

# Scottish Criminal Cases Review Commission

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for the Scottish Criminal Cases Review Commission

February 2020



## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

## Adding value

3. We aim to add value to the Scottish Criminal Cases Review Commission (the Commission) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Commission promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risk for the Commission. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p>1 <b>Risk of material misstatement caused by management override of controls</b></p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> <li>Owing to the nature of this risk, assurances from management are not applicable in this instance.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of accounting estimates.</li> <li>Focused testing of accruals and prepayments.</li> <li>Identification and evaluation of significant transactions that are outside the normal course of business.</li> </ul>
<p>2 <b>Risk of material misstatement caused by fraud in expenditure</b></p>	<ul style="list-style-type: none"> <li>Fraud Policy &amp; Fraud Response Plan</li> <li>Whistleblowing Policy</li> </ul>	<ul style="list-style-type: none"> <li>Variance analysis on expenditure streams.</li> </ul>

	Audit Risk	Source of assurance	Planned audit work
	<p>ISA 240 and the Financial Reporting Council's Practice Note 10 (revised) require public sector auditors to give consideration to the risk of fraud over expenditure.</p> <p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. The nature and extent of expenditure means that there is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Quarterly Finance Reports</li> <li>• Financial Procedures &amp; Separation of Duties</li> <li>• Monthly Account Reconciliations</li> <li>• Board &amp; SG Review</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed testing of expenditure transactions.</li> </ul>
3	<p><b>Portland House Lease</b></p> <p>In 2019/20 a new lease has been entered into at Portland House. This lease had an associated cash incentive. This requires to be treated in line with SIC 15 / IAS 17. Due to the complexity and judgement involved in the accounting treatment, and prior year errors in accounting for lease accruals, there is an increased risk of material misstatement.</p>	<ul style="list-style-type: none"> <li>• Accounting arrangements for the new lease and associated incentives have been discussed and will be agreed with Accountancy Services to ensure compliance with accounting conventions.</li> <li>• IFRS 16 preparation has already been undertaken with and reviewed by SG and Accountancy Services.</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation of accounting treatment of the new lease, including the cash incentive element.</li> <li>• Assessment of the accruals associated with the new lease over the life cycle of the lease.</li> <li>• Assessment of the preparation for the IFRS 16 guidance which will impact on this lease from 1 April 2020.</li> </ul>

#### Wider dimension risks

4	<p><b>Financial sustainability</b></p> <p>In the last three years, the Commission's expenditure has exceeded Scottish Government funding, and this has been covered by the use of reserves. It is anticipated that the Commission expenditure will exceed funding again in 19/20.</p> <p>Financial pressures include;</p> <ul style="list-style-type: none"> <li>• Legal costs are regularly higher than expected, and the Commission has little control over what these are due to the nature of the services provided.</li> <li>• Staff remuneration is now tied to the Scottish Government remuneration levels and therefore increases are outwith the control of the Commission. In addition, the</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly meetings with Scottish Government Sponsor Team</li> <li>• Quarterly Financial Reporting</li> <li>• Production of a longer term funding projection to be agreed with Sponsor Team.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the year end position for 2019/20 and the medium to long term plans in place for 2020/21 onwards.</li> <li>• Review communication between the Commission and its Sponsor Team about future funding arrangements.</li> </ul>
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 <b>Audit Risk</b>	<b>Source of assurance</b>	<b>Planned audit work</b>
pension contribution rate has also increased.		

Source: Audit Scotland

5. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted the risks of material misstatement caused by fraud in income recognition in 2019/20 because almost 100% of the Commission's income comes directly from the Scottish Government as grant in aid funding and there are limited alternative sources of income.

## Reporting arrangements

6. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

7. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

8. We will provide an independent auditor's report to the Commission, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

9. Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year-end, i.e. 31 December.

## Exhibit 2 2019/20 Audit outputs

<b>Audit Output</b>	<b>Target date</b>	<b>Committee Date</b>
Annual Audit Plan	13 February 2020	13 February 2020
Independent Auditor's Report	8 June 2020	4 June 2020
Annual Audit Report	8 June 2020	4 June 2020

Source: Audit Scotland

## Audit fee

10. The agreed audit fee for the 2019/20 audit of the Commission is £7,870 [2018/19: £7,770]. In determining the audit fee, we have taken account of the risk exposure of the Commission, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 4 May 2020.

11. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts a supplementary fee may be levied. An additional fee

may also be required in relation to any work or other significant exercises out with our planned audit activity.

## Responsibilities

### Audit Committee and Accountable Officer

**12.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**13.** The audit of the annual accounts does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.

### Appointed auditor

**14.** Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**15.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Annual accounts

**16.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the Commission and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the Commission will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**17.** We will give an opinion on whether the financial statements:

- give a true and fair view of the state of affairs of the Commission as at 31 March 2020 and of the income and expenditure of the Commission for the year then ended
- have been properly prepared in accordance with the financial reporting framework
- the regularity of income and expenditure.

## Other information in the annual accounts

**18.** We also review and report on statutory other information published within the annual accounts including the performance report, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**19.** We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

## Materiality

**20.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

**21.** We calculate materiality at different levels as described below. The calculated materiality values for the Commission are set out in [Exhibit 3](#).



### Exhibit 3

#### Materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2020, based on the latest audited accounts for 2018/19.	£11,000
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60% of planning materiality.	£6,600
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality, rounded up to £1,000.	£1,000

Source: Audit Scotland

### Timetable

22. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

### Exhibit 4

#### Annual accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts with complete working papers package	4 May 2020
Latest date for final clearance meeting with the Director of Corporate Services	19 May 2020
Agreement of audited unsigned annual report and accounts	4 June 2020
Issue of Annual Audit Report to those charged with governance	4 June 2020
Independent auditor's report signed	8 June 2020

### Internal audit

23. Internal audit is provided by the Scottish Government Internal Audit Directorate. Therefore, internal audit will be assessed by our Scottish Government audit team to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

### Using the work of internal audit

**24.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. Due to the areas of work covered, we will not place formal reliance on internal audit work.

### Audit dimensions

**25.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

## Exhibit 5 Audit dimensions



Source: Code of Audit Practice

**26.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

**27.** The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. In the light of the volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2019/20 audit of the Commission.

### Financial sustainability

**28.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the Commission can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

## Governance and transparency

**29.** Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the Commission can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

## Independence and objectivity

**30.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**31.** The engagement lead (i.e. appointed auditor) for the Commission is Liz Maconachie, Senior Audit Manager. Auditing and ethical standards require the appointed auditor, Liz Maconachie, to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Commission.

## Quality control

**32.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

**33.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**34.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

# Scottish Criminal Cases Review Commission

## Annual Audit Plan 2019/20

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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