



SCOTTISH COURT SERVICE AUDIT COMMITTEE

MEETING: Tuesday 2 November 2010

Members Present:

Debbie Crosbie – Non-Executive Member SCS Board (Chair) (DC)
Elizabeth Carmichael CBE – Non-Executive Member SCS Board (EC)
Tony McGrath – Non-Executive Member SCS Board (TG)
Dugald Mackie – Non-Executive Independent Member (DM)

Attendees Present:

Eleanor Emberson – Chief Executive, SCS (EE)
Gordon Wales – Executive Director Corporate Services, SCS (GW)
Nicola Bennett – Director Finance, SCS (NB)
Pearl Marshall – Internal Audit, Scottish Government (PM)
William Wilkie – Internal Audit, Scottish Government (WW)
Alastair Reid – Audit Scotland (AR)

Also Attended:

Anne McGregor – Audit Scotland (AM)
Steven Green – Financial Controller, SCS (SGr)
Lorna Souter - Secretariat Support Team, SCS (Minutes)

1. Minutes of the Meeting of 30 June 2010

- 1.1 The minutes of the meeting held on 30 June 2010 were approved.

2. Matters Arising

5.0 - Statement of Internal Control

The Committee noted that it would be useful to include additional information for those areas where the assurance was lower than "Substantial".

AP 5.1 - *SGr to revise the format for the following year's summary.*
– **noted for next year.**

AR also noted that a paragraph following up on the Edinburgh SC fraud case mentioned in last year's statement should be included, to offer assurance that all further controls recommended had been implemented. EE agreed that this would be added.

AP 5.3 - *AR to provide suggested wording. SGr to revise the statement.* – **Completed.**

6.0 – External Audit

Your Business @ Risk Report: The Committee felt that the 19% response rate was low and that the organisation should seek to encourage staff to complete the survey next time it is conducted.

AP 6.1(1) - *GW to consider communication strategy when survey is repeated.* – **noted for next survey.**

DC noted that there were risks relating to third parties (delivery/disposal of information, repair of laptops) and asked that these be taken into account in management's actions.

AP 6.1(2) - *GW to check that processes were in place to address these risks.* – **Completed: GW has reviewed the contracts and is content that they are sufficient to mitigate the key risks highlighted.**

8.0 – Formal Approval of Annual Accounts 2009/10

AP 8.0 - *All members/attendees to advise on any narrative amendments by Friday 9 July. The accounts would then be updated and signed by the Chief Executive – a revised version of the accounts would be circulated round the Committee.* – **Completed.**

9.0 – Annual Review of SG Self-Assessment Checklist

The Checklist and Treasury guidance were commended to the members of the new SCS Audit Committee.

AP 9.0 - *LS to circulate the HM Treasury Audit Committee Handbook to new Audit Committee members.* – **Completed.**

10.0 – FOI Investigation – Gifts and Hospitality

AP 10.0 - *LS to circulate the Gifts and Hospitality Investigation Report to Audit Committee members once finalised.* - **Completed.**

It was agreed that the Audit Committee would monitor progress on the implementation of recommendations in the report and an update report would be presented at the February meeting.

ACTION: EE to present a progress report on the Gifts and Hospitality Investigation Report to the February 2011 Audit Committee meeting.

3. Recruitment of Audit Committee Members

3.1 The Committee approved the proposed approach for recruiting two additional members, subject to the following amendments:

- under 'Governance' in the 'Person Specification' to include experience of corporate governance matters in a large organisation;
- under 'Membership' in the Terms of Reference to add that one member of the Committee should have both financial and risk management experience; knowledge of justice was desirable but not essential; knowledge of SCS to be removed as desirable.
- regarding the selection process, a member of the SCS Executive team should be on the interviewing panel.

3.2 It was noted in the Terms of Reference under 'Reporting' (paragraph 2) that clarification was required with regard to references to the Annual Report. Fuller references are required in order to be able to differentiate between the Annual Report and Accounts; the Internal Audit Annual Report and the Audit Committee Annual Report to the SCS Board.

ACTION: Gordon Wales to update the Committee Terms of Reference to clarify references to 'Annual Report'.

4. Internal Audit Progress Report

- 4.1 WW presented a summary of the Progress Report and invited comments. It was noted that, in the summary, the EASEbuy Review should be 'Reasonable' and not 'Substantial' assurance. SGr explained the rationale for management's response and it was noted that SCS would need to work with Scottish Government (SG) to address the concerns.

- 4.2 The Committee requested greater detail on the recommendations included in the Progress Report to identify which were Low/Medium and the date by which they were implemented.

ACTION: WW to update the Progress Report with further detail on recommendations.

- 4.3 The Committee also requested the production of an Audit Action Tracker in order to be able to review planned/completed actions more closely. Both Internal Audit and Audit Scotland would contribute to the Tracker.

ACTION: SGr will provide a draft Action Tracker for the next meeting for the Committee to approve format..

ACTION: LS to circulate Internal Audit Periodic Plan 2010/11 to new members for information.

5. Preliminary Note on Annual Audit Plan 2010-2011

- 5.1 AR introduced Anne McGregor, Senior Audit Manager at Audit Scotland, who will take over from him following his retirement later this month.

- 5.2 AR explained that due to current reorganisation within Audit Scotland, the Annual Audit Plan 2010/11 would not be available until early December. The Preliminary Note on the plan presented at the meeting advised that an audit of financial statements and review and assessment of SCS governance and performance arrangements would be part of the work undertaken in 2010/11.

- 5.3 The Committee agreed that there should be another Your Business @ Risk survey carried out in 2011 and measures taken to ensure an increased level of staff response.

ACTION: GW to plan for the next Your Business @ Risk Survey including communication issues.

6. Annual Report to the SCS Board and Accountable Officer

- 6.1 The Committee agreed that further information was needed in the Annual Report to give a clearer picture of how the Audit Committee had performed against its targets. This should include:

- a note of what the Committee had set out to achieve and what was actually achieved;
- a list of the recommendations made, their status of low/medium/high, how many were agreed and their date of completion.

ACTION (1): DM to review and update the Annual Report to the Board with the further information requested by the Committee.

ACTION (2): LS to circulate the 2009 Annual Report to the Strategic Board to new members for information.

- 6.2 DM again commended the SG Audit Committee Self-Assessment Checklist to the Committee for annual review.

ACTION: LS to circulate Self-Assessment Checklist to the Committee in April 2011 for completion and review at June 2011 meeting.

7. Review of Corporate Risks

- 7.1 EE gave a demonstration of the on-line risk register. The Committee noted that there were too many risks at corporate level. SCS senior management might reduce this following a review, but the Audit Committee would consider only the top ten high level corporate risks. These would be reviewed by the Committee and checked against the internal audit work plan.

ACTION: EE to ensure that top ten high level corporate risks are available for review at February Audit Committee meeting.

8. Any Other Business

- 8.1 On behalf of the Committee, EE expressed sincere thanks to Alastair Reid for all the audit work he had been involved in for SCS since joining the Committee in November 2006 and wished him well in his retirement.
- 8.2 EC requested that the Audit Committee's annual programme be circulated as a standing item as a point of helpful reference.

ACTION: LS to include the Audit Committee annual programme with papers for meetings.

9. Date of the Next Meeting

- 9.1 Wednesday 9 February 2011 at 11.00 am