



MINUTES

SCTS AUDIT AND RISK COMMITTEE

MEETING: 25 April 2022, Parliament House, Edinburgh

Members Present:

Joe Al-Gharabally, Non-Executive Member SCTS Board (Chair)
Lynsey Walker, Non-Executive Member SCTS Board
Nigel Paul, Non-Executive Member

Attended:

Eric McQueen, Chief Executive, SCTS
Noel Rehfisch, Interim Deputy Chief Executive, SCTS
Alice Walker, Interim Chief Finance Officer, SCTS
Liz Welch, Interim Director Finance and Procurement, SCTS
Gillian Battison, Head of Financial Governance, SCTS
Jim Montgomery, Internal Audit, Scottish Government
William Wilkie, Internal Audit, Scottish Government
Nicola MacKenzie, Azets, External Audit
Steven D'Arcy, Interim Corporate Secretary
Karen Lawrie, Head of Secretariat, SCTS (Minutes)

Apologies:

Sheriff Principal Craig Turnbull, Non-Executive Member SCTS Board
Simon Cunningham, Non-Executive Member
Gary Devlin, Azets, External Auditor

1. Declaration of Interests

1.1 There were no declarations of interest from Members.

2. Minutes of the Meeting of 24 January 2022

2.1 The minutes of the last meeting were approved.

3. Matters Arising

3.1 There were no outstanding actions from the previous meeting.

Update from the SCTS Board

3.2 The Committee received an update on the matters discussed at the Board meeting in March, which was held in-person in Parliament House, Edinburgh.

4. COVID-19 Update

4.1 The Executive updated the Committee on the latest position concerning the impact of COVID-19 on the organisation, covering current workloads and recent business changes.

4.2 The Committee had received a comprehensive overview of the ongoing arrangements in place to manage the pandemic that had been prepared for the SCTS Board. Oversight of the response continued to be provided by the Strategic Incident Management (SIM) Team. This ensured that the situation was kept under review with key information shared and sound decisions made.

4.3 The Executive reported that positive staff cases had been at their highest level of the pandemic during February and March, although absences had now returned to a more normal level. Following the announcement by the First Minister on 30 March to remove the final domestic legal requirements the SCTS had progressed its plans to remove physical distancing restrictions and ease public access restrictions to SCTS buildings.

4.4 On 19 April, SCTS eased physical distancing requirements, whilst continuing to encourage the use of face coverings and asking all building users respect other people's personal space. From 25 April revised Court Guidance took effect covering the mode of attendance in cases, accused attendance at pre-trial diets and an easing of restrictions on witness capacity. Restrictions on public access to SCTS buildings and public counters were also removed. The Committee acknowledged and welcomed the cautious nature of the changes.

4.4 The Committee thanked the Executive for the comprehensive update and assurances provided on COVID-19.

5. SCTS Finance and Procurement Update

5.1 The Executive reported on key developments in the Finance and Procurement Unit (FPU) in relation to Recruitment, Skills Development and Finance Systems.

5.2 The Committee noted that, following the recent departure of the Chief Finance Officer (CFO) two senior roles were being covered by internal staff on an interim basis. A recruitment exercise was currently underway to identify a new CFO. Since the last meeting a number of posts in the team had been filled, including two key roles. A Business Case was also in development to increase resources in respect of the Shared Services Programme both within the Finance Team and the wider organisation.

5.3 The Committee welcomed the ongoing support and training being offered to staff to allow them to attain Finance qualifications and develop relevant skills. Further updates on FPU resourcing would be incorporated into the Oracle Fusion Cloud project update.

6. Oracle Fusion Cloud ERP

6.1 The Committee were updated on the key developments in respect of the Scottish Government's Shared Services implementation initiative (Oracle Fusion Cloud ERP), which would provide a successor for the current accounting system used by SCTS and a range of public sector organisations. SCTS had been identified as an organisation that would be ideal as a model for engagement with other bodies in respect of the new system.

6.2 The implementation and governance of the programme and its impact on the SCTS was discussed. The Committee acknowledged the ambitious programme, highlighting some concerns over how the programme would be resourced across the organisation, as it would place additional demands both on existing SCTS Finance and Digital Service staff, whilst also necessitating the need to recruit additional staff within the Finance and Digital teams. The Committee highlighted the need for dedicated resourcing, in both the Finance and Digital teams, to ensure that SCTS had both the skills and the right level of multi-team engagement. Financial support to meet both additional pressures on current roles and the need for new posts would be explored with the Scottish Government. The Committee also recognised that the current Scottish Government

delivery plan timescales looked overly ambitious and that it would be important to ensure this was continually reviewed.

6.3 Members requested that the update for the August meeting gives a greater insight on the SCTS action plan, setting the specific steps and risk mitigation required for successful delivery. The Committee recommended that SCTS should be part of the Scottish Government governance and decision making structure arrangements, which would complement SCTS being an early adopter of the new system.

7. Internal Audit

Opinion for the Audit Year

7.1 Internal Audit presented their Annual Assurance Report on audit work undertaken in 2021-22. The report covered risk management, control and governance arrangements. The overall assurance opinion for the year was "Reasonable". The Committee welcomed the solid assurance opinion received.

7.2 The Committee discussed the Internal Audit recommendations captured in the Action Tracker, noting that a number of recommendations had been delayed beyond their scheduled completion date. Members suggested that, following the completion of future audits, Internal Audit and SCTS Officials should agree the action required to address the recommendation and identify a realistic timeframe for completion. Internal Audit acknowledged that focussed discussion would aid the timely completion of recommendations.

Progress Report

7.3 Internal Audit reported that work had commenced on the 2022-23 Annual plan with three audits identified: Information Governance; Climate Change/De-carbonisation; and Equality and Diversity. Two follow-up reviews, Cyber Security and Governance and Assurance, would also be completed during the coming year.

8. External Audit

8.1 External Audit reported that preparatory work for the audit of the financial accounts had been completed with no areas of concern identified at this time. Key financial controls had been found to be operating effectively. The audit would commence in June and was expected to be completed on-time.

8.2 The External Audit opinion and draft Annual Audit Report for the financial year would be presented to the next meeting.

9. Corporate Risk Register

9.1 The Corporate Risk Register was reviewed. Members were content that the ongoing actions were recorded appropriately.

9.2 The Committee acknowledged the adjustment to the scoring of two risks reflecting the discussion at the SCTS Board and Committee Annual Corporate Risk Workshop on 7 February. The Executive would further consider the impact of change fatigue on the organisation and how this would be reflected in the Corporate Risk Register.

10. Draft Annual Report to the SCTS Board

10.1 Members reviewed and approved the outline of their draft annual report to the SCTS Board. Minor additions were noted for inclusion in the finalised version.

10.2 The Annual Report would be updated as audit work was completed. A final draft version would be submitted to the next meeting for formal approval. The final report would be submitted to the August meeting of the SCTS Board.

11. Any Other Business

11.1 The Executive reported that two new non-judicial/non-legal members had been recommended for appointment to the SCTS Board. Pre-employment checks were under way. It was anticipated that one of the new members would be appointed as Chair of the Audit and Risk Committee.

11.2 This was Joe Al-Gharabally's last meeting as his term of appointment to the SCTS Board would end in May. The Executive thanked Joe for his professional commitment and leadership of the Committee over the past 8 years. During his tenure his insight and experience had been invaluable to Committee discussions.

12. Papers for Scrutiny/Exception Reporting Only

12.1 The following papers had been circulated for scrutiny:

- Action Tracker
- Fraud, Theft and Losses Report
- Core Work Plan 2022-23
- Digital Assurance Office – Social Security Digital Transformation Update
- Internal Audit – Charter 2022-23
- Internal Audit – Audit Strategy 2022-23

12.2 No matters were raised by exception.

13. Date of Next Meeting

13.1 The next meeting would be held on Monday 1 August 2022.

14. Deep Dive Session – Climate Change – Sustainability in SCTS

14.1 Kate Leer, Director Property and Services, joined the meeting to provide an insight into the work underway across SCTS to work towards the ambitious “net zero” target of 2045 set by the Scottish Government.

14.2 The SCTS had proactively adopted good practice in sustainability in a number of business areas. These included physical improvements to the built estate, flexible digitally enhanced working and service delivery, investing in electric vehicles/charging infrastructure and embedding electronic financial payment systems across the business. It was anticipated that emerging hybrid working patterns and an increasing use of digitally enhanced services would continue to create resource efficiencies and sustainability in operational delivery.

14.3 Members acknowledged that a combination of: the listed building status held by over 60% of SCTS buildings; the costs involved in adapting heating systems which must be carbon neutral by 2038; and the resource involved in developing a fully net zero operating model ahead of 2045, created significant challenges for an organisation such as SCTS in meeting the “net zero” target.

14.4 In addition to encouraging continued good practice sharing with public bodies who manage similar types of estate, the Committee highlighted the need to secure independent expert advice to help SCTS plan and prepare for the increased level of commitment and ambition that would be needed to achieve the journey towards net zero.

14.5 In developing future plans it would be important to set out the progress already made, The extent to which each element of the future plan would contribute towards reaching net zero and the size gap that would still need to be addressed.

14.6 The Committee thanked Kate for her informative paper and sharing her thoughts on the sustainability journey underway within the SCTS.

Scottish Courts and Tribunals Service
April 2022