MINUTES

SCTS AUDIT AND RISK COMMITTEE
MEETING: 7 August 2017 in Parliament House, Edinburgh

Members Present:
Joe Al-Gharabally, Non-Executive Member SCTS Board (Chair)
Simon Catto, 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
Myra Binnie, Internal Audit Manager, Scottish Government
Sarah Self, Senior Audit Business Manager, Scottish Government
Gary Devlin, Scott Moncrieff, External Auditor
Michael Lavender, Scott Moncrieff, External Auditor
Sarah Collin, Financial Controller, SCTS
Karen Lawrie, Secretariat Business Manager, SCTS (Minutes)

Apologies:
Dr Joe Morrow QC, Non-Executive Member SCTS Board
Noel Rehfisch, Corporate Secretary, SCTS

1.	**Declaration of Interests**

1.1   There were no new declarations of interest from Members.

2.	**Minutes of the Meeting of 24 April 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.

Update from the SCTS Board

3.2   The Committee was appraised of the matters discussed at the SCTS Board Meetings held since April. In August the Board visited Aberdeen, Kirkwall and Lerwick Sheriff Courts. Board approval, in principle, had also been given to a business case proposing the consolidation of tribunal hearings and support services in one building in central Glasgow.

4.	**Internal Audit Update (SCTS/ARC/Aug17/25) & SCTS/ARC/Aug17/26)**

Annual Assurance 2016-17

4.1   Internal Audit presented a report summarising the work completed during the year 2016-17 in relation to the SCTS and provided a reasonable assurance opinion on risk management, control and governance arrangements during the year.

Information Security Management Review

4.2   Members noted that a limited assurance opinion had been provided by Internal Audit to the Information Security Management Review. Internal Audit confirmed that although limited assurance was given they recognised that SCTS had completed a high volume of work in this key area and there were examples of good practice. The Executive provided assurance that work was underway to address the recommendations from the review by the autumn. The recently created Information Assurance Group, which included representation from Internal Audit, would monitor and ensure the recommendations were actioned timeously.

> **Action: The Executive to assess the risk and impact of all actions arising from the Internal Audit of Information Security Management. Internal Audit to provide the Committee with an oral update at the next meeting on their follow up audit.**

4.3   The Chair congratulated the Executive on work completed to achieve Public Sector Network Accreditation of the organisation's IT network and systems.

Progress Report 2017-18

4.4   Internal Audit reported progress on their 2017-18 audit plan since the last meeting. Work had commenced on three of the five planned audits and one of the four planned follow-up reviews. No areas of concern had been identified to date. The remaining audits and follow-up reviews were scheduled for later in the audit year.

5.   External Audit Update SCTS/ARC/Aug17/27)

5.1   External Audit presented their Annual report on the 2016-17 audit. Members welcomed the report which incorporated the ISA 260 audit requirements. An unqualified opinion on the financial statements, the regularity of transactions and on other prescribed matters would be issued following the approval and sign-off of the Report and Accounts by the SCTS Board, scheduled for their next Meeting on 28 August.

5.2   The conclusions from the report were summarised by Scott Moncrieff. The Executive confirmed that a management plan would be put in place to address to areas identified.

5.3   The Committee acknowledged that SCTS should continue to examine the scope to introduce greater openness and transparency in governance arrangements and the Executive confirmed this would be considered by the SCTS Board at a future meeting.

6.   Directors Statement of Assurance to Accountable Officer SCTS/ARC/Aug17/28)

6.1   The Executive advised the Committee that, through its statements of assurance process, the Accountable Officer had received substantial assurance that adequate controls were in place across the organisation. No material control weaknesses had been identified and no specific mention had been made in the Governance Statement of any limitations on the assurances provided. One significant governance issue was included in the Governance Statement relating to the reconciliation process for fees and fines income. Additional controls had since been put in place to prevent a recurrence.

6.2   The Committee considered the assurances provided to the Accountable Officer to inform his Governance Statement. Whilst the Committee were satisfied that the Accountable Officer had received assurance to inform the Governance Statement they requested sight of more detail in relation to the follow-up areas identified as they were of the view that these would benefit from prioritisation and scrutiny.

Action: The Executive to provide an assessment of impact and materiality of the actions identified as a consequence of the statement of assurance process to the next meeting.

7.   Review of Final Accounts 2016-17 (SCTS/ARC/Aug17/29)

7.1   The Committee considered the SCTS Annual Report and Accounts 2016-17. It was agreed that the key achievements during the last year had been reflected and the statutory reporting requirements and guidance had been met.

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

8.   SCTS Audit and Risk Committee Annual Report to the SCTS Board (SCTS/ARC/Aug17/30)

8.1   Members reviewed the final draft of their annual report to the SCTS Board which reflected the Committee's work during the last year and its priorities for the coming year. The report was approved subject to consideration by the Chair on the inclusion of specific areas scrutinised by the Committee over the last year to provide assurance to the Board.

Action: The Chair to reflect and feedback to the Executive on specific areas of assurance that should be brought to the attention of the SCTS Board in the Committee's Annual Report.

8.2   The report would also include the Committee's recommendation that the final SCTS Annual report and Accounts for 2016-17 be approved by the SCTS Board.

9.   SCTS Digital Strategy (SCTS/ARC/Aug17/31)

9.1   The Committee reviewed the outline of the draft strategy and agreed that it provided an appropriate structure. Members offered areas for consideration they felt would enhance the ongoing development of the document. The Executive advised that the strategy would be completed in October. A finalised strategy would be shared with the Committee at their meeting in November.

10.   Integrated Case Management System (SCTS/ARC/Aug17/32) & (SCTS/ARC/Aug17/33)

Draft ICMS ICT Technical Assurance Terms of Reference

10.1   The Committee welcomed the Independent ICMS Technical Assurance Review compiled by the Scottish Government Project and Programme Management Centre of Expertise. The review provided a comprehensive stocktake of the technical aspects of the project.

10.2   The Executive reported that they fully accepted the recommendations contained in the report and that work would take place over the coming months to complete the action plan that would address the recommendations. The Committee reviewed the SCTS action plan and the proposed dates of completion. Following discussion it was agreed that the Executive would assess the proposed timeline for completion of the actions alongside their associated risk and impact. Members also highlighted the need for full end to end system testing in advance of the release of any future components of the ICMS programme.

10.3   Members were in agreement that a further Technical Assurance Review should be carried out on the ICMS Portal development in October 2017.

Action: The Chair and Claire Taylor, Director IT, to meet to consider the foundation work completed in readiness for the development of the ICMS portal.

Action: The Executive to provide an update at the next meeting on the critical recommendations contained in the ICMS Technical Assurance Review, including the proposed timeline for completion and the associated risk and impact.

ICMS Contract Review

10.4   The Executive reported that, as part of the ICMS Programme assurance activities, an independent review of the contractual arrangements was carried out.

10.5   The review identified that, while the Project Board approved changes, the formal change mechanisms in the contract have not been fully utilised. Use of formal contract control mechanisms would have helped to demonstrate that the original requirement had grown and that the level of productivity delivered was significantly higher than originally proposed.

10.6   The review recommended 8 actions to ensure that any further changes are formally managed and controlled to demonstrate contract compliance and ongoing value for money.

10.7   Members discussed the contract review and the associated action plan developed by the Executive. The Executive confirmed that controls would be strengthened for the remainder of the contract with the current supplier. Future extension or retendering of the ICMS Contract for other business areas would include assessment of contractual risk of a fixed price contract as opposed to a time and material contract.

Action: The Executive to provide assurance to the Committee, at the next meeting, of the controls introduced following the completion of the ICMS Contract Review.

11.   Corporate Risk Register (SCTS/ARC/Aug17/34)

11.1   The Corporate Risk Register was reviewed. Members agreed that the changes, suggested at the last meeting, and reflected in the revised version, had made the document clearer. It was agreed that the register would be reviewed in more detail at the next meeting due to the absence of the Corporate Secretary.

12.   Any Other Business

12.1   None

13.   Papers for Scrutiny/Exception Reporting Only

13.1   The following papers had been circulated for scrutiny:

- Data Losses Report
- Fraud, Theft and Losses Report
- ICT Risk Register
- Peer Audit Review
- Core Work Plan
- Internal Audit Report: Review of IT Security
- Internal Audit Report: Annual Report on Internal Audit Directorate

The following matter was discussed.

Action Tracker

13.2   The Committee reviewed the Action Tracker and queried whether SCTS had sufficient resources available to respond to the actions detailed within the timescales set.

> **Action: The Executive to consider all the outstanding actions on the Action Tracker and identify the key risks, impacts and resources required to respond to them**.

14.   Date of Next Meeting

14.1   Monday 6 November 2017 at 11.00 in Parliament House, Edinburgh.

15.   Post Meeting Deep Dive Session – Fines Enforcement

15.1   Martin Flanagan, Fines Development Manager, joined the meeting to outline the key risks associated to the current fines collection and enforcement regime. The two main areas of consideration were access to information on fined offenders and fines retention arrangements.

15.2   It was noted that work was ongoing with Justice Partners and Government Departments to establish links that would allow formal data sharing agreements to be secured between organisations to assist with more effective and efficient fine recovery.

15.3   The Committee considered the arrangements in place for fines retention, noting that the current arrangements had been inherited from Local Authorities as part of the court unification programme. Modelling work on proposed system changes included an impact assessment on fines income together with trend information to ensure that SCTS secured a funding settlement that mitigated the impact of any shortfall.

15.4   The Committee commended the work being done by the Fines Enforcement Team which was reflected in the current fines collection rates.

SCTS Audit & Risk Committee
August 2017