

Scottish Criminal Cases Review Commission

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Scottish Criminal Cases Review Commission

May 2023

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of Scottish Criminal Cases Review Commission (the Commission). The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual report and accounts, and provision of an Independent Auditor's Report
- audit opinions on the financial statements, regularity and other statutory information published within the annual report and accounts including the Performance Report, the Governance Statement and the Remuneration and Staff Report

Audit Appointment

2. We are pleased to be appointed as the external auditor of the Commission for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at [Appendix 1](#).

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

Adding value

5. We aim to add value to the Commission through our external audit work by being constructive and forward looking, by attending meetings of the Audit Committee and by recommending and encouraging good practice. In so doing, we will help the Commission promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and the Commission

6. The [Code of Audit Practice \(2021\)](#) sets out in detail the respective responsibilities of the auditor and the Commission. Key responsibilities are summarised below.

Auditor responsibilities

7. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice \(2021\)](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

8. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at the Commission. In doing this, we aim to support improvement and accountability.

Scottish Criminal Cases Review Commission responsibilities

9. The Commission is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. The Commission has 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 deliver their objectives.

Financial statements audit planning

Introduction

11. The annual report and accounts are an essential part of demonstrating the Commission's stewardship of resources and its performance in the use of those resources.

12. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

13. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2022/23 audit

14. We assess materiality at different levels and the materiality values for the Commission are set out in [Exhibit 1](#).

Exhibit 1

2022/23 Materiality levels for the Commission

| Materiality | Amount |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <p>Planning 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 Commission's operations. For the year ended 31 March 2023 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.</p> | £23 thousand |
| <p>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 70% of planning materiality.</p> | £16 thousand |

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. £1 thousand

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. Our risk assessment draws on our cumulative knowledge of the Commission, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

16. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

17. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2022/23 Significant risks of material misstatement to the financial statements

| Significant risk of material misstatement | Sources of assurance | Planned audit response |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. 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> | <p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p> | <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity. • Test journals at the year-end and post-closing entries with focus on significant risk areas. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. |

| Significant risk of material misstatement | Sources of assurance | Planned audit response |
|-------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <ul style="list-style-type: none"> • Focused testing of accounting accruals and prepayments. • Evaluate significant transactions outside the normal course of business. |

Source: Audit Scotland

18. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk as the Commission is financed 100% by Grant-in-Aid from the Scottish Government. This funding is clearly communicated and can be readily agreed to third party confirmations.

19. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this risk as the main expenditure streams of the Commission relate to Staff Costs and Office Accommodation costs which can be readily forecast based on a predictable pattern of spend. We also consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements.

20. We have not incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

21. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

22. The areas of specific audit focus are:

- **IFRS 16 implementation** - the new International Financial Reporting Standard (IFRS 16) for lease accounting has been adopted by the Commission from 1 April 2022. The standard provides a single lessee accounting model, requiring the Commission (as a lessee) to recognise assets and liabilities for applicable leases held. Any errors in the implementation of IFRS 16 and the required accounting treatment of leases could result in a material misstatement in the financial statements. We will review lease arrangements to ensure they have been correctly assessed and accounted for in the 2022/23 financial statements.

Wider Scope and Best Value

Introduction

23. [The Code of Audit Practice \(2021\)](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

24. The [Code of Audit Practice \(2021\)](#) and [supplementary guidance](#) includes provisions relating to the audit of less complex bodies. The Code provides for an alternative audit approach where an audited body might be considered to be less complex due to its size and its limited financial activity. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body, the audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services.

25. The Commission's financial transactions are considered low volume and non-complex. We therefore plan to apply the 'less complex' provisions of the Code in our audit of the Commission. Our audit of the wider scope will include:

- **Financial sustainability** – 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).
- **Governance** –We consider the effectiveness of the governance arrangements to support delivery. We review the Annual Governance Statement and consider whether disclosures appropriately reflect the arrangements in place and the activities which took place in 2022/23.

Duty of Best Value

26. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within the Commission.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

27. Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

28. 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 officers to confirm factual accuracy.

29. We will provide an independent auditor's report to the Commission, the Scottish Parliament and the Auditor General for Scotland. We will provide the Commission and the Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

30. [Exhibit 3](#) outlines the target dates for our audit outputs, and we aim to issue the Independent Auditor's Report by the statutory deadline of 31 October 2023.

Exhibit 3 2022/23 Audit outputs

| Audit Output | Target date | Audit and Risk Committee Date |
|------------------------------|-----------------|-------------------------------|
| Annual Audit Plan | 31 March 2023 | 11 May 2023 |
| Independent Auditor's Report | 31 October 2023 | To be confirmed |
| Annual Audit Report | 31 October 2023 | To be confirmed |

Source: Audit Scotland



Timetable

31. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#) that has been discussed with management.

32. We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 4

Proposed annual report and accounts timetable

|  Key stage |  Provisional Date |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Consideration of the unaudited annual report and accounts by those charged with governance | To be confirmed |
| Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package. | 5 June 2023 |
| Latest date for final clearance meeting with the Director of Finance (or equivalent) | To be confirmed |
| Issue of draft Letter of Representation and proposed Independent Auditor's Report | To be confirmed |
| Agreement of audited and unsigned annual report and accounts | To be confirmed |
| Issue of Annual Audit Report to those charged with governance. | To be confirmed |
| Signed Independent Auditor's Report | To be confirmed |

Source: Audit Scotland

Audit fee

33. In determining the audit fee, we have taken account of the risk exposure of the Commission and the planned management assurances in place. The agreed audit fee for 2022/23 is £10,710 (2021/22: £8,200).

34. Our fees have increased in 2022/23 and this is a reflection of the current audit market and the rising costs in delivering high quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

35. In setting the fee for 2022/23 we have assumed that the Commission has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Independence and objectivity

36. Auditors appointed by the Auditor General for Scotland must comply with the [Code of Audit Practice \(2021\)](#) 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.

37. 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 Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

38. The appointed auditor for the Commission is Gillian McCreadie, Senior Audit Manager. Auditing and ethical standards require the appointed auditor 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.

Audit Quality

39. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

40. Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

41. ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

42. Audit Scotland is committed to delivering high quality audits. 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 \(2021\)](#) (and [supplementary 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 England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

43. 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.

Appendix 1. Your audit team

44. The audit team involved in the audit of the Commission have significant experience in public sector audit.

Gillian McCreadie
Senior Audit Manager
gimccreadie@audit-scotland.gov.uk

Gillian has over 13 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Kenny Adam
Auditor
kadam@audit-scotland.gov.uk

Kenny has considerable experience in planning and delivering audits. Kenny will work alongside the Senior Audit Manager to deliver the audit.

45. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

Scottish Criminal Cases Review Commission

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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