

## MINUTES

### SCTS AUDIT AND RISK COMMITTEE

MEETING: 24 April 2017 in 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  
Christine Carr, Non-Executive Member (External)  
Nigel Paul, Non-Executive Member (External)

#### Attended:

Eric McQueen, Chief Executive, SCTS  
Richard Maconachie, Chief Finance Officer, SCTS  
Noel Rehfisch, Corporate Secretary, SCTS  
Donella Steel, Finance Director, SCTS  
Myra Binnie, Internal Audit Manager, Scottish Government  
Sarah Self, Senior Audit Business Manager, Scottish Government  
Michael Lavender, Scott Moncrieff, External Auditor  
Karen Lawrie, Secretariat Business Manager, SCTS (Minutes)

#### 1. Declaration of Interests

1.1 There were no new declarations of interest from Members.

#### 2. Minutes of the Meeting of 23 January 2017

2.1 The minutes of the last meeting were approved.

#### 3. Matters Arising

3.1 There were no outstanding actions from the previous meeting.

#### *Committee Membership*

3.2 The Chair welcomed Christine Carr and Nigel Paul to their first meeting following their appointment as members of the Audit and Risk Committee.

#### *Audit Committee Chairs Event*

3.3 The Chair had recently attended an event for Audit Committee Chairs from public bodies throughout Scotland. The event had provided confirmation that the SCTS Audit Committee was operating well, whilst offering a number of insights on how to ensure that the Committee fulfilled its role in the most effective manner. Members provided a good balance of skills providing focussed discussion and a strong engagement had been established between the Committee and the Board.

#### *Update from the SCTS Board*

3.4 The Committee received an update on matters discussed at the SCTS Board meeting in March. The Board had met at SCTS Headquarters in Saughton House, Edinburgh. Prior to the meeting Board members had met with staff from the various business units based there and had been impressed with their enthusiasm,

professionalism and knowledge. Members had noted that some of the business units had been smaller than expected, something that heightened their appreciation of the quantity and quality of the work carried out by staff.

#### **4. Internal Audit Update (SCTS/ARC/Apr17/13 & SCTS/ARC/Apr17/14)**

##### *Progress Report 2017-18*

4.1 A summary of Internal Audit's activities in SCTS since the last meeting was provided. Work remained on track to fully complete the 2016-17 Audit Plan in the reduced 10-month period that had been agreed to allow formal presentation of the annual assurance opinion at the next meeting. Early planning meetings had taken place for two reviews that were part of the 2017-18 Audit Plan.

4.2 It was reported that a calibration exercise across all audits conducted by the Scottish Government Internal Audit Division had been introduced this year to ensure consistency in assurance ratings given across the range of audit clients they supported.

##### *Budget Management Review 2016-17*

4.3 Internal Audit presented their Budget Management Review 2016-17 which gave Reasonable Assurance for Budget Management and Limited Assurance for Accounts Receivable. Separate assurances were provided to reflect that while controls were generally operating effectively the complexity of the introduction of the ICMS system had impacted on accounts receivable work for the period under review. A formal plan and timeline to address the outstanding system requirements relating to financial transactions had been developed. This, coupled with actions already in train within the Finance and Procurement Unit, would ensure that the main recommendations were addressed as a matter of priority.

#### **5. External Audit Update (SCTS/ARC/Apr17/15)**

5.1 External Audit presented their interim audit report for 2016-17 which concluded that the internal controls over the key financial systems were adequate. A copy of the report would be made publicly available. As a result of the interim audit External Audit had been able to take planned assurance for the audit of the 2016-17 financial statements.

#### **6. Draft ARC Annual Report to the SCTS Board (SCTS/ARC/Apr17/16)**

6.1 Members reviewed and approved the outline of their draft annual report that would be submitted to the Board in August. It was agreed that a 'key point summary' should be included at the beginning of the report. Any further comments or items for inclusion from members would be welcomed and should be submitted to the SCTS Secretariat by the end of June.

6.2 The Annual Report would be submitted to the next meeting for formal approval.

**Action: Committee Members to consider the outline draft annual report and provide the Executive with any additional comments or items for inclusion by the end of June 2017.**

#### **7. Corporate Risk Register (SCTS/ARC/Apr17/17)**

7.1 Following discussion at the last meeting the format of the Corporate Risk Register had been revised to make it easier to identify progress made and significant changes or action from the previous meeting. The changes were approved by the Committee and the addition of a descriptor making clear the current approach to risk treatment in relation to each of the risks was proposed.

7.2 At the joint Board and ARC workshop in February there was a consensus that there may be benefit in consolidating the current number of Corporate Risks if this could be achieved whilst preserving the underlying drivers of risk, the key controls and actions planned. The Executive presented a draft consolidation and members agreed that it should form the basis for a discussion at their next meeting.

**Action: Committee Members to reflect on the draft consolidation of Corporate Risks ahead of further discussion at the next meeting.**

## **8. Any Other Business**

8.1 None.

## **9. Papers for Scrutiny/Exception Reporting Only**

9.1 The following papers had been circulated for scrutiny:

- Data Losses Report
- Fraud, Theft and Losses Report
- ICT Risk Register and Milestone Chart
- Peer Audit Review
- Core Work Plan
- Internal Audit Report: Facilities Management Contact Re-Tender Stage 2

The following matter was discussed.

### *Audit Action Tracker*

9.2 The tracker was reviewed by Members who considered the priority and timings of the actions. It was agreed that the Executive would review the tracker in advance of the next meeting, to ensure that it highlighted those outstanding actions that carried the greatest risk exposure for the organisation.

## **10. Date of Next Meeting**

10.1 Monday 7 August 2017 at 11.00am in Parliament House, Edinburgh.

## **11. Post Meeting Deep Dive Session – SCTS Digital Strategy and Integrated Case Management System (ICMS) Evaluation**

11.1 Stephen Humphreys, Executive Director Judicial Office for Scotland, Craig McCorkindale, Director Civil Courts Reform and Claire Taylor, Director IT joined the meeting. Due to timing constraints it was agreed that the SCTS Digital Strategy would be considered at the meeting in August. The session focused on the proposed ICT Technical Review and the interim ICMS Project lessons learned review. .

### *Lessons Learned Review*

11.2 The Committee considered the ICMS Lessons Learned Review and commented on the high quality of the document, which had been produced by an experienced independent project manager. The Executive recognised the areas where improvements needed to be made, and the gaps that need to be filled in ensuring that mistakes made on Stage 1 of ICMS, would not be part of the future rollout of ICMS. The content of the report was discussed with members offering suggestions on how the lessons captured could be incorporated into ongoing delivery and future phases of the ICMS Programme. It was agreed that delivery of the review's recommendations requires clear ownership for each recommendation, with delivery and review timescales set, in order to ensure effective implementation. .

*ICT Technical Review*

11.3 Members considered the terms of a technical review of ICMS, which would be conducted by the Scottish Government Project and Programme Management Centre of Expertise (PPM-COE) during May.

11.4 Members were concerned that the terms of the review overly focussed on the governance and project discipline that need to be wrapped around ICMS and would not provide technical assurance on the ICMS infrastructure platform, application layer and data integrity. Officials were asked to reassess the terms and scope to ensure that the technical review provides a comprehensive assessment that will inform technical decisions supporting the future ICMS rollout.

SCTS Audit & Risk Committee  
April 2017