SCTS AUDIT AND RISK COMMITTEE
MEETING: 4 November 2019 in Parliament House, Edinburgh

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
Hugh MacDougall, Non-Executive Member SCTS Board
Nigel Paul, Non-Executive Member

Attended:
Eric McQueen, Chief Executive, SCTS
Richard Maconachie, Chief Finance Officer, SCTS
Noel Rehfisch, Corporate Secretary, SCTS
Dougie Shepherd, Internal Audit, Scottish Government
Lorraine Twyford, Internal Audit, Scottish Government
Karen Wilkinson, Internal Audit, Scottish Government
Gary Devlin, Scott Moncrieff, External Auditor
Helen Bennett, Acting Director Finance, SCTS
Gillian Battison, Head of Financial Governance, SCTS
Kay McCorquodale, Chief Development and Innovation Office, SCTS (Item 4 only)
Sam Bedford, Director Digital Support, SCTS (Item 4 only)
Karen Lawrie, Secretariat Business Manager, SCTS (Minutes)

Apologies: None

1.	**Declaration of Interests**

1.1   There were no declarations of interest from Members.

2.	**Minutes of the Meeting of 5 August 2019**

2.1   The minutes of the last meeting were approved.

3.	**Matters Arising**

3.1   The Chair welcomed Sheriff Principal Turnbull to his first meeting of the Committee. Thanks were also expressed to Hugh MacDougall who had covered the last two Committee meetings to allow a recruitment exercise to commence to identify a new committee member.

Update from the SCTS Board
3.2   The Committee received an update on the matters discussed at the Board meetings in August and October.

3.3   The Executive reported an error in the notes to the SCTS Annual Report and Accounts for 2018-19, which had been approved at the August Committee meeting. The error was one of disclosure and did not affect the underlying financial statements or the audit opinion. Remedial action had been taken which had been reviewed and verified by the External Auditor. Specific measures had been taken by SCTS and the External Auditor to provide assurance on mitigation of a recurrence.

4. ICMS Progress Report (SCTS/ARC/Nov19/42)

4.1 The Executive confirmed the latest position on the operation and development of the Integrated Case Management System (ICMS). Monthly updates continued to be released to improve functionality for staff and users.

4.2 Following the launch of Online Submission in April, usage had exceeded expectations with over 20% of cases submitted electronically over the preceding 7 weeks and an average of 12% of all cases since launch. The Executive confirmed that consideration was being given to how uptake could be further improved – including a proposal to make the use of online submission mandatory. This would require further development and changes to court rules.

4.3 As the project moves to a business as usual service, the draft ICMS project closure report would be shared with members before being presented to the final ICMS Project Board in December. In moving to business as usual, individual business cases will underpin the extension of digital services to the Office of the Public Guardian, Tribunals or any other service that sits on the generic ICMS case management platform.

> **Action: The Executive to share the draft ICMS project closure report with Committee Members in advance of the ICMS Project Board meeting in December.**

7.2 The Executive confirmed that a one year transitional extension with the current system supplier, Kainos, had been put in place allowing future delivery options to be considered in detail and in parallel with a revised target operating model. A procurement exercise was planned to identify a new supplier to be in place by October 2020.

4.4 Due to the potential change in supplier and delivery model the Committee sought assurance that sufficient in-house skills would be in place within the digital services unit to continue system development and maintenance. The Executive confirmed that consideration was being given to the development of enhanced internal resources and capabilities in order to reduce reliance on contractors for system development and testing in the future.

5. SCTS Financial Improvement and Succession Planning Update (SCTS/ARC/Nov19/43)

5.1 Following discussion at the last meeting, at the request of the Committee, the Executive had met with Internal and External Audit to seek their assistance in reviewing the SCTS improvement plan for financial and management controls within the Finance function.

5.2 It had been agreed that Internal Audit would complete a review of SCTS Financial management and succession planning. As this audit was an addition to the reviews scheduled in the internal Audit Plan for 2019-20, the advisory review on shared services has been deferred to accommodate this work.

5.3 The Finance Unit have delivered a wide range of actions to strengthen and build the control framework in particular to ensure that key bank control accounts were being reconciled regularly and accurately. Cash flows and management of monies through key bank accounts had been mapped and work flow analysis was in train.

5.4 Analysis of team structures and core skills was also in hand with early engagement with Education and Learning Unit to develop a financial skills and management training plan. Consideration would also been given to the specific skills e.g. entry level required for future recruitment exercises. Specific system training had already been delivered to a large number of the team.

5.5 The Committee reviewed the schedule of actions under way to deliver improvement in financial management. Whilst these provided a level of assurance, members remained concerned about the internal capacity to implement all actions by the end of financial year. Members recommended that the Executive should consider a specific review of financial controls

by the end of December. This would be in addition to the broader review of financial management that would be undertaken by Internal Audit. The Executive agreed to take forward this recommendation.

> **Action: The Executive to share the terms of reference for the review of financial controls with the Committee Chair, External Audit and Internal Audit.**

> **Action: The Executive to provide brief monthly updates on the financial improvement plan to the Committee Chair, External Audit and Internal Audit.**

6.   Internal Audit (SCTS/ARC/Nov19/44)

Progress Report

6.1   Internal Audit reported on the progress made with the 2019-20 Internal Audit Plan since the last meeting. Work remained on track for completion of the plan within the audit year.

6.2   It was agreed that further discussions would be held in relation to the recommendations made in the IT Security Audit. Follow-up reviews in this area had been conducted and a new approach to mapping the outstanding risks and actions in this area had been developed by the Executive. Internal Audit were eager to ensure that this approach effectively identified those recommendations from the audit that still required action – in order to ensure that the benefit from implementing recommendations that remained relevant was not lost.

> **Action: Internal Audit to meet with the Executive and Director Digital Services to discuss the recommendations made in the IT Security Audit, with the revised follow- up report being shared with the Committee.**

6.3   Internal Audit advised that planning for the next Audit Plan would commence in late November. Consideration was being given to the areas for review that would be included in the plan. Details would be shared with the Committee in due course.

7.   External Audit

7.1   The External Audit planning process for the coming year had commenced. Members asked to be updated on progress ahead of the next meeting in February.

> **Action: External Audit to share progress of the External Audit plan with the Committee Chair ahead of the next meeting.**

8.   Assurance and Best Value Framework (SCTS/ARC/Nov19/45)

8.1   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.

8.2   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. The framework would be maintained and updated to ensure it continued to provide an accurate assessment of the assurance sources available to the organisation.

9.   Review of Core Work Plan and Deep Dive Sessions for 2020-21 (SCTS/ARC/Nov19/46)

9.1   The Core Work Plan and proposed Deep Dive Sessions for 2020-21 were reviewed. Members discussed and agreed the deep dive sessions for coming year. Whist it would be important to retain a degree of flexibility around the sessions to accommodate events that may take place (such as Brexit) the provisional topics agreed for Deep Dive sessions in 2020-21 were:

- Readiness for Social Security Chamber Expansion (April 2020)
- Digital Strategy Implementation (August 2020)
- Criminal Justice Reform Proposals (November 2020)
- Business continuity planning and resilience. (January 2021)

10.   SCTS Anti-Fraud Policy (SCTS/ARC/Nov19/47)

10.1   The Committee welcomed the updated SCTS Anti-Fraud Policy. They noted that staff would be regularly updated via SCTS circulars or intranet articles on a variety of subjects which included cyber resilience. The Committee approved the Anti-Fraud Policy and Response Plan.

11.   Annual Peer Audits and Actions (SCTS/ARC/Nov19/48)

11.1   The Peer Audit report was analysed. The Committee were assured that the paper demonstrated that a range of detailed peer review audit activity was being carried out at the operational level across the SCTS. The Executive advised that the peer audit process and reporting would be reviewed in the coming year to ensure the process captured the necessary level of detail required.

12.   Corporate Risk Register (SCTS/ARC/Nov19/49)

12.1   The Corporate Risk Register was reviewed. Members were content that the ongoing actions required were recorded appropriately.

13.   Any Other Business

13.1   None.

14.   Papers for Scrutiny/Exception Reporting Only

14.1   The following papers had been circulated for scrutiny:
- Action Tracker
- Data Incidents Report
- Fraud, Theft and Losses Report
- ICT Risks and Controls
- Core Work Plan

Action Tracker
14.2   The Action Tracker was reviewed. Two actions relating specifically to Data Protection and Data Handling were discussed. Following discussion it was confirmed that the actions had been completed and would be marked accordingly.

Data Incidents
14.3   The Data Incidents report was reviewed. The Committee commented on recent guidance received from the Information Commissioner regarding the removal of the email address auto-complete function from Microsoft Outlook, which had been implemented by a number of other organisations. The Executive confirmed consideration was being given to prohibition of auto-complete.

> **Action: The Executive to consider the implementation of guidance received from the Information Commissioner regarding the removal of the email address auto-complete function in Microsoft Outlook.**

15.   Date of Next Meeting

15.1   The next meeting would be held on Monday 27 January 2020 in Parliament House, Edinburgh.

Deep Dive Session – Partnership Working

The Committee welcomed David Fraser, Chief Operations Officer, SCTS; Iain Sadler, Police Scotland; Jim Wilson, Scottish Government; and Laura Buchan, Crown Office to the meeting. They outlined the importance of partnership working to deliver high-quality public services and how this had significantly improved over the last 2 decades. The Evidence and Procedure Review, the Lord Justice Clerk's Review of Sexual Offending and the creation of the Criminal Justice Reform Programme were all seen as positive and necessary steps that had improved collaborative working to the benefit of all those who experience the justice system.

The creation of the Justice Board for Scotland had allowed justice partners and NHS representatives to develop a vision for the the whole justice system, which had resulted in a change in culture and the growth of collaborative working.

In addition, at a local level, local Criminal Justice Boards allowed justice organisations to consider issues and work together to consider alternative ways of working that are suitable for their specific areas.

The financial pressures facing all justice partners were discussed. The importance of collectively discussing and planning any changes to business processes or levels facilitated by changes in resourcing was recognised by all partners – as was the fact that, as a linear system, changes upstream in the justice process would have impacts on those organisations towards the end of the process – including the courts and prisons.

It was agreed by all attendees that there was a need for long term thinking across all organisations covering 10 or more years, especially with the limited funding available. Reform programmes had been established that allowed partners to work together – to the benefit of the system as a whole – an approach that allowed the full impact of change and improvement to be considered ahead of significant changes being made.

The Committee thanked the representatives for sharing their views on the partnership working across the justice system.

SCTS Audit and Risk Committee
November 2019