



SCOTTISH COURT SERVICE AUDIT COMMITTEE MEETING: Wednesday 27 April 2011

Members Present:

Elizabeth Carmichael CBE – Non-Executive Member SCS Board (Chair) (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)

Apologies:

Debbie Crosbie – Non-Executive Member SCS Board (DC)

1. Declaration of Interests

- 1.1 There were no interests to declare.

2. Minutes of the Meeting of 2 November 2010

- 2.1 The minutes of the meeting held on Wednesday 9 February were approved.

3. Matters Arising

7. Update on Gifts and Hospitality Investigation Report

7.1 *A review of the register to be considered in the Internal Audit plan for 2011-12* - On hold until the internal audit/peer audit work plan is agreed.

8. Review of Top Ten High Level Corporate Risks

8.3 (2) *EE to arrange a session on the Business Change Programme for the 27 April Committee meeting.* - EE advised that this item was not on the agenda as a paper on Business Change would be discussed first of all at the SCS Board on Friday 6 May. The session for the Audit Committee will be arranged for a future meeting.

Paisley Sheriff Court

9.1 *NB to advise/remind managers to carry out regular and unannounced checks of cash systems at courts, in order to ensure that procedures are being followed at all times.* - On hold until the internal audit/peer audit work plan is agreed

The other action points were either completed or discussed below.

4. Role of Audit Scotland

- 4.1 AMcG presented a very helpful summary overview of the role of Audit Scotland (AuS). EC asked for clarification on how AuS provided assurance to the SCS Audit Committee. AMcG stated that it would come principally from its Auditor's Report in the Annual Report and Accounts; from any individual reports produced by AuS in regard to specific areas of concern; and from any comments made on the Statement of Internal Control, if it felt any issue had not been properly addressed. IA also noted the assurance that it delivers through its annual audit work, which is relied upon by AuS in its own review and provision of assurance. BH noted that AuS would be seeking to be more open about the specific controls that had been tested to help inform the overall assurance framework.
- 4.2 AuS would be the auditors for the next five years; the new audit team should be confirmed in September 2011.

Progress Report

- 4.3 AMcG reported that there were no significant controls to note at present. A review of the SCS accounts would commence in May. The Justice Overview Report was complete and if the SCS Board would wish a presentation on its findings, AuS would be happy to provide this. A section on recent pension reports had been included as an issue to be monitored. EE noted that there was an immediate industrial relations risk with regard to pensions.
- 4.4 Overall, the progress report advised that proper controls were in place and work was progressing well.

5. Internal Audit Update

- 5.1 WW advised that there were no issues of any significance to report since the last meeting. The Corporate Governance Review would be commenced shortly. All follow-up reviews were now complete. Planning for 2011/12 audit work had begun and would be discussed further at Item 7 on the agenda.
- 5.2 EC noted from paragraph 8 of the report that the potential man days that IA could offer had been revised since the February meeting, and that these would hopefully be closer to 250 than 150, which was encouraging.
- 5.3 On the Peer Review reports, WW noted that, under the old pro-forma report, all courts were green except Elgin, Paisley, Greenock, Kirkcaldy and Lerwick, which were all amber. Under the new Pro-Forma, all courts were green except Selkirk (amber). Despite these amber ratings, DM informed the new members of the Committee that considerable improvements had been made across the courts. EE noted that there were no systemic issues occurring and SCS had rigorously followed up on the recommendations made with significant improvements achieved.
- 5.4 With regard to the separate SCS reports included on Selkirk and Paisley, SG advised that at Selkirk the concern was an efficiency issue rather than a control matter and further training would be given to the court cashiers. Staff at Paisley were being reminded that proper checks must be in place and a further report will be brought to the Committee.
- 5.5 SG noted in regard to staff training that handover training is relied upon when staff are rotated at the larger courts. It had been agreed, however, that certain aspects of the cash handling training required to be drawn into a set training course to be

attended. It was also suggested that an on-line training module might be helpful for staff to complete and have access to as needed. The Committee noted that this aspect of staff training required to be monitored.

- 5.6 The Committee noted that the 2010/11 audit plan was still in place until September. Once drafted, the 2011/12 plan could be circulated electronically to the Committee for comment in June before a final review and sign off at the August Audit Committee meeting.

6. Audit Action Tracker

- 6.1 SG presented the updated Tracker in a revised format with implementation dates and reasons now added.
- 6.2 ID asked if it were possible to link the Tracker to the risk register as it was unclear how each outstanding action represented a risk at present. It was agreed that another column should be added to provide historical context. This might either be a comment recommending that the Committee drop the action as it was no longer required (which would each be discussed and decided on at Committee meetings), or a note supplying further information on progress.

ACTION: SG to further update the Action Tracker with an additional column providing historical context/recommendation to close or further information on progress.

7. Proposals for future internal audit direction

- 7.1 EE advised that following the proposal that IA would substantially need to reduce the number of days it could offer for audit work in 2011/12, the Executive Team had reviewed the Corporate Risk Register and its controls and actions and used this as the tool to determine where the greatest value of work from IA should be set. The risks noted in the report for this meeting were different to those presented in February, partly due to the new FM contract now in place in which Arthur McKay would now bear financial risk for not meeting carbon reduction targets. Operational control failures were not identified amongst the top 11 risks in the expectation that the peer audit reviews would provide assurance that operational systems and checks were working.
- 7.2 Discussion followed regarding the impact of reducing the number of days IA should spend on peer review work. A balance was required between the resource put into peer review days, while also covering the requirements of the Corporate Plan and the Risk Register. IA agreed that a reduction in peer review days would free them up to carry out systems and risk-based audit work but this could represent a reputational risk for the organisation. EE noted that peer review days at the smaller courts should not be reduced, as this was often the only form of check that they received each year.
- 7.3 The Committee agreed that this was an excellent paper, outlining the need to have the Corporate Risk Register covered correctly but offering options to use the man days provided by IA in different ways. The Committee noted that this was work in progress but the paper would assist in the drafting of the audit plan and in noting priorities for further review.

8. Draft statement on internal control and directors' assurances

- 8.1 EE noted the red status for issues relating to the Judicial Office in the risk register annex. The Judicial Office had only been in place, however, since the change over of governance on 1 April 2011 it had been agreed that completing the implementation of control arrangements was now an urgent task.

- 8.2 The data loss resulting in field court documents being found at a recycling centre, had highlighted the need for reviewing controls on third party access to and handling of court data. A further data loss had resulted from human error against which there is never any entirely secure protection. Nevertheless, SCS was refreshing guidance and procedures on data handling and would shortly start a campaign to raise staff awareness once again around the importance of protecting sensitive data.
- 8.3 A number of amendments were suggested by members of the Committee to the paragraphs on Risk Management and the Corporate Plan in order to offer a more positive report on what had been achieved to date.

ACTION: Statement on internal control to be amended and included in annual accounts.

9. Confirmation of year end timetable

- 9.1 A complication had been noted over the timing of the annual report and accounts being approved by the Audit Committee and the SCS Board. The Board will meet on 8 August, but the Audit Committee, who should review and approve the accounts beforehand, will be meeting on 24 August. DM recommended that, on this occasion, a draft of the accounts should be presented to the SCS Board on 8 August and then to the Audit Committee on 24 August for its approval, before being finally signed off at the October Board.

Action: Secretariat to work on retiming of Board/Audit Committee meetings in August 2012 so that the Audit Committee takes place before the Board.

10. Any Other Business

- 10.1 There was no other business.

11. Date of the Next Meeting

Wednesday 24 August 2011 at 2.00 pm.