

## **SCTS AUDIT AND RISK COMMITTEE**

**MEETING: 2 November 2020 (held remotely via video conference)**

### **Members Present:**

Joe Al-Gharabally, Non-Executive Member SCTS Board (Chair)  
Simon Catto, Non-Executive Member SCTS Board  
Sheriff Principal Craig Turnbull, Non-Executive Member SCTS Board  
Nigel Paul, Non-Executive Member  
Simon Cunningham, Non-Executive Member

### **Attended:**

Eric McQueen, Chief Executive, SCTS  
Richard Maconachie, Chief Finance Officer, SCTS  
Noel Rehfisch, Corporate Secretary, SCTS  
Alice Wallace, Acting Director Finance, SCTS  
Gillian Battison, Head of Financial Governance, SCTS  
Derrick Welsh, Head of Procurement, SCTS  
Jim Montgomery, Internal Audit, Scottish Government  
William Wilkie, Internal Audit, Scottish Government  
Gary Devlin, Scott Moncrieff, External Auditor  
Karen Lawrie, Secretariat Business Manager, SCTS (Minutes)

## **1. Declaration of Interests**

1.1 There were no declarations of interest from Members.

## **2. Minutes of the Meeting of 3 August 2020**

2.1 The minutes of the last meeting were approved.

## **3. Matters Arising**

3.1 There were no outstanding actions from the previous meeting.

3.2 Due to the current COVID-19 pandemic the Committee meeting was held by video conference with members calling in to the meeting.

### *Update from the SCTS Board*

3.3 The Committee received an update on the matters discussed at the Board meetings in August and October, which were held by video conference.

## **4. COVID-19 Update (SCTS/ARC/Nov20/37)**

4.1 The Executive updated the Committee on the latest position concerning the impact of COVID-19 on the organisation and the proposals for development and recovery in both the short and longer term.

4.2 The Committee had received comprehensive overviews of the co-ordination and response arrangements put in place to manage the “lockdown” period and beyond that had been prepared for the most recent meetings of the SCTS Board. Oversight of the response continued to be provided by the Strategic Incident Management (SIM) Team. This ensured that the situation was kept under review with key information shared and sound decisions made.

4.3 All court and tribunal premises were open and processing business. The level of staff in buildings had been restricted to ensure that physical distancing could be maintained, with in-person proceedings augmented by a range of remote and virtual hearings, which were now becoming more commonplace. Ongoing work was being carried out by a large number of staff from home. The expansion of remote and virtual hearings to achieve business levels as close as possible to those processed pre-COVID was being progressed at pace. This was all carried out whilst maintaining the necessary physical distancing and hygiene regimes.

4.4 Committee members acknowledged the progress made, were reassured by the steps being taken to provide the necessary support to all staff and the ongoing development of digital technology to meet the needs of the organisation.

## **5. SCTS Financial Improvement and Succession Planning Update (SCTS/ARC/Nov20/38)**

5.1 The Executive reported on activity to improve controls and succession planning within the SCTS Finance function. An independent review, requested by the Committee Chair, had been completed by the Scottish Government. The report was shared with the Committee ahead of the meeting. A project plan was being developed to address the recommendations outstanding from the report and would be shared with the Committee.

5.2 The Committee acknowledged that good progress had been made in determining the capacity, skills and structure for the Finance Team, however, raised concern regarding the recruitment and retention of skilled finance professionals. The Executive confirmed that work was ongoing to maintain and strengthen a robust staffing structure within the Finance and Procurement Team. Engagement with the Education and Learning Unit to create a structured approach to financial skills training was ongoing, alongside a structured support programme to help current staff achieve and maintain professional qualifications.

5.3 Members were informed that the Scottish Government were exploring the development of a new financial system. SCTS were involved in the working group and had highlighted areas that would ensure the new system was beneficial to all users and provided genuine shared service. Whilst this development was welcome it made it more likely that SCTS may need to invest in some short-term system support to reduce manual processing effort until such time as a new shared service was developed. The Committee welcomed the update and requested sight of the project plan.

**Action: An overview of the plans for the new Scottish Government Financial System to be shared with Committee members once available.**

## **6. Internal Audit (SCTS/ARC/Nov20/39)**

### *Progress Report*

6.1 Internal Audit reported on the progress made in the delivery of the 2019-20 Internal Audit Plan since the last meeting. The Contract Management Review had been completed, with a “reasonable” assurance opinion and the report was submitted for consideration. Following the previously agreed revisions of the plan due to COVID-19, the Committee

endorsed the decision to drop the proposed Financial Controls review, as sufficient assurances had been received from other sources and further assurance would be received from the COVID-19 Response review, which was underway. Work remained on track for completion of the revised plan within the audit year. Internal Audit recorded their thanks to SCTS Officials for their support.

6.2 Internal Audit advised that they would be following-up the recommendations from previous audits recorded on the SCTS Action Tracker and would provide a summary of their findings at the next meeting.

## **7. External Audit (Oral)**

7.1 External Audit updated the Committee on the work carried out to date. The External Audit planning process for the coming year had commenced. A provisional audit plan would be shared with SCTS by the end of the year.

## **8. Cyber Security (SCTS/Nov20/40)**

8.1 The Committee were updated on the current position in relation to cyber security in SCTS and plans for further development. The increased reliance on digital systems during COVID-19 underlined the importance of a robust cyber-security function. The Committee considered the phased approach of the SCTS Cyber Security Programme that would ensure SCTS fully meets and exceeds the minimum expectations set by Scottish Government's public sector Cyber Resilience Framework (CRF). It was noted that phase 1 of the programme had been largely completed and it was anticipated that phase two would be completed by the end of March 2021. Compliance with the CRF was building on the achievement of receiving Public Services Network (PSN) Accreditation

8.2 Members agreed that a Cyber Security Deep Dive Session should be held following the next meeting.

## **9. Assurance and Best Value Framework (SCTS/ARC/Nov20/41)**

9.1 The Committee considered the Assurance and Best Value Framework, which provided an overview of the assurance sources in place across the organisation in relation to key functions, services and best value themes.

9.2 A revised version of the framework was presented to the Committee as part of its annual work programme. The Committee welcomed the revised document which incorporated their previously suggested changes. It was acknowledged that COVID-19 had significantly impacted the operation of the organisation in the current financial year, however considerable efforts had been made to ensure that established assurance sources continued to operate. The framework would be maintained and updated to ensure it continued to provide an accurate assessment of the assurance sources available to the organisation.

## **10. Review of Core Work Plan and Deep Dive Sessions for 2021-22 (SCTS/ARC/Nov20/42)**

10.1 The Core Work Plan and proposed Deep Dive Sessions for 2020-21 were reviewed. Due to meetings being held virtually deep dive sessions in the current year had not taken place, however, it was agreed that a virtual deep dive session would be trialled following the meeting in January. The Committee agreed the deep dive topic in January would be Cyber Security. It was agreed that Deep Dive sessions in 2021-22 would be agreed at a future date when the feasibility of a virtual deep dive session had been tested.

## **11. SCTS Anti-Fraud Policy (SCTS/ARC/Nov20/43)**

11.1 The Committee reviewed the updated SCTS Anti-Fraud Policy. The Executive advised that the updated policy would be published on the SCTS intranet to update staff awareness of fraud and corruption. The development and inclusion of a Fraud and Corruption module to the mandatory Annual eLearning for all staff was welcomed by members.

11.2 The Committee commented on a reported national increase in fraud by Police Scotland, however acknowledged that there were no instances of fraud or suspected fraud reported within SCTS in the last year. Members welcomed the forthcoming Internal Audit focussing on Fraud Risk and Asset Management as part of their audit plan 2020-21 with scoping work due to commence in the next month.

## **12. Annual Peer Audits and Actions (SCTS/ARC/Nov20/44)**

12.1 The Peer Audit report was analysed. The Committee were assured that the report demonstrated that a range of detailed peer review audit activity was being carried out at the operational level across the SCTS. Due to pressure on staff resources and the ongoing impact of COVID-19 the Executive were reviewing the commencement of the Peer Audit Reviews in 2020-21.

12.2 The Committee acknowledged the value and assurance the annual peer audit report provided.

## **13. Corporate Risk Register (SCTS/ARC/Nov20/45)**

13.1 The Corporate Risk Register was reviewed. Members were content that the ongoing actions required were recorded appropriately and the impact of the COVID-19 pandemic was reflected in the risk mitigation.

13.2 The Committee requested that the Executive give consideration to format of the Annual Board and Committee Risk Workshop in 2021, as it was anticipated that COVID-19 would restrict in-person attendance.

**Action. The Executive to share the proposals for the Annual Board and Committee Risk Workshop with the Chair of the Audit and Risk Committee.**

## **14. Any Other Business**

14.1 None.

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

15.1 The following papers had been circulated for scrutiny:

- Action Tracker
- Data Incidents Report
- Fraud, Theft and Losses Report
- Core Work Plan
- Audit Scotland Guide for Audit and Risk Committees – COVID-19
- Internal Audit Contract Management Report
- SCTS Annual Procurement Report
- SCTS Annual VAT Report

15.2 No matters were raised by exception.

## **16. Date of Next Meeting**

16.1 The next meeting would be held on Monday 25 January 2021. It was anticipated the meeting would be held be video conferencing.