



SCOTTISH COURT SERVICE AUDIT COMMITTEE

MEETING: Wednesday 24 August 2011, Parliament House

Members Present:

Debbie Crosbie – Non-Executive Member SCS Board (DC) (Chair)
Elizabeth Carmichael CBE – Non-Executive Member SCS Board (EC)
Tony McGrath – Non-Executive Member SCS Board (TM)
Dugald Mackie – Non-Executive Independent Member (DM)
Ian Doig – Non-Executive Independent Member (ID)
Angus Mackenzie – Non-Executive Independent Member (AM)

Attendees Present:

Eleanor Emberson – Chief Executive, SCS (EE)
Neil Rennick – Executive Director Strategy and Infrastructure, SCS (NR)
Nicola Bennett – Director Finance, SCS (NB)
Allan Smith – Internal Audit, Scottish Government (AS)
William Wilkie – Internal Audit, Scottish Government (WW)
Brian Howarth – Audit Scotland (BH)
Anne McGregor – Audit Scotland (AMcG)

Also Attended:

Steven Green – Financial Controller, SCS (SGr)
Lorna Souter - Secretariat Support Team, SCS (Minutes) (LS)

1. Minutes of the Meeting of 2 November 2010

- 1.1 The minutes of the meeting held on Wednesday 27 April were approved.
- 1.2 ID asked about an update on the immediate industrial relations risk due to pensions in para. 4.3. EE advised that the risk was ongoing while the UK government consultation was still being carried out. There was no action for the Audit Committee to take at present, however.

2. Matters Arising

6. Audit Action Tracker

SG to further update the Action Tracker with an additional column providing historical context/recommendation to close or further information on progress. – Completed: Item 3 on Agenda.

8. Draft Statement on internal control and directors' assurances

Statement on internal control to be amended and included in annual accounts. – Completed.

9. Confirmation of Year End Timetable

Secretariat to work on retiming of Board/Audit Committee meetings in August 2012 so that the Audit Committee takes place before the Board. – Completed: Audit Committee Thursday 2 August; SCS Board Monday 27 August 2012.

3. Audit Action Tracker and Exception Report

- 3.1 The Committee approved the new format of the Tracker.

4. Internal Audit Update

- 4.1 Annual Report 2010-11: WW reported an overall substantial assurance on the audit work completed in 2010-11. It was noted that all recommendations would be recorded on the Audit Action Tracker and reviewed by follow ups every 6 to 12 months. Once complete these would be removed from the Tracker. ID advised that a focus needed to be maintained on recommendations not yet implemented and the reasons for this. Peer Review recommendations are reviewed at least every 12 months. It was agreed that any red or amber peer review recommendations would be added to the Audit Action Tracker.

ACTION: IA to add 'pre-agreed' in para. 14 to clarify the 85% completion target noted, which is a buffer percentage rate to account for the rolling programme of work from year to year.

- 4.2 Audit Plan 2011-12: The Committee agreed that more detail in Annex 1 would be helpful in the plan for each area of work to be done. WW advised that once the overall plan was agreed, IA would meet with the SCS Executive team to gain more detail for the full scope of work to be undertaken. DC advised that it would also be helpful to expand Annex 2, 'Auditable Areas linked to Risk Register', to provide a further helpful level of detail.

ACTION: IA to provide a further level of detail in Annexes 1 and 2 of the 2011-12 Plan for the November meeting.

- 4.3 The Committee agreed that it would be helpful to prioritise Audit No. 4, 'Management Assurance Checking' for Peer Reviews to clarify at an early stage whether the process was working satisfactorily. It was also agreed that IA be asked to perform a rolling programme of peer reviews across the courts to achieve a greater coverage of peer reviews conducted by IA. Edinburgh would continue to be reviewed by IA this year.
- 4.4 EE noted that the Corporate Governance audit would include a review of local governance (Sheriffdom Business Managers and Sheriff Clerks).
- 4.5 An Estates Committee report on the impact of significant cuts in capital funding would also be circulated to the Committee to provide assurance that this matter was being addressed.

ACTION: EE to circulate the Estates Committee report on the impact of significant cuts in capital funding to the members of the Audit Committee.

- 4.6 The Committee therefore signed off the plan but with the provision that a further level of detail as noted would be provided for the November meeting. IA would also circulate a progress report on the Corporate Governance audit for review and discussion at the November meeting.

5. Annual Report from the Audit Committee to the Board

- 5.1 The draft report was noted and amendments suggested.

ACTION: DC to add suggested amendments to the Annual Report to the Board and circulate to the Committee before presentation and approval at the 10 October 2011 SCS Board Meeting.

6. Annual Report and Accounts 2011-2012

- 6.1 The SCS Board reviewed the Annual Report and Accounts on 8 August and were content with the layout of the document.
- 6.2 AM noted the Performance against Target figures at pp. 62-63 and queried whether they painted a positive or negative picture. EE explained that there was now a new performance framework where commentary had been provided to explain the situation; the old targets had been provided for this year only and in the same format as previous years.

7. External Audit Update

- 7.1 Review of Controls: This was a written summary of the oral report provided at the April Committee meeting. Testing carried out at Saughton House and at Haddington, Lanark, Fort William and Inverness Sheriff Courts had proved satisfactory and no further testing would be required. SG noted that the new centralised fee system would go live in October 2011.
- 7.2 Report to those with Governance on the 2010-11 Audit: BH reported that the audit of the financial statements was substantially complete and the review of the revised remuneration report was complete. No alterations had been required and BH was content for the accounts to be signed. An unqualified Audit Certificate would be awarded. The Committee noted the significant achievement of receiving an unqualified certificate in the first year of being a new organisation.
- 7.3 Progress Report: The new audit appointments had been made and Audit Scotland would remain the auditor for SCS. It was anticipated BH would continue as the appointed auditor for SCS.

8. Formal Approval of Annual Accounts 2010-11

- 8.1 The Committee formally approved the Annual Accounts 2010-11.

9. Training and Development for SCS Audit Committee Members

- 9.1 ID noted the need for Committee members to continue developing insight and skills and proposed in-house training that would examine the principles of an Audit Committee and offer facilitated discussion on the SCS current position and future priorities. The Committee agreed that in-house training would be valuable at this stage.

ACTION: EE to investigate a suitable facilitator for in-house Audit Committee training in liaison with ID and to report back to the Committee.

- 9.2 ID highlighted a number of helpful training documents available (SG Audit Committee Handbook; "Forward Planning; Reporting Back") and the Audit Committee Self-Assessment Checklist as a helpful tool for annual review of the Committee's work. The Checklist, now used each year by the Committee, would be circulated to members for completion and review at the November meeting and any issues raised would be examined at the training workshop.

ACTION: ID to send an electronic link or arrange hard copies of "Forward Planning; Reporting Back" for Committee members.

ACTION: Secretariat to circulate the Audit Committee Self-Assessment Checklist to members for review and discussion at the November meeting.

10. Risk Assessment Review Workshop

- 10.1 It was agreed that a workshop would be a valuable exercise with new members now on the Committee, to provide greater insight into the risk register. Work had been done recently to determine 11 top corporate risks that would be monitored regularly. However, a further review of the Corporate Risk Register would be helpful following the Spending Review settlement to see if amendments were needed. A similar review of the risk register at a local level was also now underway to create a manageable register of key risks for sheriffdoms and courts.
- 10.2 EE advised that it would be possible to present a report on the HQ risk register position at the November meeting for review. More work was required on the Field Services risk register, however, and a report on this could be presented at the 18 January 2012 meeting.

11. Any Other Business

- 11.1 This was Dugald Mackie's last attendance at the Audit Committee. EE expressed her sincere thanks to him for all his considerable help, guidance and support over the years and, in particular, through the recent change in governance process. DC also expressed her grateful thanks to Dugald for all his helpful support and the experience and insights he had shared as she commenced her role as Chair of the Committee.

12. Date of the Next Meeting

Wednesday 2 November 2011 at 11.00 am