



MINUTES

SCOTTISH COURT SERVICE AUDIT COMMITTEE

MEETING: Wednesday 10 April 2013 – Parliament House, Edinburgh

Members Present:

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

Also Attended:

Eric McQueen – Chief Executive, SCS (EMcQ)
Nicola Bennett – Director Finance, SCS (NB)
Paul McGilly – Financial Controller, SCS (PMcG)
Gary Stewart – Senior Internal Auditor, Scottish Government (GS)
Jennifer Inglis-Jones – Audit Manager, Scottish Government (JIJ)
Brian Howarth – Assistant Director, Audit Scotland (BH)
Ursula Lodge – Senior Auditor, Audit Scotland (UL)
David Morris – Director IT, SCS (DM) (for Items 13 and 14 only)
Margaret Peattie – Secretariat Business Manager, SCS (Minutes)

Apologies:

Esther Scoburgh – Senior Audit Manager, Audit Scotland (ES)

(Presentation on P3M3 only)

David Allen-Butler – Managing Partner, Ridgeway Consulting
David Hair – Project Portfolio Manager, NHS National Services Scotland

The Chair welcomed everyone to the meeting and introduced Ursula Lodge who was attending the Committee meeting for the first time.

1. Declaration of Interests

1.1 There were no declarations of interest.

2. Minutes of the Meeting of 30 January 2013

2.1 The minutes of the last meeting were approved.

3. Matters Arising

3.1 There was only one matter arising in relation to percentage checking of travel and subsistence claims. The Committee was satisfied that the Executive had now put in place a reporting system which would enable sheriffdom business managers and unit heads to scrutinise data and monitor claims within their business areas.

4. Internal Audit Update (SCS/AC/Apr/13 and SCS/AC/Apr13/23)

Internal Audit Strategy & Periodic Work Plan 2013/14

4.1 Internal Audit presented for approval their proposals for audit activity in the period from June 2013 to May 2014. The Committee had met privately with Internal Audit to provide detailed feedback and it had been agreed that the work plan be revised so that the assurance mapping was brought forward in the plan timetable. The Committee was content that Internal Audit had allocated sufficient resources to achieve what was set out in the plan.

4.2 The proposed scope of the audit on income monitoring and forecasting was discussed. It was noted that some of this had already been covered in the recent audit of fines enforcement. The Committee was keen to avoid any duplication of effort and **agreed** that the scope of this audit be revisited once the assurance mapping had been carried out.

Internal Audit Progress Report 2012/13

4.3 The summary of audit activity was received. Work was progressing to plan with no significant issues identified in audit reports submitted thus far. It was anticipated that Internal Audit would provide substantial assurance overall when submitting its annual report to the Committee.

4.4 It was noted that fewer days had been spent on audit activity than had been planned. This was due to changes in Internal Audit personnel and different working styles but it was stated that there had been no diminution of service provision.

5. Internal Audit Scorecard

5.1 The Committee provided further detail on what it wanted to see on the scorecard to be developed to provide information on performance of audit activity. It was suggested that it should capture the top 3 actions and provide data on where value was being added giving an indication of time between the completion of fieldwork and audit reports being submitted to the Executive. It was also suggested that some kind of benchmarking against good practice in other areas would be helpful.

5.2 Further development of the scorecard would now be carried out. The Chair would contact Internal Audit after the meeting to discuss this in more detail and invited the Chief Executive to feed in any comments.

6. External Audit Update (SCS/AC/Apr13/16)

6.1 Audit Scotland presented its report on its 2012/13 Review of Internal Controls. Turnover of staff in HR had resulted in some mitigating controls not being carried out on payroll but it was noted that there had been an improvement over the last three months of the year. Further testing would be carried out by Audit Scotland at the end of the financial year. The Executive would review the level of segregation of duties within HR payroll and report back to the Committee.

Action: Executive to review the level of segregation of duties in HR payroll and report back to the Audit Committee.

6.2 The testing of trade payables and receivables and the process for authorising invoice payments had been highlighted but further information was awaited. The Executive advised that there had been issues with the Scottish Government's electronic accounting system (SEAS) used by SCS as part of shared services and that these had been raised with those managing the system. Although some assurance had been given by Scottish Government that the issues were being addressed, not all of those had been

resolved. It was agreed that Audit Scotland would pick this up with Scottish Government and reflect the outcome of that in their overall report.

Action: Audit Scotland to approach Scottish Government about issues arising from the SEAS system and reflect that in its overall report on the SCS audit.

6.3 The Executive would shortly issue new letters of delegation to those involved in authorising payments and would continue to press for an electronic solution to ensure that reminders were issued to debtors timeously. Internal Audit would also look into ongoing issues with SEAS in the wider context of internal audit assurance and feedback to the Committee at the next meeting.

Action: Internal Audit to report back to the Committee on their discussions in relation to issues reported to the SEAS management team.

7. Peer Review Outcomes 2012-13 (SCS/AC/Apr13/17)

7.1 The Executive reported on its current review of arrangements for peer reviews and how these would be carried out in the future. An update would be provided for the Committee's approval at the next meeting.

7.2 **It was agreed** that the Committee should receive a report on peer review outcomes more frequently than once a year. Any issues rated as "Red" should be brought to attention as well as action plans put in place to address them and information on whether that had been implemented. A review of the new system would be carried out at the end of the first year of operation and Internal Audit would pick that up.

8. Risk Management Framework (SCS/AC/Apr13/24)

8.1 The Framework had been revised following its discussion at the last meeting. Subject to an amendment to paragraph 3.1 to emphasise that the SCS Board has prime responsibility for ensuring risk management, **the Committee approved** the revised Risk Management Framework.

9. SCS Audit Committee Remit (SCS/AC/Apr13/18)

9.1 At its last meeting the Committee agreed that the first paragraph of the Audit Committee Remit be amended and this was presented for approval. Further amendments were suggested by the Committee and the Executive would revise the Remit and submit it to the SCS Board for approval before publishing it on the SCS website.

10. SCS Audit Committee Annual Report to the SCS Board (SCS/AC/Apr13/19)

10.1 The outline report was discussed and the Committee agreed that this year's report should be presented in the same format as it was last year. The Chair would finalise the draft for approval at the August Committee meeting before submitting it to the SCS Board for its meeting on 26 August.

Action: Chair to finalise the Committee's Annual Report to the Board for approval at the next meeting and submit it to the Board in August.

11. Any Other Business

11.1 None.

Papers for Scrutiny/Exception Reporting Only

11.2 Three reports were provided for scrutiny/exception reporting only:

- Action Tracker and Regulatory Update
- Financial/ Data Loss Report
- Core Work Plan

The content of the reports were noted.

At this stage, representatives from Internal Audit and Audit Scotland left the meeting.

12. Presentation: Programme and Project Management Maturity Model (P3M3)

12.1 The Chair welcomed David Allen-Butler and David Hair who gave the Committee a presentation on the outcome of their recent P3M3 Capability Assessment of the Executive's project portfolio.

12.2 By way of introduction, the Committee heard that the P3M3 model provides a framework against which organisations can assess their current performance and reflects current practice against government or industry objective standards. It is a process designed to support continuous improvement and enables organisations to achieve better outcomes by understanding the level of performance that is optimal for maximising value for money.

12.3 The overall assessment was that SCS had reached Level 2, which was seen by many organisations as aspirational and, when benchmarked against other organisations, demonstrated that it was well-positioned. A substantial foundation was already in place and there were only a small number of areas that required action to avoid gaps developing. These areas could be addressed by embedding the approach to project management through adoption of the Project Control Framework across the organisation. Any question of progression to achieve Level 3 would require substantial investment of financial and staff resources, which may be disproportionate for SCS. Further consideration would be given to whether any one element of project management could be the focus for that if it was deemed appropriate.

12.4 The Committee welcomed the report and agreed that the Executive continue to make progress on developing an action plan and consolidating the Level 2 assessment. A further presentation towards the end of the year would be helpful and would enable the Committee to check on progress.

12.5 The Chair thanked the two Davids for their interesting presentation and commended the Executive for achieving this level of project assurance.

13. Corporate Risk Register - Risk Assessment

13.1 The Committee reviewed the risk "Loss of business due to failure of ICT".

Action: Executive to identify a list of systems for which disaster recovery provisions have been put in place.

Action: Executive to put in place a schedule for annual disaster recovery testing of core IT systems.

14. Date of Next Meeting

14.1 Wednesday 12 August 2013 at 11.00 am in Parliament House.