



MINUTES

SCTS AUDIT AND RISK COMMITTEE

MEETING: 22 April 2024, Parliament House and via WebEx (Hybrid meeting)

Members Present:

Maggie Craig, SCTS Board (Chair)
Lynsey Walker, SCTS Board
Simon Cunningham, Non-Executive Member

Attended:

Eric McQueen, Chief Executive, SCTS
Noel Rehfisch, Deputy Chief Executive, SCTS
Alice Wallace, Chief Finance Officer, SCTS
Gillian Battison, Interim Director Finance and Procurement, SCTS
William Wilkie, Internal Audit, Scottish Government
Dougie Shepherd, Internal Audit, Scottish Government
Michael Oliphant, Audit Scotland
Tommy Yule, Audit Scotland
Graeme Samson, Audit Scotland
Karen Lawrie, Head of Secretariat, SCTS (Minutes)

Apologies:

Sheriff Olga Pasportnikov, SCTS Board
Steven D'Arcy, Corporate Secretary, SCTS

1. Declaration of Interests

1.1 There were no declarations of interest from Members.

2. Minutes of the Meeting of 22 January 2024

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 received an update on the matters discussed at the Board meetings in February and March.

4. Oracle Fusion Shared Services Update

4.1 The Executive reported on key developments in relation to the implementation of the Oracle Fusion Cloud Accounting system. The Scottish Government had informed SCTS that 1 October 2024 would be the new go live date. The Executive had updated the SCTS project plan to reflect the revised date. The Finance Risk Register had also been reviewed and the associated risks updated.

4.2 Members of the Finance Team had undertaken a significant volume of testing, seeking assurances in relation to a number of the controls and processes in the system. When issues were identified, the Scottish Government were robustly challenged and the issues discussed. SCTS would participate in a forthcoming Gateway Review by the Digital Assurance Office.

4.3 The Committee welcomed the update on implementation of the new system and commended the robust challenge that SCTS were providing. The Executive provided assurance that they would continue to engage closely with the Scottish Government. Details of all SCTS involvement, testing undertaken and challenges made to the Scottish Government would continue to be fully documented.

4.4 The Executive reported that a Business Continuity exercise would be undertaken. This would ensure that the Finance and Procurement Team would be in a strong position should there be any further delays in the implementation of the new system, changes to the scope of the modules released or initial challenges upon launch. Assurances would continue to be sought from the Scottish Government as to the proposed contingency arrangements should there be challenges relating to the introduction of the system.

5. Internal Audit

Opinion for the audit year

5.1 Internal Audit presented their Annual Assurance Report on audit work undertaken in 2023-24. The report covered risk management, internal control and governance arrangements. The overall assurance opinion for the year was “Reasonable”. The Committee welcomed the solid assurance opinion received, noting that two of the three internal audits conducted during the year had received a “substantial” assurance rating. Members acknowledged that the audit opinion was not solely based on the results of the audits but also wider factors across both the organisation and the wider justice system.

Progress Report – 2024-25

5.2 Internal Audit confirmed that work on the 2024-25 Audit Plan had commenced. Three audits were planned during the year, which would ensure sufficient risk-based coverage to maintain compliance with Public Sector Internal Audit Standards.

6. External Audit

6.1 The External Audit Annual Plan for 2023-24 was presented. The plan included the audit of the 2023-24 SCTS Annual Report and Accounts and consideration of a range of “wider scope” areas relevant to SCTS’ including reporting arrangements for financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes. Assurance on the Whole of Government Accounts return would also be included.

6.2 Members were content with the scope of the Audit Plan. The timetable for submission of the SCTS Annual Report and Accounts was discussed. It was acknowledged that whilst the deadlines for the Committee and Board were tight, they were achievable and could be revisited if necessary as they were substantially ahead of the required statutory timescales.

7. Annual Assurance – review and outcomes

7.1 The Scottish Public Finance Manual requires public sector organisations to put in place arrangements to gather, consider and collate internal controls assurance from Directors/Executive Teams annually and to provide assurance to the Accountable Officer.

7.2 An SCTS assurance working group had reviewed the key activities of the Annual Assurance process during the last 6 months. The internal controls assurance checklist had

been updated. The Assurance process for 2023-24 was underway. The provision of Assurance and collated responses would be submitted to the Accountable Officer in May.

7.3 Members were content with the proposed timeline for completion of the Annual Assurance process. They requested sight of the assurance checklist. It was agreed that the checklist would be shared with the Committee at their January meeting, to provide visibility ahead of the next reporting round.

8. Annual Report and Accounts Preparation

8.1 The Committee reviewed the timetable for completion of the Annual Report and Accounts, noting updates to the International Financial Reporting Standards requirements which would be observed in the completion of the 2023-24 Annual Report and Accounts.

8.2 Audit Scotland confirmed they were content with the timeline and process for completion of the Annual Report and Accounts 2023-24.

9. Corporate Risk Register

9.1 The Corporate Risk Register was reviewed. Following the joint Board and Committee Risk Workshop in February target scores and appetite levels had been reviewed and updated where required. The Executive confirmed that in reaching the updated scores consideration of actions being taken to mitigate risk, coupled with a range of internal and external events, had influenced the risk scores. Risks would continue to be considered regularly and updated where appropriate.

10. Loss of Audio Recording Data

10.1 In early March the Scottish Government launched a pilot which allowed complainers in rape trials in the High Court to apply for transcriptions of the trial proceedings, free of charge.

10.2 The Committee were informed that 32 requests for transcripts had been received under the scheme to date. 27 of these were being produced, with another 4 applications ineligible. In respect of one application the audio recording data was only available for a proportion of the trial. An account of the trial was compiled from alternative sources to support the application so far as possible. Work was ongoing to assess the root cause of the unavailable data and to consider any wider implications.

10.3 The Executive informed of the actions taken to date, which included informing the Information Commissioner. The Committee and the SCTS Board would be kept informed of the ongoing assessment.

11. Review of Committee Terms of Reference

11.1 The Committee's Term of Reference were considered and approved by members. These would be published on the SCTS website.

12. Draft Committee Annual Report to the SCTS Board

12.1 Members reviewed and approved the outline of their draft annual report to the SCTS Board. Minor additions were noted for inclusion in the finalised version.

12.2 The Committee's report would be updated as audit work was completed. A final draft version would be submitted to the next meeting for formal approval. The final report would be submitted to the August meeting of the SCTS Board.

13. Any Other Business

13.1 The Chair thanked Simon Cunningham for his insights and contribution to the Audit and Risk Committee over the last 4 years. This would be Simon's last meeting.

13.2 Interviews had taken place to appoint two new external members of the Committee. The new appointees would in place ahead of the next meeting, subject to the completion of the necessary background checks.

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
- Core Work Plan 2024-25
- Internal Audit Report – SCTS Recruitment and Succession Planning

14.2 No matters were raised by exception.

15. Date of Next Meeting

15.1 The next meeting would be held on Monday 29 July 2024.

16. Deep Dive Session – Medium Term Financial Strategy (MTFS).

16.1 The draft Medium Term Financial Strategy 2024-28 was presented by Alice Wallace. The strategy outlined the financial outlook for the coming 4 years and detailed the realistic, pessimistic, and optimistic scenarios in relation to funding levels required to maintain current service levels and reform, while providing an indication of the level of funding gap that would develop should a flat cash budget be received. The strategy identified four main goals which were aligned to the 7 SCTS Strategic Priorities in the SCTS Corporate Plan. The MTFS would be a live document that would be subject to quarterly reviews.

16.2 The Committee were informed of the anticipated budgetary challenges facing the organisation such as pay increases, building costs due to the aging estate and, members fees. Modelling of operational business, including backlogs, and fees income was ongoing to inform the scenarios within the MTFS.

16.3 Members discussed the significant budgetary challenges facing the SCTS which were highlighted by the strategy. They welcomed the development of the MTFS and the ongoing modelling across the organisation to utilise funding effectively and to ensure that the organisation could clearly articulate the need for, and level of, funding required to provide a sustainable courts and tribunals service in the medium term.