

## SCOTTISH COURT SERVICE AUDIT COMMITTEE MEETING: Wednesday 9 February 2011

### 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 (TM)  
Dugald Mackie – Non-Executive Independent Member (DM)

### Attendees Present:

Eleanor Emberson – Chief Executive, SCS (EE)  
Neil Rennick – Executive Director Strategy and Infrastructure, SCS (NR)  
Nicola Bennett – Director Finance, SCS (NB)  
Pearl Marshall – Internal Audit, Scottish Government (PM)  
William Wilkie – Internal Audit, Scottish Government (WW)  
Anne McGregor – Audit Scotland (AM)

### Also Attended:

Steven Green – Financial Controller, SCS (SGr)  
Peter Lodge – Audit Scotland (PL)  
Lorna Souter - Secretariat Support Team, SCS (Minutes) (LS)

### Apologies:

Brian Howarth – Audit Scotland

## 1. Minutes of the Meeting of 2 November 2010

- 1.1 The minutes of the meeting held on Tuesday 2 November were approved.

## 2. Matters Arising

### 3. Recruitment of Audit Committee Members

EE updated the Committee on the progress made in recruiting two new members to the Committee. Interviews had taken place on 2 and 3 February and the Lord President had now approved the recommendations submitted to him. Satisfactory references were now being sought for the two successful applicants and letters of appointment would be sent out once these are confirmed.

### 5.0 Preliminary Note on Annual Audit Plan 2010-2011

*5.3 GW to plan for the next Your Business @ Risk Survey including communication issues. – Ongoing: Audit Scotland had scheduled the next survey for June 2011. David Morris, Director IT, will now be the lead.*

The other action points were either completed or are discussed below.

## 3. Internal Audit Update

- 3.1 There were no issues of significance to report from the audit work carried out so far.

- 3.2 WW advised that PM was taking early retirement from the beginning of March and his position as team leader on the SCS audit was potentially ending at the end of March. As a result, there was some doubt about whether the usual 250 days audit could be delivered and, based on the current situation, only 150 days may be resourced. DC expressed concern at the lack of continuity and resources that these changes created. In view of the shortfall of days available, EE stated that the SCS Executive Team would review the proposed Internal Audit Plan this year taking into account a more explicit link with risks.

**Action: Following receipt of Internal Audit's letter proposing the audit programme for 2011/12, EE to review the programme with the Executive Team from a risk-based perspective and to report back to the Committee at the next meeting with proposals.**

- 3.3 The Committee noted its concern regarding the Audit Plan, both in terms of its execution and the efficiency of its execution.

#### **4. External Audit Update**

- 4.1 AM presented the Audit Cycle paper. Audit Scotland would normally conduct its planning phase in December/January; testing in March/April; audit work in May/June; and preparation of Audit Reports in August/September. It was noted that this is the last year of Audit Scotland's appointment to SCS. The Auditor General would therefore be contacting SCS in May/June 2011 to indicate who the organisation's new auditors would be, though it was possible that it could still be Audit Scotland.
- 4.2 In the Audit Plan 2010/11, AM noted the list of main outputs that Audit Scotland would cover (page 8), including a further Your Business @ Risk Survey in June 2011. The timetable for the Financial Statements was still to be confirmed. The risks were noted (page 11), some of which overlap with the organisation's own register and others which Audit Scotland have picked up through its performance national reports.
- 4.3 With regard to the timetable for finalising the Annual Report and Accounts, a later date for the summer Committee meeting to approve the accounts had been proposed now that SCS is no longer a part of the SG consolidation (see 10.3 below). How the Board will be involved in the review of the Annual Accounts would be discussed at the next Board meeting on 11 March.
- 4.4 DC raised a few points about the Summary Assurance Report, Appendix A. With regard to the major Parliament House project, DC requested that further clarity be added as to how Audit Scotland would be monitoring the project's progress (page 12), so as to be clear on the assurance it would be providing.
- 4.5 DC also noted in relation to 'Reduction in Overall Staff Numbers' that, while loss of staff skills and experience was noted (page 13), no mention was made there regarding loss of senior management and control frameworks, which needed to be highlighted also.

**Action: Audit Scotland to update Appendix A of its Audit Plan 2010/11 to capture suggested amendments and to re-circulate to the Committee.**

- 4.6 The Committee agreed that it would be helpful for the Internal Audit and Audit Scotland Plans to show how they link together in the work delivered for SCS. EE advised that this could be made more explicit in the risk register where information on controls can be included; this can then be reviewed by the Committee.
- 4.7 AM finally noted the Progress Report which would provide the Committee with regular updates on the external audit programme.

**Action: EE to ensure Estates Committee also receives a copy of the 'Management of the Scottish Government's Capital Investment Programme'.**

## **5. Audit Action Tracker**

- 5.1 The Committee was generally content with the format of the tracker but asked that the implementation dates for recommendations be added, as well as the follow up date for review to ensure that appropriate actions had been taken and maintained.
- 5.2 It was agreed that at present the Committee would review the tracker at each meeting. DC requested a summary statement cover sheet be produced listing how many actions there were, how many, if any, were overdue, the mitigation for this or, if no explanation was available, to ask whether the Committee were content.

**Action: SG to include note of implementation dates for recommendations, together with a follow up date for review. A summary statement covering sheet also to be produced for each Committee meeting.**

## **6. Annual Report to the SCS Board and Accountable Officer**

- 6.1 The Committee agreed that the updated Annual Report was a good summary and could be issued to the SCS Board but it should be made clear that the report was a retrospective view of the year. For future reports, EC proposed the following additional elements be included:

- the review of the risk register;
- a brief forward look at future priorities for the Committee's work;
- the review of the Committee's own effectiveness;
- a view on the quality of work carried out by Internal and External Audit.

**Action: DC to note the suggested amendments for future Annual Reports to the SCS Board.**

**Action: DC/EE to agree what material should be presented to the next Board meeting to cover both the risk register and the clarification of roles and responsibility between the Board and the Audit Committee.**

## **7. Update on Gifts and Hospitality Investigation Report**

- 7.1 EE reported that the policy had been updated and clarified and had now been re-launched. HR had made an electronic reporting tool available and it had recently gone live. It was agreed that the new reporting system be reviewed in six months time to monitor its effectiveness.

**Action: A review of the register to be considered in the Internal Audit plan for 2011-12.**

## **8. Review of Top Eleven SCS Corporate Risks**

- 8.1 EE presented a summary of the top 11 SCS Corporate Risks. This was very much an ongoing assessment, but the Committee were content with the progress made on the summary register. For future meetings, TM suggested that more clarity in the wording of the risks was required in order that each one gave a fuller indication of the organisation's remit in that area. In particular, DC highlighted risk 219 under 'Efficient Processes', and suggested that an IT aspect should be added: 'Significant business *and technology* resilience/delivery failure'.

- 8.2 The Committee agreed that all red risks should be formally reported to the SCS Board. Also any red risks noted by the other Board Committees would be provided to the Audit Committee to ensure that the audit programme tackled the right risks.
- 8.3 It was agreed that an introduction to the risk management process within SCS would be helpful for the new members of the Committee. Sessions dedicated to particular areas of risk would also be arranged as appropriate.

**Action: EE to produce a review of the Risk Management Framework, explaining for the Committee's new members the controls and assurance levels to be met.**

**Action: EE to arrange a session on the Business Change Programme for the 27 April Committee meeting.**

**Action: NR to review the wording of the change programme risk which is currently worded around not achieving the budget.**

**Action: DC/EE to report formally all red risks to the SCS Board, with an explanation of the background to the risk status.**

**Action: EE to advise Mark Higgins and Sheriff Pyle that any red risk identified at the Estates or People Committees should be reported to the Audit Committee.**

## **9. Cash Loss at Paisley Sheriff Court**

- 9.1 SGr reported on the cash loss at Paisley. A police investigation is currently underway with the court staff. The incident was noted by the Committee. It was agreed that more frequent unannounced spot checks by managers would help to prevent such incidents recurring.

**Action: NB to advise/remind managers to carry out regular and unannounced checks of cash systems at courts in order to encourage tightening up of procedures.**

## **10. Any Other Business**

- 10.1 The Terms of Reference were reviewed again. In light of the discussions on risk, NB stated that the document would require further amendment to reflect the Committee's scope of responsibility on risk. DC also advised that in paragraph 2 (*'At least one member of the Committee should hold a professional accountancy qualification'*), the word 'should' should be changed to 'must'. It was agreed that a more detailed Core Work Programme would also be helpful with specific items of work and a timetable listed. The relevant work expected for the next meeting should be provided at each Committee meeting.

**Action: NB to amend the Terms of Reference in light of the discussions on risk, to clarify the Committee's scope of responsibility. The attached Core Work Programme to also be developed more fully with more detailed information and a timetable included showing when and how the Committee's work relates to that of the SCS Board.**

- 10.2 As a contingency, EE had asked DC to arrange appointment of a Deputy Chair.

**Action: DC to arrange for the appointment of a Deputy Chair for the Committee.**

- 10.3 The Committee agreed to change the June meeting to a later August meeting, to help in the timing of the Annual Report and Accounts.

**Action: LS to arrange new meeting date for the summer meeting in the latter half of August.**

- 10.4 As this was PM's last meeting, EE expressed grateful thanks for all the hard work and very helpful input that she had given over the eight years since first attending the Committee on 11 March 2003. On behalf of the Committee, EE wished PM well in her early retirement.

## **11. Date of the Next Meeting**

Wednesday 27 April 2011 at 2.00 pm