

Scottish Criminal Cases Review Commission

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Criminal Cases Review Commission and the Auditor General
for Scotland

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Key messages

2021/22 annual report and accounts

- 1 The Scottish Criminal Cases Review Commission's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 Expenditure and income were incurred in accordance with applicable enactments and guidance.

Financial sustainability

- 3 The Scottish Criminal Cases Review Commission operated within its budget in 2021/22.
- 4 The Scottish Criminal Cases Review Commission faces a real term reduction in funding from 2022/23 onwards, due to the Scottish Government's Resource Spending Review which will result in a cash budget freeze for the Commission over the next 3 years.

Governance

- 5 Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.
- 6 Board and Audit Committee meetings have begun to meet in person, while continuing to accommodate remote attendance.

Introduction

1. This report summarises the findings from our 2021/22 audit of the Scottish Criminal Cases Review Commission (the Commission).
2. The scope of our audit was set out in our 2021/22 Annual Audit Plan which was provided to the Audit Committee members on 22/04/2022. This report comprises the findings from:
 - an audit of Scottish Criminal Cases Review Commission's annual report and accounts
 - our consideration of financial sustainability

Adding value through the audit

3. We add value to the Commission through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports [Appendix 2](#) and good practice guides
 - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
4. We aim to help the Commission promote improved standards of governance, better management and decision making and more effective use of resources.

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 account's direction from Scottish Ministers.
6. The Commission is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
7. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK.
8. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and

effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position, and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

9. The [Code of Audit Practice 2016](#) (the Code) 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. As highlighted in our 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2021/22 audit.

10. This report raises matters from our audit. The weaknesses or risks identified 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.

11. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

12. 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £8,200 as set out in our 2021/22 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

Audit appointment from 2022/23

15. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Audit Scotland will be the appointed auditor for the Commission. We are working closely with the new auditors to ensure a well-managed transition.

17. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

18. There are a number of significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work and the audit of Best Value across the Integration Joint Boards.

19. We would like to thank the management and staff who have been involved in our work for their co-operation and assistance over the last six years.

Part 1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

The Scottish Criminal Cases Review Commission's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Expenditure and income were incurred in accordance with applicable enactments and guidance.

Our audit opinions on the annual report and accounts are unmodified

20. The annual report and accounts for the year ended 31 March 2022 were approved by the Audit Committee on 01/12/2022. As reported in the independent auditor's report:

- 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 report 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 is £14 thousand

21. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). No change was made to the materiality levels reported in our Annual Audit Plan.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£14 thousand
Performance materiality	£8 thousand
Reporting threshold	£1 thousand

Source: Annual Audit Plan 2021/22

22. In determining performance materiality we considered the fact that there have been some non-material errors in the Commission's accounts in recent years, relating to accruals/prepayments and transactions that are out-with the normal routine transactions e.g. lease accounting.

23. The overall scope of the audit was adapted to incorporate the significant assessed risk of material misstatement included within [Exhibit 3](#) and [4](#), to ensure the risk is addressed. The only risk of material misstatement is a standard risk, relating to management override of controls, required by ISA 240. The work we carried out on this risk is detailed in [Exhibit 3](#).

We have one significant finding to report on the annual report and accounts

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have reported one issue from the work done on the identified risks of material misstatement. This relates to the accounting of the audit fee and is included in the action plan at [Appendix 1](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Accounting for the audit fee</p> <p>We identified that the audit fee was not being accounted for correctly. Two instalments (totalling £5,373) relating to the 2020/21 audit fee were incorrectly accounted for in 2021/22. The first 2021/22 audit fee instalment (£2,733) was correctly accounted for in year. However, there was no accrual for the remaining £5,487. This did not impact on the expenditure for the year, however accruals were understated.</p>	<p>The Commission corrected the accounting for the audit fee and is now reflected correctly in the accounts and ledger.</p> <p>Going forward, the Commission should ensure that the audit fee is accounted for in the correct year.</p> <p>Recommendation 1 (refer Appendix 1, action plan)</p>

Source: Audit Scotland

25. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit. It 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

Significant risks from the audit of the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the 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>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Identification and evaluation of significant transactions that are outside the normal course of business.</p> <p>Substantive testing of income and expenditure transactions around the year-end to</p>	<p>Results & Significant Judgements: We did not identify any evidence of management override within our work on journals or accounting estimates. Our testing of accruals and prepayments did not identify any management override issues. We also did not identify any significant transactions that were outside the normal course of business</p> <p>Conclusion: No issues were identified that indicated management override of controls.</p>

Audit risk	Assurance procedure	Results and conclusions
	confirm they are accounted for in the correct financial year.	

Identified misstatements of £22,990.44 were adjusted in the accounts. These were more than our performance materiality. We considered this impact and carried out additional audit procedures

26. Total misstatements identified were £22,990.44. £8,418.98 of this total related to the unadjusted misstatement we identified in 2020/21, which has now been corrected.

27. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. We reviewed our audit approach to consider if additional testing was required. Additional audit procedures were carried out on each of the misstatements and concluded that additional testing was not required.

28. Adjustments made in the audited accounts increased the net operating cost in the Statement of Comprehensive Net Expenditure by £2k and net assets increased decreased by £1k.

29. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold.

Local Bank Reconciliation

30. One of the misstatements detailed above related to an overstatement in the ledger and accounts of cash and cash equivalents for the local bank account. A reconciliation was not carried out between the local account and the ledger. This resulted in the ledger and accounts showing a balance of £1,944.90, when the bank statement had £232.38. This was subsequently corrected.

Recommendation 1

The Commission should carry out a reconciliation between the local bank account and the ledger.

Good progress was made on prior year recommendations

31. The Commission has made good progress in implementing our prior year audit recommendations. Only one action has not yet implemented. A revised response and timescale has been agreed with management, and is set out in [Appendix 1](#).

Part 2. Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

The Scottish Criminal Cases Review Commission operated within its budget in 2021/22.

The Scottish Criminal Cases Review Commission faces a real term reduction in funding from 2022/23 onwards, due to the Scottish Government's Resource Spending Review which will result in a cash budget freeze for the Commission over the next 3 years.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

32. Exhibit 4 sets out the significant risks of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 4

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>Financial sustainability</p> <p>In 2020/21 the Commission achieved a surplus, however in previous years expenditure has exceeded funding. There is a risk that there will be financial pressures which could result in expenditure exceeding funding.</p>	<p>Review progress in developing a three-year rolling financial plan.</p> <p>Monitor the year end position for 2021/22 and the medium to long term plans in place for 2022/23 onwards.</p> <p>Review communication between the Commission and its Sponsor Team about future funding arrangements.</p>	<p>Results & Significant Judgements: We reviewed the 2021/22 position and note that the Commission underspent its budget and has £37k in cash reserves.</p> <p>Conclusion: Whilst a surplus was achieved in 2021/22, the SG Resource Spending Review will result in a cash budget freeze for the Commission over the next 3 years. Good financial planning will assist in</p>

Audit risk	Assurance procedure	Results and conclusions
		identifying future challenges and potential savings in the medium term.

The Commission operated within its revised budget for 2021/22

33. 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.

34. The Commission has reported an outturn of £1.144 million against its overall budget for 2021/22 of £1.217 million.

The Commission has a short and medium-term financial plan

35. Funding from Scottish Government is the Commission's primary source of income and there is a greater degree of certainty over future funding streams than for some other public sector organisations who are involved in income generating activities. Therefore, the focus for the Commission is achieving a balanced financial plan to remain within its annual allocation.

36. In 2020/21 the Commission received its highest level of funding in recent years, when its budget was increased to £1.158 million. This year, 2021/22, the budget increased further to £1.217 million. This increase accounted for additional legal and investigation commitments, capital and IT infrastructure work arising during the pandemic and depreciation within the Commission's accounts.

37. A small increase in funding has been agreed between the Scottish Government and the Commission for 2022-23 with total grant in aid of £1,219,000 being made available. However, the Scottish Government has issued details of its Resource Spending Review which will result in a cash budget freeze for the Commission over the next 3 years.

38. This has been reflected in the Commission's recently published Corporate Plan 2022-25, which includes a high-level short to medium term financial plan. The plan is based on an assumed level of funding from the Scottish Government and estimated costs. The freezing of the cash budget has been reflected in the Corporate Plan, with funding remaining at £1,219,000 from 2022-23 to 2024-25.

Financial challenges lay ahead for the Commission

39. The announcement that the Commission's cash budget will be frozen for the next three years means that there are potentially financial challenges ahead. In real terms this will represent a reduction in funding once wage growth and business cost increases are taken into account. This may be particularly challenging, given the high percentage of fixed costs and scope for further reductions/efficiencies are limited at the Commission.

40. In 2021/22, we recommended that the Commission implement a three-year rolling financial plan. The Commission have advised that this has been implemented, with 2022/23 being the first year as detailed in the Corporate Plan 2022-25. The financial plan will be updated annually. This will help the Commission to direct and control its finances efficiently.

Part 3. Governance and Transparency

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.

Main judgements

Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.

Board and Audit Committee meetings have begun to meet in person, while continuing to accommodate remote attendance.

The Commission's governance and transparency arrangements are appropriate

41. Our review of the governance statement assessed the assurances which are provided to the Chief Executive as Accountable Officer regarding the adequacy and effectiveness of the board's system of internal control which operated in the financial year.

42. We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by Scottish Ministers.

43. We reviewed the governance arrangements in place at the Commission to ensure they are appropriate and operating effectively. We attend the Audit Committee meetings and papers are circulated to members in a timely manner in advance of meetings to allow for review. Also, from our attendance at Committee meetings we observed and concluded that members are engaged during meetings and provide effective scrutiny and challenge.

44. We also reviewed the financial performance quarterly report, and Board minutes. Both the Board and Audit Committee minutes are readily accessible on the Commission's website. From reviewing the minutes of Board meetings and attendance at Audit Committee we concluded that these arrangements are operating satisfactorily.

45. We concluded that the financial reports are satisfactory and presented timeously to the Board and that there is a good level of scrutiny and challenge on decision making.

46. During 2021/22, Board and Audit Committee meetings began to meet in person, with the option for remote attendance remaining.

National performance audit reports

47. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 2](#) highlights a number of the reports published in 2021/22.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Accounting for the audit fee</p> <p>The audit fee was accounted for incorrectly. Some of the 2020/21 audit fee was recognised in the accounts and there was no accrual for the unpaid 2021/22 audit fee.</p> <p>Risk – SCCRC could be understating their payables.</p>	<p>The Commission should ensure that the audit fee is accounted for in the correct year.</p> <p>Exhibit 2, finding 1</p>	<p>Agreed – all future audit fee accruals will be calculated based on anticipated invoices and not solely the confirmation of audit fee.</p> <p>Director of Corporate Services</p> <p>31 March each year</p>
<p>2. Local bank account reconciliation</p> <p>There was no local bank account reconciliation carried out which resulted in an overstatement of the 'Cash and Cash Equivalents' of £2 thousand. This was subsequently correct by the Commission.</p> <p>Risk – The 'Cash and Cash Equivalents' may be incorrect.</p>	<p>Ensure a reconciliation is carried out between the local bank account and the ledger.</p> <p>Paragraph 31</p>	<p>Agreed – the SEAS ledger for local account has not been used for a number of years as all transactions go through the GBS account. The local ledger has therefore been cleared out and a reconciliation to confirm this will be undertaken annually. A local bank account reconciliation is however undertaken monthly.</p> <p>Director of Corporate Services</p> <p>31 March each year</p>

Outstanding prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Season ticket advance</p> <p>Included in receivables was a credit balance of £2.4k related to season tickets for Commission staff. The Scottish Government pays these in advance and charges this to the Commission. The employee has a proportion of their salary deducted throughout the year to repay the value of the season ticket to the Commission. At year end, it is expected there be a reduced debit balance (not zero as tickets do not fully coincide with the financial year). As in previous years, the year-end balance was rectified on SEAS.</p> <p>Risk – There is a risk that the original charge and repayments are not correctly recognised in the Commission’s accounts, and the accounts may be materially misstated.</p>	<p>The Commission should work with the Scottish Government to review season ticket advances at year end.</p>	<p>Complete</p>
<p>4. Accruals</p> <p>Included in the accruals balance was an amount for £8.4k relating to accrued board members fees. An accrual was created in 2018/19 and had not been reversed out in 2019/20 when the actual payment was made.</p> <p>Risk – There is a risk that the opening accruals are not being reversed out timeously resulting in the accounts being misstated.</p>	<p>The Commission should review any opening accrual balances to ensure accruals for the year are accurately reflected.</p>	<p>Complete</p> <p>This was completed after the audit team brought it to the attention of the Commission.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>5. Short to medium term financial challenges</p> <p>While efforts have been made in the past to achieve savings to operate within budget, future efficiencies are now limited. Fixed costs account for the vast majority of spend. This reduces the Commission's flexibility to adjust to new circumstances.</p> <p>Risk – There is limited scope for the Commission to make future efficiencies and there remains a risk that the Commission may be unable to continue to fund its operating costs. The use of cash reserves to support the financial position is not sustainable in the medium term.</p>	<p>The commission currently prepares a three-year budget based on flat cash assumptions as part of the Corporate Plan process. As a step towards longer term financial planning, the Commission should look to develop a rolling three-year financial plan. This will help to identify future challenges and potential savings plans in the medium term.</p>	<p>Complete</p>
<p>6. Risk Register improvement</p> <p>There is currently no score or ranking of risks included on the risk register. There is also no date to show when a risk was added to the risk register.</p> <p>Improvement – There is scope for improved monitoring of risks included on the Commission's risk register.</p>	<p>The Commission should review any opening accrual balances to ensure accruals for the year are accurately reflected.</p>	<p>Outstanding</p> <p>Work on a revised risk management methodology has been delayed primarily as a result of the pandemic and inability to organise appropriate workshops. The ranking will however be considered when review of risk kicks off at the January 2023 Board meeting.</p> <p>Director of Corporate Services</p> <p>31 March 2023</p>

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Scottish Criminal Cases Review Commission

2021/22 Annual Audit Report

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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