

MINUTES

SCTS AUDIT AND RISK COMMITTEE

MEETING: 1 August 2016 in the, Parliament House, Edinburgh

Members Present:

Joe Al-Gharabally, Non-Executive Member SCTS Board (Chair)
Simon Catto, Non-Executive Member SCTS Board
Dr Joe Morrow QC, Non-Executive Member SCTS Board
Angus Mackenzie, Non-Executive Member (External)

Attended:

Eric McQueen, Chief Executive, SCTS
Sarah Self, Senior Audit Business Manager, Scottish Government
Myra Binnie, Internal Audit Manager, Scottish Government
Lesley Watt, Interim Director Finance
Donnella Steel, Director Finance
Angela Cullen, Assistant Director, Audit Scotland
Rachel Browne, Senior Audit Manager, Audit Scotland
Gary Devlin, Scott Moncrieff, External Auditor
Karen Lawrie, Secretariat Business Manager, SCTS (Minutes)

Apologies:

Noel Rehfisch, Corporate Secretary, SCTS
Richard Maconachie, Chief Finance Officer, SCTS

The Chair welcomed Gary Devlin from Scott Moncrieff who had been appointed as External Auditors for a period of five years. Donella Steel, the new SCTS Director Finance, also attended the meeting.

1. Declaration of Interests

1.1 There were no new declarations of interest from Members.

2. Minutes of the Meeting of 18 April 2016

2.1 The minutes of the last meeting were approved.

3. Matters Arising

3.1 Actions from previous meetings had been completed or would be discussed elsewhere on the Agenda.

Update from the SCTS Board

3.3 A summary of matters discussed at the May and June Board meetings was received. In June representatives from Reich and Hall, Architects gave a presentation showing the initial designs for the Inverness justice centre, based on the initial scope and outline of the project. The Board also approved the Estates Strategy 2016-26.

4. Internal Audit Update (SCTS/ARC/Aug16/28 & SCTS/ARC/Aug16/29)

Annual Assurance 2015-16

4.1 Internal Audit (IA) presented a report detailing the work they had conducted across SCTS during 2015-16. On the basis of the audits carried out and the SCTS actions taken in response to their findings a reasonable assurance level had been provided in respect of SCTS's risk management, control and governance arrangements.

4.2 It was noted that a final report had still to be issued regarding the Facilities Management Contract Re-Tender. A draft report which included the assurance level and key findings had been discussed with Senior Management.

4.3 An update on the progress of the action plan to address the recommendations from the Mental Health Tribunal Finance Review was discussed. Both the Executive and IA were content with the actions taken to date and the proposed timescales for future actions.

Progress Report 2016-17

4.4 A summary of Internal Audit activities carried out since the last meeting was considered. Work on the 2016-17 audit plan had commenced with one main audit review and one follow-up review currently underway.

4.5 The Committee noted that the internal audit report on the review of the Finance Transformation programme was scheduled to be tabled at the November meeting. Members requested assurance that the time-line for the report would be met.

5. External Audit Update (SCTS/ARC/Aug16/30)

ISA 260

5.1 Audit Scotland advised that work on the financial statements for 2015-16 was now complete and an unqualified audit opinion would be issued following the approval and sign-off of the Report and Accounts by the SCTS Board at their next Meeting.

5.2 Written assurance from the Accountable Officer on aspects of the financial statements and judgements and estimates would be submitted to Audit Scotland as part of the completion of the audit.

Draft 2015-16 Annual audit report

5.3 Members reviewed the draft annual audit report, provided by Audit Scotland, which summarised the findings of their 2015-16 audit of SCTS.

5.4 The Committee welcomed acknowledgment from Audit Scotland of the very high quality of the draft accounts produced by SCTS and that no significant issues were reported.

5.5 Audit Scotland thanked the Committee and SCTS Executive for the cooperation and assistance afforded to the audit team during the course of the audit and throughout their five year appointment which would end on the conclusion of the 2015-16 audit

6. Directors Statement of Assurance to Accountable Officer (SCTS/ARC/Aug16/31)

6.1 The Executive reported that robust statements of assurance had been produced as a result of this year's process, which had been subject to a greater degree of scrutiny and challenge than in previous years. In view of this Executive Directors were able to provide the Accountable Officer with substantial assurance that adequate controls were in operation across SCTS. There being no material control weaknesses identified, no specific mention had been made in the Governance Statement of any limitations in the assurances provided.

6.2 The Committee agreed that the Accountable Officer had received sufficient assurances to inform his Governance Statement.

7. Review of Final Accounts 2015-16 (SCTS/ARC/Aug16/32)

7.1 The SCTS Annual Report and Accounts 2015-16 were considered. It was agreed that key achievements during the last year had been reflected and the statutory reporting requirements and guidance had been met.

7.2 The Committee approved the final accounts and recommended that they be submitted to the SCTS Board for final approval at their meeting later in August.

8. SCTS Audit and Risk Committee Annual Report to the SCTS Board (SCTS/ARC/Aug16/33)

8.1 The Committee approved their annual report to the SCTS Board. The report reflected on the work of the Committee during the last year and the Committee's priorities for 2016-17.

8.2 The Chair advised that members had discussed the introduction of a scorecard for Internal and External Audit. The results of the scorecard would be discussed during pre-Audit and Risk Committee meetings with Auditors. It was also noted that Scott Moncrieff would be requesting annual feedback from SCTS during the term of their appointment.

9. EU Referendum Results: Impact on SCTS (SCTS/ARC/Aug16/34)

9.1 The Executive advised that following the results of the EU Referendum in June a preliminary assessment of the impact of the result on the Scottish Courts and Tribunals system had been carried out.

9.2 Despite considerable uncertainty about the UK's exit strategy, there were foreseeable areas where Brexit was likely to impact upon the SCTS which include implementing legislative changes to reflect the final constitutional settlements and the SCTS's capability to contribute effectively to UK and Scottish Government requests for policy briefing on areas affecting the operation of the Scottish courts and tribunals system.

9.3 Members were content with the initial assessment of the impact of the EU Referendum result for SCTS and noted its addition to the Corporate Risk Register.

10. Corporate Risk Register (SCTS/ARC/Aug16/35)

10.1 The Committee reviewed the Corporate Risk Register, noting its inclusion to the main agenda of the meeting.

10.2 Members noted that new risks were added to the register when identified and that those currently on the risk register were frequently reviewed. In order to ensure that the register continued to highlight the key risks facing the organisation and remained at a manageable size it was agreed that it would be fully reviewed at the joint SCTS Board and Audit and Risk Committee workshop session on corporate risk in February.

11. Any Other Business

11.1 The Chair, on behalf of the Committee, thanked Angela Cullen and Rachel Browne from Audit Scotland for their work with the Committee over the period of their 5 year External Audit appointment. The Executive recorded thanks on behalf of SCTS.

11.2 The Chair also thanked Lesley Watt who had been interim Finance Director since April 2015 and would be leaving SCTS following the appointment of Donella Steel to the role.

12. Papers for Scrutiny/Exception Reporting Only

12.1 The following papers had been circulated for scrutiny:

- Audit Action Tracker
- Data Losses Report
- Fraud, Theft and Losses Report
- ICT Risk Register and Milestone Chart
- Peer Audit Review
- ICMS Update
- Core Work Plan

No additional issues were raised.

13. Date of Next Meeting

13.1 Monday 7 November 2016 at 11.00am in Parliament House, Edinburgh.

14. Post Meeting Deep Dive Session – Cyber Security and IT Resilience

14.1 Claire Taylor, Director IT, joined the meeting and provided an overview of the SCTS approach cyber security and IT resilience.

14.2 The Committee acknowledged the variety of challenges faced by the IT Unit to ensure that sufficient preventative measures were in place to reduce the threat and risk to SCTS information via IT systems, whilst ensuring that staff had access to the systems required to carry out their day to day duties.

14.3 Members noted that SCTS had attained Public Secure Network (PSN) accreditation in October 2015 which had introduced increased levels of IT security and required material changes to be made to the IT systems to meet the required standards, some of which were ongoing. Work was underway to ensure the accreditation, awarded annually, was achieved in 2016.

14.4 Through the completion of annual IT Health checks undertaken by Sapphire, an external supplier, updated staff and judicial training and securing PSN accreditation the Committee were assured that SCTS was working to maintain IT security and resilience against cyber-attacks to an appropriate level in view of the potential business impact of disruption and the level of the data held by the organisation.

SCTS Audit & Risk Committee
August 2016