I, Brian Battison, have been appointed by the Auditor General as auditor of the Commissioner for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) (the Code) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank the Commissioner's staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The Commissioner 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 Scottish Ministers. The Commissioner is also responsible for compliance with legislation and putting arrangements in place for governance, propriety and regularity.

6. The responsibilities of 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.

7. The weaknesses or risks identified in this report 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.

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

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £17,150 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to the Commissioner by:

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

Part 1. Audit of 2022/23 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.

The Commissioner's annual report and accounts give a true and fair view of the state of affairs and were properly prepared in accordance with the financial reporting framework.

Key risks arising from the audit of the Commissioner's accounts were included in our 2022/23 Annual Audit Plan. There are no significant matters from that work to draw to the attention of the Audit and Accountability Committee.

Audit opinions on the annual report and are unmodified

11. The Audit and Accountability Committee approved the annual report and accounts for the Commissioner for the year ended 31 March 2023 on 11 December 2023. 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, 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.

Overall materiality was assessed on receipt of the annual report and accounts as £123,000

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 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 and planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

| Materiality level | Amount |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Overall materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the audited body's operations. For the year ended 31 March 2023, we have set our materiality at 2% of gross expenditure. | £123,000 |
| Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality. | £92,000 |
| Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. | £6,000 |

Source: Audit Scotland

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

Significant findings and key audit matters

15. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to the Audit and Accountability Committee, including our view about the qualitative aspects of the body's accounting practices.

16. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements. Significant findings are summarised in [Exhibit 2](#).

Exhibit 2

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

| Issue | Resolution |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Implementation of IFRS 16</p> <p>International Financial Reporting Standard (IFRS 16), Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces the previous International Accounting Standard (IAS) 17 Leases. IFRS 16 became effective from 1 April 2022 and has been adopted for the first time in the 2022/23 financial statements.</p> <p>IFRS 16 introduces a single lessee accounting model that results in more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures and provides greater transparency of a lessee's financial leverage and capital employed.</p> <p>The Commissioner undertook an assessment of its leases held at 31 March 2023 and identified the leases of Hamilton House and Bothwell House as falling within the requirements of IFRS 16.</p> <p>Our review of the supporting documentation identified issues with the measurement and presentation of these leases in the unaudited annual report and accounts.</p> <p>The accounts have been updated to reflect the issues identified which resulted in a net increase in assets of £30,000 and an equivalent net decrease in expenditure.</p> <p>Details of IFRS 16 corrected misstatements are disclosed within Appendix 2.</p> | <p>After the corrections, we reviewed the supporting evidence provided by the Commissioner and assessed the measurement and presentation of these leases in the annual accounts.</p> <p>We concluded that, for 2022/23, the disclosures included in the annual report and accounts were appropriate.</p> <p>The Commissioner should review their processes around IFRS 16, including ensuring ongoing discussions with the Scottish Government support team, to ensure the measurement and presentation of IFRS 16 leases in future annual accounts are appropriate.</p> <p>Recommendation 1</p> <p>(Refer Appendix 1, Action Plan)</p> |

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

17. 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 annual report and accounts we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we 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 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Risk of material misstatement due to fraud caused by management override of controls</p> <p>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.</p> | <ul style="list-style-type: none"> • Assess the design and implementation of the key controls over journal entry processing. • 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. • Test journal entries through the year, at the year-end and post-closing entries, with a focus on significant risk areas. • Assessment of accounting estimates. • Focussed testing of accounting accruals, prepayments and accounting adjustments at year end. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Evaluate significant transactions outside the normal course of business. | <ul style="list-style-type: none"> • We have assessed the design of key controls over journal processing and confirmed controls operated as expected. • Enquiries made of relevant individuals about inappropriate or unusual activity relating to processing of journal entries and other adjustments. No issues were identified. • A sample of journal entries processed were reviewed and no issues were identified. The journals testing covered entries through the year and post-closing, with focus on risk areas. No issues were identified. • We reviewed management's estimates and accounting policies, no issues were identified. • We tested a sample of accruals and prepayments. Three errors were identified, see paragraph 18. • We tested a sample of income and expenditure transactions around the year end and assurance was gained that these were being accounted for in the correct financial year. • There were no significant transactions identified which were outside the normal course of business during our audit testing. |

There were three non-material misstatements identified within the financial statements

18. Three non-material errors were identified in the trade and other payables balance. A duplicate accrual was identified, and an accrual created for an invoice that had already been paid. Additional work was undertaken to provide assurance that there was no systemic issue relating to accruals. No further issues were identified. The third error related to the holiday pay accrual where incorrect national insurance and pensions rates had been used.

19. The total gross error for these three totalled £33,762 (resulting in a net increase in assets of £10,134 and an equivalent decrease in expenditure). All errors were adjusted in the accounts. Details of misstatements above our reporting threshold are disclosed within [Appendix 2](#).

20. Other than the corrected material misstatements detailed above, our audit identified no misstatements above our reporting threshold.

Better joint planning required to deliver the audited accounts

21. The delivery of the audited accounts is a significant achievement involving the finance and audit teams working together over two distinct periods. This has been the first year of our audit appointment and it does take the first year to understand the financial systems in place and the associated processes which operate to produce the annual report and accounts. The understanding obtained through the current audit process will be applied in planning the next audit cycle.

22. We noted that the Finance team did not use the National Audit Office (NAO) disclosure guide checklist for entities who prepare financial statements in accordance with the Government Financial Reporting Manual (FReM). Disclosure guides are designed to ensure that audited bodies have prepared an account in the appropriate form and have complied with all disclosure requirements and should prove useful in confirming all appropriate disclosures are made. Completion of the checklist would form best practice.

Recommendation 2

The completion of the NAO checklist would support the finance team's preparation and production of the annual report and accounts.

Good progress was made on prior year recommendations

23. The Commissioner has made good progress in implementing the audit recommendations identified by the previous external auditors. Management responses confirming completion 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 Commissioner should introduce medium term financial planning as part of their annual budget processes to set out the financial pressures the Commissioner faces in the medium term.

The Commissioner should introduce a digital strategy to capture the broad range of information technologies utilised and help identify any information technology weaknesses.

The Commissioner reported a small overspend on its budget for 2022/23

24. The main financial objective for the Commissioner is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government. The Commissioner has reported an outturn of £6.159 million against its overall funding allocation for 2022/23 of £6.106 million, a small overspend of £0.053 million.

25. The Commissioner's original budget was £5.824 million, however, additional funding of £0.282 million was provided during 2022/23 primarily to support the additional costs being incurred in relation to the Sheku Bayoh public inquiry. The financial performance against its Departmental Expenditure Limits (DEL) is shown in [Exhibit 4](#).

Exhibit 4 Performance against DEL in 2022/23

| Performance | Initial budget £m | Final budget £m | Outturn £m | Over/(under) spend £m |
|--------------|----------------------|--------------------|---------------|-----------------------------|
| Resource DEL | 5.824 | 6.106 | 6.159 | 0.053 |

Source: Police Investigations and Review Commissioner Annual Report and Accounts 2022/23

Medium Term Financial planning is required to help understand the impact of increasing work expectations within funding allocations

26. The workload of the Commissioner has significantly increased as a result of the implementation of one of the recommendations of Dame Angiolini's final report in November 2020 on Police Complaints Handling, Investigations and Misconduct Issues (the Dame Angiolini Report). This resulted in the Commissioner receiving all referrals for on-duty allegations of assault made against police officers and police staff. To manage this increase, the Commissioner established a new Investigations Assessment Unit to consider all allegations of assault by police officers or staff. As detailed the 2022/23 Annual Report, the Commissioner received 911 referrals; the largest number that it has ever experienced, a 51% increase from 2021/22.

27. The Commissioner issued its Strategic Plan for 2023-2025 in June 2023 which outlines their key priorities over the next two years and how they plan to deliver them. The plan notes the Scottish Government's Resource Spending Review (RSR) in May 2022 which set out the spending framework for the years 2023 to 2027 and acknowledges the expectation for public sector organisations to deliver improved outcomes with less funding.

28. With the significant increase in demands on the Commissioner over a number of years and the expectation across the Scottish public sector of delivering improved outcomes with less funding, the Commissioner should be undertaking medium term financial planning to understand the pressures which it could face.

Recommendation 3

The Commissioner should introduce medium term financial planning as part of their annual budget processes to set out the financial pressures the Commissioner faces in the medium term.

The Commissioner does not currently have a Digital Strategy

29. The Commissioner has grown significantly since its inception in 2013 when the single Police Service of Scotland (Police Scotland) was established. The Commissioner utilises a number of different information technologies to undertake its work which includes both the SCOTS network run by the Scottish Government and a number of external providers for other information technology systems. The Commissioner is also responsible for replacement of non-SCOTS software and hardware.

30. Currently, the Commissioner does not have a digital strategy that would capture the broad nature of the information technology requirements that are currently employed in their day-to-day business. Where an organisation does not have a digital strategy, there may be a risk of security vulnerabilities, technology being outdated and the possibility of increased spend on older information technology equipment or downtime costs.

Recommendation 4

The Commissioner should introduce a digital strategy to capture the broad range of information technologies utilised and help identify any information technology weaknesses.

'Terms of Supply' agreement with the Scottish Government

31. The Commissioner has a 'Terms of Supply' agreement for the services provided by the Scottish Government's Information and Technology Services Division (iTECs). This document sets out the terms of supply under which iTECs supplies information technology related services to shared services customers, including the Commissioner. Within the roles and responsibilities section of the terms of supply, customers are requested to nominate officers in the Commissioner for the mandatory roles as defined under the UK Government's Security Policy Framework. These roles are the Senior Information Risk Owner (SIRO) and the Information Assets Owner (IAO). Currently, these roles are not officially allocated to officers in the Commissioner.

Recommendation 5

The Commissioner should formally nominate officers to undertake the roles of Senior Information Risk Owner (SIRO) and the Information Assets Owner (IAO) as requested in the Terms of Supply agreement with the Scottish Government iTECs function.

Cyber security

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. In 2022/23, we considered the Commissioner's arrangements for managing and mitigating cyber security risks.

33. The Commissioner utilises a number of information technology systems although they are predominately supplied by the Scottish Government through the SCOTS network. As the Commissioner uses the SCOTS system, support would be provided in the event of cyber incident by the Scottish Government. In 2022/23, the Commissioner undertook a business continuity exercise linked to cyber and has rolled out training and awareness sessions for staff. The Commissioner also includes cyber risks in their risk register which is regularly reviewed and includes actions for mitigation of risks. We are content that the Commissioner has appropriate arrangements in place with regard to cyber resilience.

Best Value

34. For sectors other than local government, the [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Ministerial guidance for Accountable Officers](#) for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. Auditors are required to confirm that there are organisational arrangements in place.

35. Overall, we concluded that the Commissioner has appropriate arrangements in place in respect of these areas including governance.

Appendix 1. Action plan 2022/23

2022/23 recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. IFRS disclosures</p> <p>The Commissioner undertook an assessment of its leases held at 31 March 2023 and identified the leases of Hamilton House and Bothwell House as falling within the requirements of IFRS 16.</p> <p>Our review of the supporting documentation identified issues with the measurement and presentation of these leases in the unaudited annual report and accounts.</p> <p>Risk – There is a risk that the annual report and accounts include material misstatements relating to IFRS 16 disclosures.</p> | <p>The Commissioner should review their processes around IFRS 16, including ensuring ongoing discussions with the Scottish Government support team, to ensure the measurement and presentation of IFRS 16 leases in future annual accounts are appropriate.</p> <p>Exhibit 2</p> | <p>As this is year 1 of IFRS16 implementation, with new leases for PIRC, there have been many considerations and learning points for PIRC / SG/ Audit Scotland that will be incorporated into next year's audit.</p> <p>Laura Duguid June 2024</p> |
| <p>2. NAO disclosure guides</p> <p>The Commissioner does not use the National Audit Office (NAO) disclosure guide checklist for entities who prepare financial statements in accordance with the Government Financial Reporting Manual (FReM).</p> <p>The disclosure guides are designed to ensure that audited bodies have prepared an account in the appropriate form and have complied with all disclosure requirements.</p> <p>Risk - There is a risk that the annual report and accounts do not include all appropriate disclosure requirements.</p> | <p>The completion of the NAO checklist would support the finance team's preparation and production of the annual report and accounts.</p> <p>Paragraph 22</p> | <p>Noted – checklist to be agreed ahead of 2023/24 audit</p> <p>Laura Duguid March 2024</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>3. Medium-Term Financial Planning</p> <p>With the increasing work demands on the Commissioner over a number of years it would be appropriate for the Commissioner to undertake forecasting of costs in the medium term, taking into account assumptions such as allocation uplifts, inflationary costs and pay growth and inflation.</p> <p>Risk – A lack of financial forecasting could create a risk that medium term financial pressures are not fully understood, and mitigation undertaken by the Commissioner.</p> | <p>The Commissioner should introduce medium term financial planning as part of their annual budget processes to set out the financial pressures the Commissioner faces in the medium term.</p> <p>Paragraph 26</p> | <p>Medium term financial planning is submitted monthly to SG as part of our budget monitoring forecast. A more formal 3-5 year forecast will be put in place.</p> <p>Laura Duguid January 2024</p> |
| <p>4. Digital Strategy</p> <p>The Commissioner does not have a digital strategy that captures the broad nature of the information technology requirements that are currently employed in their day-to-day business, and which would help identify any information technology weaknesses.</p> <p>Risk –The lack of a digital strategy creates a risk that security vulnerabilities, outdated technology and increased down time costs, are not identified and managed.</p> | <p>The Commissioner should introduce a digital strategy to capture the broad range of information technologies utilised and help identify any information technology weaknesses.</p> <p>Paragraph 29</p> | <p>Point noted – benchmarking exercise will be undertaken to consider strategies in place with other Non-Departmental Public Bodies in our position.</p> <p>Sharon Smit April 2024</p> |
| <p>5. Scottish Government ‘Terms of Supply’ agreement</p> <p>The Commissioner has not formally appointed the roles of SIRO or IAO to officers as requested in ‘Terms of Supply’ agreement.</p> <p>Risk – The Commissioner does not comply with the requirements of the agreement with the Scottish Government which sets out expectations as part of the agreement.</p> | <p>The Commissioner should formally nominate officers to undertake the roles of Senior Information Risk Owner (SIRO) and the Information Assets Owner (IAO) as set out in the Terms of Supply agreement with the Scottish Government function.</p> <p>Paragraph 31</p> | <p>Point noted – benchmarking exercise will be undertaken to consider strategies in place with other Non-Departmental Public Bodies in our position.</p> <p>Sharon Smit April 2024</p> |

Follow-up of prior year recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Expenditure</p> <p>It was noted that receipts could not be provided for a sample of expenses incurred in the period.</p> <p>Risk – Without a sufficient audit trail, we were unable to gain suitable assurances over the nature of these expenses.</p> | <p>Management should implement a process for retaining all receipts and invoices received, both from suppliers and from employees submitted as part of expense claims.</p> | <p>Complete</p> <p>All receipts retained in line with procedures in place.</p> <p>Responsible officer – Irene Sutherland</p> <p>September 2022</p> |
| <p>Fixed Asset Register Depreciation Calculations</p> <p>It was noted that the fixed asset register contains 9 items with a negative net book value totalling £118.</p> <p>Risk – Although the total of the negative net book values is highly trivial, there is a risk that an accumulation of these errors could result in fixed assets being understated.</p> | <p>Management should look to understand how these errors have occurred in the system and put controls in place to ensure there are no similar errors in future.</p> | <p>Complete</p> <p>Reviewed with Scottish Government as part of year end annual accounts.</p> <p>Responsible officer – Laura Duguid</p> <p>May 2023</p> |
| <p>Fixed Asset Register Reconciliation</p> <p>An allocation error was noted in IT equipment (between cost and accumulated depreciation) when reconciling the fixed asset register to the trial balance.</p> <p>Risk – Although the allocation error has no impact on the total net book value of IT equipment, a similar error in future could result in an inaccurate disclosure.</p> | <p>Management should look to understand how these errors have occurred in the system and put controls in place to ensure there are no similar errors in future.</p> | <p>Complete</p> <p>Reviewed with Scottish Government as part of year end annual accounts.</p> <p>Responsible officer – Laura Duguid</p> <p>May 2023</p> |
| <p>Fraud Prevention Policy</p> <p>It was noted that the formal review of the Fraud Prevention Policy in August 2021 did not go ahead as planned. The review is now overdue.</p> | <p>Management should look to complete all reviews by the set deadlines.</p> | <p>Complete</p> <p>Policy Reviewed December 2022 and ratified at Senior Management Team.</p> <p>Responsible officer – Irene Sutherland</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|-----------------------------------------------------------------------------------------------------------------|----------------|---------------------------------|
| The policy may not be fit for purpose and may not accurately reflect the risks facing PIRC in respect of fraud. | | January 2023 |

Appendix 2. Summary of corrected misstatements

We report all corrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £6,000.

The table below summarises corrected misstatements that were noted during our audit testing.

| Narrative | Account areas | Statement of Comprehensive Net Expenditure | | Statement of Financial Position | |
|-----------------------------------------------------------------------|-----------------------------|--------------------------------------------|---------------|---------------------------------|----------------|
| | | Dr | Cr | Dr | Cr |
| Accounting Misstatements | | £ | £ | £ | £ |
| Office equipment accrual posted twice. | Accruals | - | - | 12,448 | - |
| | Office Equipment | - | 12,448 | - | - |
| Accrual for licence costs already paid. | Accruals | - | - | 9,500 | - |
| | Licence cost | - | 9,500 | - | - |
| Holiday pay accrual updated for national insurance and pension rates. | Staff costs | 11,814 | - | - | - |
| | Holiday Pay Accrual | - | - | - | 11,814 |
| | PPE - Right of Use asset | - | - | 132,000 | - |
| | Provisions (Dilapidation) | - | - | - | 91,000 |
| Adjustments to IFRS 16 balances | Lease Liabilities <> 1 year | - | - | - | 11,000 |
| | Depreciation | 4,000 | - | - | - |
| | Finance Charge | - | 23,000 | - | - |
| | Rent free period | - | 11,000 | - | - |
| TOTALS | | 15,814 | 55,948 | 153,948 | 113,814 |
| | | - | 40,134 | 40,134 | - |

Police Investigations and Review Commissioner

2022/23 Annual Audit Report

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www.audit-scotland.gov.uk/accessibility



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