

MINUTES

SCTS AUDIT AND RISK COMMITTEE

MEETING: 5 February 2016 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

Attended:

Eric McQueen, Chief Executive, SCTS
Noel Rehfisch, Corporate Secretary, SCTS
Richard Maconachie, Chief Finance Officer, SCTS
Sarah Self, Senior Audit Business Manager, Scottish Government
Myra Binnie, Internal Audit Manager, Scottish Government
Irene Andrew, Head of Financial Controls and Service Improvement, SCTS
Rachel Browne, Senior Audit Manager, Audit Scotland
Angela Cullen, Assistant Director, Audit Scotland
Margaret Peattie, Secretariat Business Manager, SCTS (Minutes)

Apologies:

Angus Mackenzie – Non-Executive Member (External)
Lesley Watt, Interim Director Finance, SCTS

The Chair welcomed Dr Joe Morrow to his first meeting of the Audit and Risk Committee (ARC). In December the SCTS Board had agreed changes to ARC membership, appointing Simon Catto as Deputy Chair and Dr Morrow to succeed Tony McGrath.

1. Declaration of Interests

1.1 There were no new declarations of interest from Members.

2. Minutes of the Meeting of 2 November 2015

2.1 The minutes of the last meeting were approved.

3. Matters Arising

3.1 There were no outstanding actions from previous meetings.

Committee Membership

3.2 Following the sudden death of Dr Brian Keighley in November last year, the Executive would begin the process to recruit an external non-Executive member of the Committee to fill that vacancy.

Update from the SCTS Board

3.3 The Chair gave members a summary of matters discussed at SCTS Board meetings held since the Committee met in November. This included an update on financial performance and the outcome of the Spending Review, SCTS Business Plan

development, the review of Committee structure and consideration of the Report *Evidence and Procedure Review – further considerations*. Minutes of the Board meetings were available on the SCTS website.

4. Internal Audit Update (SCTS/ARC/Feb16/02 and SCTS/ARC/Feb16/03)

Progress Report

4.1 Internal Audit reported on progress against the main audit reviews in the Audit Plan for 2015-16. It was noted that the final report on the Fines Collection Systems had been completed but had not been circulated to the Committee. The Executive would follow this up and circulate the Report.

Action: Irene Andrew to circulate copies of the final report on the Fines Collection Systems audit to Committee members.

4.2 Fieldwork on the review of Programme and Change Management had been completed and emerging findings had been discussed with Noel Rehfisch. A draft report was in preparation and would be submitted before the next ARC meeting.

4.3 Following discussions between the Executive and Internal Audit it had been agreed that it would be both productive and worthwhile to defer the Facilities Management Contract audit until April/May 2016. This would align the review more closely with the planned activity of the procurement exercise, which would produce a more useful audit output. The report would be submitted in August allowing sufficient time for any recommendations to be acted upon as part of the procurement process. Internal Audit, in conjunction with the Chief Financial Officer (CFO), would provide the Committee with an update on its progress at the April meeting. As a result and with the agreement of those involved, planning was underway for the Mental Health Tribunal Finance audit and Terms of Reference were in draft.

Action: Internal Audit to provide an update for the April meeting on progress made on the Facilities Management Contract audit.

4.4 Dr Morrow noted that until such time as those Tribunals administered by SCTS were fully incorporated into the new structure, Presidents of devolved Tribunals still had a statutory duty to make an Annual Report to Parliament. During this period of transition and until those Tribunals come under the Lord President's overarching responsibility, Internal Audit would ensure that, for any reviews where there is an impact on Tribunals, Tribunal Presidents are appropriately informed on annual reporting matters. Operational oversight would rest with the Executive.

Internal Audit Strategic Review

4.5 Internal Audit presented a summary of its independent strategic review outlining the key areas for improvement and a summary of key findings and recommendations. The Chair asked that he be provided with a copy of the full report.

Action: Internal Audit to provide the Chair with a copy of the Report on the Strategic Review of the Scottish Government's Internal Audit Directorate.

4.6 A recruitment process was underway for a Director level appointment to the post of Head of Internal Audit. It was hoped to have this post filled in June. The structure and resourcing of the Internal Audit team would be addressed to bring in more specialist skills, given the changing risk profile; particularly in relation to IT, cyber security, digital innovation and project and change management. The Scottish Government Audit and Risk Committee will receive regular updates on the detailed action plan being developed to address the recommendations in the report and the ARC would be kept informed on those outputs.

4.7 There had been a number of changes in the team carrying out audits of SCTS in the last few years. The current team was building knowledge and experience of SCTS operations and the Committee asked for some assurance of continuity as Internal Audit considered its structure and resourcing options.

4.8 Internal Audit advised that the audit year would be changed from its current June to May cycle and in future would align to the financial year 1 April to 31 March. The plan for the year 2016-17 would therefore be for 10 months of audit activity.

5. External Audit Update (SCTS/ARC/Feb16/04)

Annual Audit Plan 2015-16

5.1 Audit Scotland presented its Annual Audit Plan and approach to its scrutiny and approval of the SCTS Annual Report and Accounts 2015-16. The Auditor General was carrying out a retendering process for 5-year Audit appointments. This meant that Audit Scotland's current provision of audit services to the SCTS would end in August 2016 when the Annual Report and Accounts had been finalised. The new auditors would be appointed and in place by May and both they and Audit Scotland would be invited to attend the August ARC meeting.

SCTS Board and Committee Meetings

5.2 In August last year Audit Scotland had included in its Annual Report to the ARC a proposal that the SCTS Board consider holding at least one meeting per annum in public. This was one of the suggested steps referred to in the Government's "On Board" guidance that Boards should consider in order to ensure they demonstrated openness and transparency.

5.3 The Chair reported that the SCTS Board had discussed this proposal at its last meeting when it had been agreed that its meetings would not be held in public. In reaching its decision the Board considered that SCTS published minutes of Board and Committee meetings on its website and Corporate and Business Plans and Annual Reports and Accounts were routinely published and communicated to a wide range of interested parties. Consultations on matters of public interest were published and engagement included public meetings held across the country to discuss issues of general interest. The Board would give further consideration to the possibility of holding an annual open meeting.

6. Annual Report on Whistleblowing (SCTS/ARC/Feb16/12)

6.1 The Executive presented its annual report on the SCTS Whistleblowing Policy and confirmed that no instances had been raised under the policy in 2015. Cabinet Office had updated its guidance last year and the SCTS policy had been updated to reflect the changes made.

6.2 The Committee noted that the Chair of the SCTS People Committee had agreed to act as the lead Board member on whistleblowing and the Deputy Chair had agreed to discharge that role in the event the Chair was unavailable. An annual report on whistleblowing would be added to the ARC Core Work Plan and an entry would be made in the SCTS Annual Report and Accounts confirming the policy had been reviewed during this financial year.

7. Any Other Business

Deep Dive Sessions

7.1 The Chair invited Audit Scotland and Internal Audit to stay for the deep dive session after this and future post-meeting sessions if they would find them helpful.

8. Papers for Scrutiny/Exception Reporting Only

8.1 The following papers had been circulated for scrutiny:

- SCTS Corporate Risk Register
- Audit Action Tracker
- Data Losses Report
- Fraud, Theft and Losses Report
- ICT Risk Register and Milestone Chart
- SCTS Peer Audit Review
- ICMS Update
- Core Work Plan

and the following matters were discussed.

Audit Action Tracker

8.2 The Chair found the narrative helpful but asked the Executive to look at the RAG ratings and close off the audit actions when completed rather than reporting on the further work these may have required to be taken forward.

Peer Review

8.3 The Chair questioned the level of detail provided in these reports and whether the RAG ratings should be redefined, given the relatively low level issues identified. The Executive considered that the peer review process was valuable in giving management assurance and identifying local issues. Managers can use the reports to see whether there is any read across with other operational business units and identify the need for any system improvements. The Executive would consider how best to flag up any trends to the Committee.

Action: Executive to highlight any trends in its Peer Review Reports.

9. Date of Next Meeting

9.1 Monday 18 April 2016 at 11.00 am in Hamilton.

10. Post Meeting Deep Dive Session – Integrated Case Management System

10.1 Stephen Humphreys, Executive Director, Craig McCorkindale, Director Civil Courts Reform and Jackie Powell, Project Lead, ICMS, joined the meeting.

10.2 Members received an overview of progress of the project which will deliver a new generic case management platform. This would replace the current civil case management system and was on track to go live in October 2016. At each stage of its development the working prototype was being fully tested by operational staff working closely with the software developers. Engagement with the judiciary and the Rules Re-Write Team, as well as giving court staff opportunities to use the working prototype, had been invaluable in informing system development and aligning it with the new civil procedure rules.

10.3 A key decision that would need to be made was whether the data is to be stored in the Cloud or on SCTS premises. Essentially the choice may be determined by the requirements of data security. The option chosen must meet the criteria set by the Cabinet Office for public service networks. A decision would be made soon to allow the necessary procurement of the solution to take place. As Project Executive, Stephen Humphreys would receive advice on options for decision in early March.