



Scottish Commission for Human Rights

2015/16 Annual audit
report to Members and
the Auditor General for
Scotland

October 2016

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Gillian Woolman Assistant Director, Audit Scotland is the appointed external auditor of the Scottish Commission for Human Rights for the period 2012/13 to 2015/16.

This report has been prepared for the use of the Scottish Commission for Human Rights and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General in support of her wider responsibilities, including reporting to the Scottish Parliament.

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Key messages

Audit of financial statements

- We have given an unqualified independent auditor's report on the 2015/16 financial statements.

Financial Position

- All financial targets in 2015/16 were met.
- There is an underspend of £8,000 against an approved cash budget of £952,000. The majority of the underspend relates to reduced staff and Chair costs due to periods of vacancy and staff changes in year.
- Financial management was found to be generally sound.

Governance & accountability

- Overall, we found the Scottish Commission for Human Rights has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
- We consider the Scottish Commission for Human Rights to be open and transparent with the majority of items being available on the website.

Best Value

- Performance against the strategic plan is reported to members and the senior management team on a regular basis and is also available on the website. It is underpinned by a detailed operational plan.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Scottish Commission for Human Rights (the Commission).
2. Management of the Commission is responsible for:
 - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
 - ensuring the regularity of transactions, by putting in place systems of internal control
 - maintaining proper accounting records
 - publishing with their financial statements an annual governance statement and a remuneration report.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at [appendix II](#) and [appendix III](#).
6. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
7. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2015/16 financial statements

Audit opinions

Financial Statements	<ul style="list-style-type: none">• The financial statements of the Scottish Commission for Human Rights for 2015/16 give a true and fair view of the state of the body's affairs and of its expenditure for the year.• We confirm that the financial statements have been properly prepared in accordance with the 2015/16 Financial Reporting Manual (FReM) and the requirements of the Scottish Commission for Human Rights Act 2006 and Directions.
Regularity	<ul style="list-style-type: none">• In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.
Other prescribed matters	<ul style="list-style-type: none">• The part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the requirements of the 2015/16 FReM and the requirements of the Scottish Commission for Human Rights Act 2006 and directions.• The information given in the Annual Report and Accounts (comprising the Performance Report and Accountability Report) is consistent with the financial statements.

Submission of financial statements for audit

8. We received the unaudited financial statements on 5 September, in accordance with the agreed timetable. The working papers were of a good standard and staff provided support to the audit team which enabled us to complete our on-site fieldwork on 25 September.

Overview of the scope of the audit of the financial statements

9. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Commission in March 2016.
10. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed fee for the audit was £11,500 and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified two key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure an appropriate level of assurance.

12. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
13. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

14. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
15. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £9,430 (1% of net operating costs of £0.943 million).
16. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £3,775 (i.e. 40% of planning materiality). We report all misstatements identified which are greater than £1,000.

Evaluation of misstatements

17. Minor typographical and rounding errors that were identified during the audit have been adjusted in the financial statements. These errors were minor and were well within our materiality tolerance for the financial statements to present a true and fair view.

Significant findings from the audit

18. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
19. Minor presentational and monetary rounding errors were identified within the financial statements during the course of our audit. These were discussed with relevant officers. There are no significant issues, in our view, that require to be communicated to you in accordance with ISA 260.

Future accounting and auditing developments

Audit appointment from 2016/17

20. The procurement process for the new round of audit appointments was completed in March 2016 and Deloitte LLP will be the new appointed auditor for the Commission for the five years commencing 2016/17.
21. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming Audit Manager and new audit team as part of this transition.

Code of Audit Practice

22. A new Code of Audit Practice (the Code) applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. The new Code outlines the objectives and principles to be followed by auditors.
23. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all Annual Audit Reports, from 2016/17, Annual Audit Plans and other significant audit outputs will be available on the Audit Scotland website for all audited bodies. This is irrespective of whether the body meets in public or makes external audit reports publicly available.

Financial Management and Sustainability

24. The Chair is Judith Robertson who was appointed 21 March 2016 for a period of 6 years. In 2015/16 the former Chair, Alan Miller, was Accountable Officer until the end of his term of office on 2 March 2016. From 3 March 2016 Commissioner Matt Smith was designated Accountable Officer by the SPCB.
25. The Chair and the three part time Members comprise the Commission which is supported by a staff management team and other officers and is located in Edinburgh.
26. The Scottish Commission for Human Rights Act 2006 was passed by the Scottish Parliament on 2 November 2006 and received Royal Assent on 8 December 2006. It provides for the establishment of the Commission.
27. The Act sets out the general duty and powers of the Commission. Under the Act the Commission has a general duty to promote awareness, understanding and respect for human rights, and in particular to encourage best practice in relation to human rights.
28. The Commission's other statutory functions, as provided for by the 2006 Act, are:
 - Conduct inquiries into the policies or practices of Scottish public authorities, where relevant to the promotion of awareness, understanding and respect for human rights;
 - Enter places of detention as part of an inquiry;
 - Intervene in civil court cases where relevant to the promotion, understanding and respect for human rights and where the case appears to raise a matter of public interest.
29. The Commission also has an international role as the National Human Rights Institution (NHRI) for Scotland. Since 2011 and up to the end of March 2016, the Commission has been chair of the European network of 40 NHRIs across the wider European area.
30. The Commission is a Scottish public authority, subject to the same requirements in relation to governance, efficiency and Freedom of Information as other authorities.
31. The Scottish Parliamentary Commission and Commissioners Act 2010 from April 2011 provided the Scottish Parliamentary Corporate Body (SPCB) with additional powers, including approving the Commission's budget. In 2014/15 contingency funding was received however this was not required in 2015/16.

2015/16 financial position

32. The Commission is an independent public body and receives all of its funding directly from the SPCB. The Commission operates against an annual cash based budget that is reviewed by the SPCB and subsequently approved by the Scottish Parliament. The accounts are prepared on an accruals basis but the body is funded on a cash basis and management closely monitor financial performance on a cash basis.

33. At 31 March 2016 the Commission's Statement of Financial Position shows an increase in General Fund Reserves of £1,000.
34. The financial outturn for the year is within the resource budget allocated by SPCB i.e. the cash drawn for the year is within the allocated budget of £952,000. In 2015/16 the Commission recorded cash expenditure of £898,000. Cash drawn down from the SPCB totalled £945,000 which resulted in an increase in cash and cash equivalents of £47,000.
35. Net operating costs were £943,000, with £11,000 spent on non cash items (including depreciation) and £12,000 spent on capital expenditure.
36. Total net expenditure for 2015/16 was £943,000 compared to £950,000 in 2014/15.
37. A net assets position of £24,000 was recorded in 2015/16 compared to £23,000 in 2014/15. The overall increase has arisen as a result of an increase in non current assets, increase in cash and cash equivalents and an increase in trade payables.
38. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the Business Manager has sufficient status to be able to deliver good financial management;
 - standing financial instructions and standing orders are comprehensive, current and promoted within the body;
 - reports monitoring performance against budgets are accurate and provided regularly to the Management Team;
 - members of the Finance, Risk and Audit Committee provide a good level of challenge and question budget holders on significant variances.
39. Based on our accumulated knowledge of the Commission and our review of relevant papers, we conclude that the Commission has appropriate financial management arrangements in place.

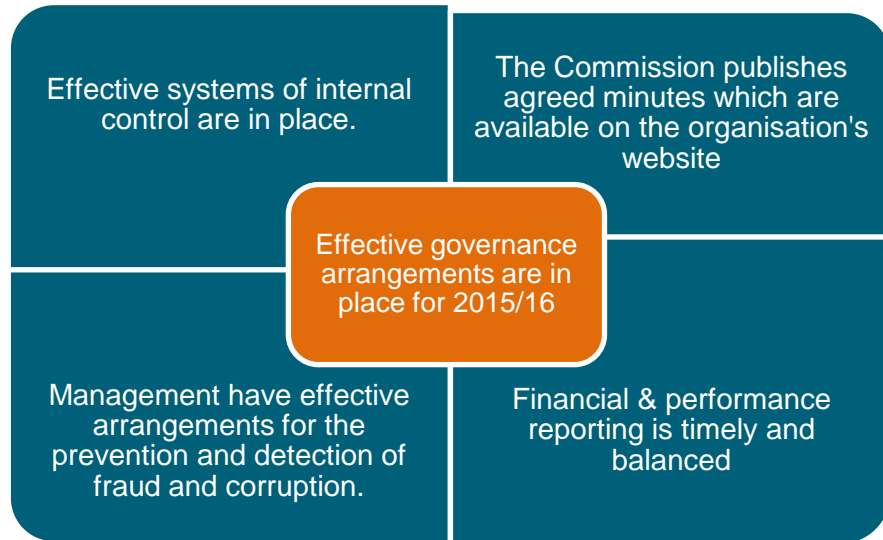
Budgetary Control

40. The Commission undertakes monthly budget monitoring on a cash basis to monitor expenditure against the cash budget allocated by the SPCB. This takes into account that although goods and services may be consumed within one financial year, the costs will only be counted when the invoice is actually paid – which may be in the following financial year. At the financial year end the Commission prepares financial statements on an accruals basis to meet the requirements stated in the Direction by Scottish Ministers that the statement of accounts is prepared to comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual which is in force for the year for which the statement of accounts are prepared.

Financial Planning

41. The Commission receives the majority of funding from the SPCB. As funding from the SPCB is the key source of Commission income, 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 main focus for the Commission continues to be the achievement of a balanced financial plan to ensure the Commission remains within their annual allocation from the SPCB.
42. The Commission's strategic plan (2012-2016) covered the four year period up to 31 March 2016 and set out the Commission's objectives and priorities during the four year period, a timetable, costings and how they would deliver these objectives. It included a high level financial plan covering that period based on the assumed level of funding and estimated costs against each of its strategic objectives.
43. The latest strategic plan for the next four year period (2016-2020) was published on the Commission's website in May 2016.

Governance and transparency



Corporate governance

44. The Commission, through its Accountable Officer, is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the Commission and for monitoring the adequacy of these arrangements.
45. In 2015/16 the former Chair, Alan Miller, was Accountable Officer until the end of his term of office on 2 March 2016. From 3 March 2016 Commissioner Matt Smith was designated Accountable Officer

by the SPCB. We were surprised to learn that Ms Judith Robertson did not become the Accountable Officer when appointed to the full-time position of Chair on 21 March 2016. We sought and received confirmation that the Commissioner Mr Smith still retains Accountable Officer status. This arrangement is unfamiliar to us and we understand discussions are ongoing with the Scottish Parliamentary Corporate Body to determine whether this will be reviewed.

46. The Commission comprises the full-time Chair and three part-time Members. They hold monthly meetings to consider strategic issues, risks, business plans and finances. The minutes of the meetings are published on the Commission's website.
47. We concluded that the Commission has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

Transparency

48. The Scottish Government's On Board guidance (<http://www.gov.scot/Publications/2015/04/9736/0>) for board members of public bodies was updated and reissued in April 2015. The Guidance states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:
 - holding an annual open meeting

- holding board meetings in public unless there is a good reason not to
 - publishing summary reports and/or minutes of meetings
 - inviting evidence from members of the public in relation to matters of public concern
 - consulting stakeholders and users on a wide range of issues
 - making corporate plans and the annual report widely available.
49. Overall we concluded that the Commission is open and transparent as far as confidential considerations allow. Commission minutes, together with the annual report and a range of corporate plans and performance reports are published on the website. The Commission should keep openness and transparency in decision making under review

Internal control

50. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole.
51. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Internal audit

52. No internal audit work is undertaken within the Commission's governance structure, although the Finance, Risk and Audit Committee does examine financial transactions and provide assurance to the Commission on the use of resources.

Arrangements for the prevention and detection of fraud

53. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions.
54. In our opinion the Commission's overall arrangements for the prevention of fraud, irregularity and corruption are satisfactory, although it should be noted that no system can eliminate the risk of fraud, irregularity or corruption entirely.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

55. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders

and financial instructions. We consider whether bodies have adequate arrangements in place and have concluded that appropriate arrangements exist within the Commission.

may be of interest to the Commission. A summary of these reports is outlined in [Appendix III](#).

Best Value

Arrangements for securing Best Value

56. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.
57. The Auditor General may require that we consider whether Accountable Officers have put in place appropriate arrangements to satisfy their corresponding duty of Best value. Where such requirements are not specified we may, in conjunction with the Commission, agree to undertake local work in this area.
58. We did not undertake any specific work in this area during 2015/16.

National performance audit reports

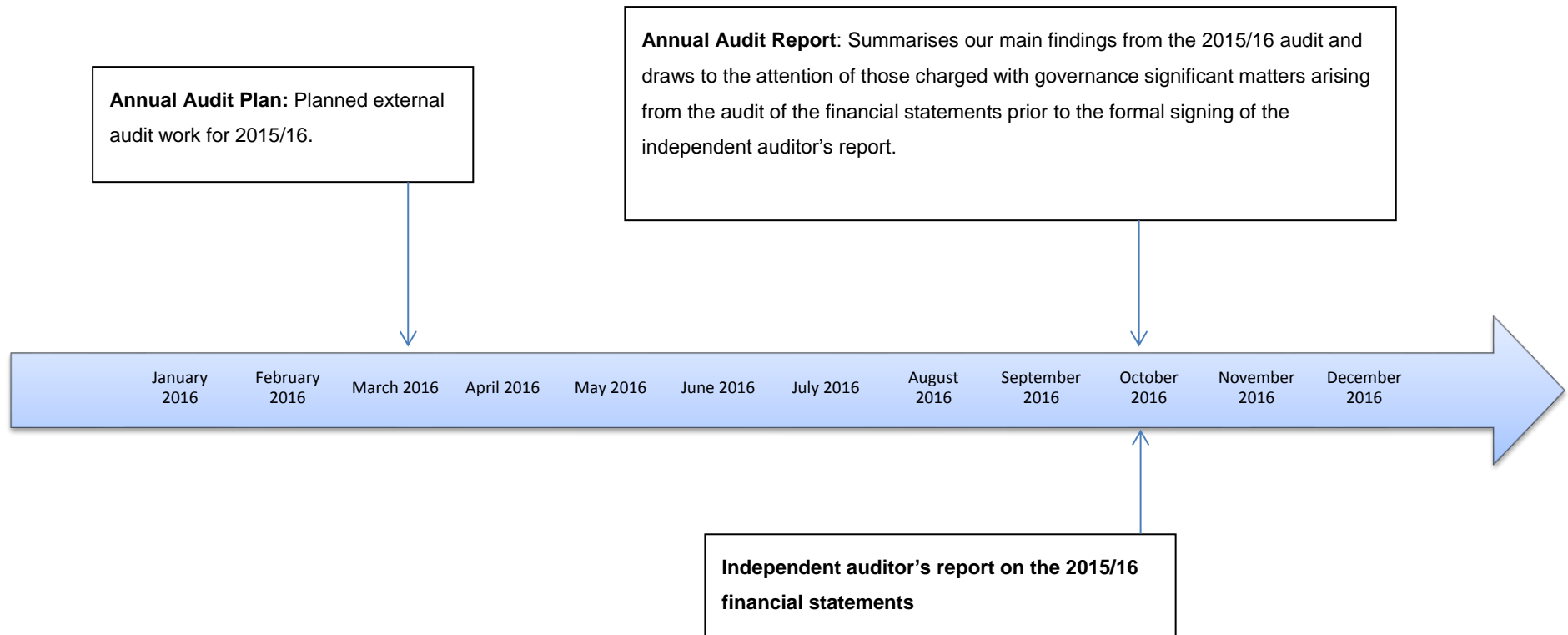
59. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued that

Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<p>Management override of controls – The auditor’s responsibility to consider fraud in an audit of financial statements require auditors to consider, on all audits, management’s ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>N/A</p>	<p>We performed detailed testing of journal entries and accounting estimates.</p> <p>We reviewed and evaluated significant transactions to ensure they were within the normal course of the business.</p> <p>We concluded this area to be satisfactory.</p>
<p>Financial Management - SHRC considers that the financial position is becoming more challenging with limited increases in funding coupled with increasing cost pressures. There is an ongoing risk that the SHRC cannot meet its statutory obligations to acceptable timescales and standards within available funding.</p>	<p>Financial monitoring reports reviewed regularly against outturn by management team.</p>	<p>We reviewed the financial outturn against the cash budget. The Commission underspent, on a cash basis, by £8,000 in 2015/16 and this is largely due to reduced staff and Chair costs due to periods of vacancy and staff changes in year.</p> <p>We concluded this area as satisfactory.</p>

Appendix II: Summary of local audit reports 2015/16



Appendix III: Summary of Audit Scotland national reports 2015/16

