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MINUTES

SCTS AUDIT AND RISK COMMITTEE
MEETING: 28 April 2025, Parliament House

Members Present:
Maggie Craig, SCTS Board (Chair)
Lynsey Walker, SCTS Board
Sheriff Olga Pasportnikov, SCTS Board

Attended:
Malcolm Graham, Chief Executive SCTS
Noel Rehfisch, Deputy Chief Executive, SCTS
Alice Wallace, Chief Finance Officer, SCTS
Chris Brown, Director Finance and Procurement, SCTS
Gillian Battison, Head of Financial Governance, SCTS
William Wilkie, Internal Audit, Scottish Government
Dougie Shepherd, Internal Audit, Scottish Government
Michael Oliphant, Audit Scotland
Tommy Yule, Audit Scotland
Graeme Samson, Audit Scotland,
Karen Lawrie, Head of Secretariat, SCTS (Minutes)

Apologies:
Claire Robertson, Non-Executive Member
Steven D'Arcy, Corporate Secretary, SCTS

1. Declaration of Interests

1.1 There were no declarations of interest from Members.

2. Minutes of the Meeting of 20 January 2025

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 January and March.

4. Oracle Fusion Shared Services Update

4.1 The Executive reported on key developments following the launch of the Oracle Fusion Cloud Accounting system on 1 October. A number of workstreams were working well with good progress and a business as usual state emerging. However, it was highlighted that business continuity arrangements and workarounds remained in place for two major areas: 'Purchase to Pay / end to end accounting' and, Role Based Access (RBACS) data which had not been updated in spite of a number of specific requests. The resilience of frequent users of Oracle in Finance and Procurement, CDi and Property services unit was praised and it was noted that the ongoing issues presented a particular burden for them.

4.2   The Executive confirmed that they had been in contact with the Scottish Government Director General and Chief Finance Officer to recognise the success of the implementation of elements of the system but also to highlight the ongoing issues being faced in relation to both the persistence of manual workarounds and the ongoing effort required to address shortcomings in the system relating to accounting functions.

4.3   The year end accounts had been closed and the draft outcomes were in preparation. It was noted that SCTS data was in a relatively strong position, but this was as a consequence of the continuity measures taken to address system shortcomings.

4.4   Members discussed the recent news articles that alleged the Oracle system was part of a cyber-attack. Oracle have denied all claims and the Scottish Government advised that they were aware and had no evidence of any breach on their environment.

4.5   The Committee recognised the ongoing frustration and challenges being faced by the Finance and Procurement Team. They thanked and commended the team on their perseverance during recent months. Members acknowledged the ongoing escalation of relevant issues by both the Chief Executive and Chief Finance Officer to relevant senior leads in the Scottish Government and agreed to keep the matter under review.

5.   Internal Audit

Progress Report
5.1   Internal Audit confirmed that work on the 2024-25 Audit Plan had been completed. The audit reports and follow-up reports had been finalised. Fieldwork had commenced on the first review in the 2025-26 plan – a review of Financial Sustainability (post COVID).

5.2   The Annual Assurance Opinion report for 2024-25 was being prepared and would be shared with the Accountable Officer. It would then be disseminated to members, outwith the normal meeting structure, in May.

6.   External Audit

6.1   The External Audit Annual Plan for 2024-25 was presented. The plan included the audit of the 2024-25 SCTS Annual Report and Accounts and consideration of a range of "wider scope" areas relevant to SCTS' including reporting arrangements for financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes. Assurance on the Whole of Government Accounts return would also be included. Interim audit work had commenced in mid-February. It was noted that introduction of the Oracle system had slightly extended the interim audit work, and, although manual workarounds were still in place, some positives from Oracle system were noted around journals and cash management.

6.2   Members were content with the scope of the Audit Plan. The timetable for submission of the SCTS Annual Report and Accounts was discussed. It was acknowledged that whilst the deadlines for the Committee and Board were tight, they were achievable and could be revisited if necessary as they were substantially ahead of the required statutory timescales.

7.   Annual Assurance – review and outcomes

7.1   The Scottish Public Finance Manual requires public sector organisations to put in place arrangements to gather, consider and collate internal controls assurance from Directors/Executive Teams annually and to provide assurance to the Accountable Officer.

7.2   An SCTS assurance working group had reviewed the key activities of the Annual Assurance process during the last 6 months. The internal controls assurance checklist had been updated. The Assurance process for 2024-25 was underway. The provision of Assurance and collated responses would be submitted to the Accountable Officer in May.

7.3   Members were content with the proposed timeline for completion of the Annual Assurance process. They welcomed sight of the assurance checklist. The assurances provided to the Accountable Officer would be provided at the next meeting and would include reference to any significant issues identified during the process.

8.   Annual Report and Accounts Preparation timetable and Key Accounting changes

8.1   The Committee reviewed the timetable for completion of the Annual Report and Accounts, noting updates to the International Financial Reporting Standards requirements and the Government Financial Reporting Manual which would be observed in the completion of the 2024-25 Annual Report and Accounts. The most significant change this year related to the introduction of mandatory reporting on sustainability to comply with the Task Force on Climate-related Financial Disclosures (TCFD). SCTS was required to include a TCFD Compliance Statement, which summarised the extent to which it complied with the guidance, the reasons for any non-compliance, and an overview of plans for future reporting.

8.2   Audit Scotland confirmed they were content with the timeline and process for completion of the Annual Report and Accounts 2024-25.

9.   Corporate Risk Register

9.1   The Corporate Risk Register was reviewed. The Committee scrutinised the risk scoring, which had been reviewed and updated by the Executive since the last meeting. The revised scorings were accepted.

9.2   Following discussions at the joint Board and Committee Risk Workshop on 27 January the Executive had reviewed the 8 Corporate Risks. Members approved the proposals to revise the current risks. Risk 4 – Data and Cyber Security would be split into two separate risks and Risk 7 – Constitutional and Legislative Change would be removed as it did not currently meet the level for corporate reporting. A revised version would be presented at the next meeting.

10.   Review of Committee Terms of Reference

10.1 The Committee's Term of Reference was considered and approved by members. These would be published on the SCTS website.

11.   Draft ARC Annual Report to the SCTS Board

11.1 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.

11.2 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.

12.   Any Other Business

12.1 The Chair informed the Committee that interviews had taken place to appoint a new external member of the Committee. The new appointee would be in place ahead of the next meeting, subject to the completion of the necessary background checks.

13.   Papers for Scrutiny/Exception Reporting Only

13.1 The following papers had been circulated for scrutiny:
- Action Tracker
- Data Incidents Report
- Fraud, Theft and Losses Report
- Core Work Plan 2025-26
- Internal Audit – SCTS Data Breach Identification and Cause Report

- Internal Audit – SCTS Estates Vision and Strategy Report
- Internal Audit – SCTS Data and Cyber Security Resilience Report
- Internal Audit – Follow-up SCTS Business Continuity and Service Resilience
- Internal Audit - Follow-up SCTS Procurement Governance
- Internal Audit – Follow-up SCTS Recruitment and Succession Planning
- Internal Audit – EY Thought Leadership considerations for DIAA
- Internal Audit – Quarterly Bulletin

13.2 The Committee noted that there had been a number of reportable data breaches reported to the ICO over the past quarter – part of a trend of such incidents which had led to the internal audit on Data Breach Identification and Cause being instructed. While that audit had provided reasonable assurance on the arrangements in place Committee members were keen to explore the arrangements in place with a view to minimising future breach levels. A deep-dive session on this topic would be arranged. The internal audit recommendations had been accepted and work to implement these would commence.

14.   Date of Next Meeting

14.1 The next meeting would be held on Monday 28 July 2025.

15.   Deep Dive Session – Office of the Public Guardian System Transformation

15.1 The Committee welcomed Tim Barraclough, Executive Director Tribunals and the Office of the Public Guardian to the meeting.

15.2 In November 2024 the Board were informed of a reprofiling of the delivery dates for the new case management system to support the work in the Office of the Public Guardian (OPG). Following a full review of phase 1 of the system – transferring Power of Attorney cases – it was recommended that more time was required to resolve the technical issues and for full staff training and familiarisation to support a successful launch. The revised timescales were noted as a significant concern by the Board who remitted the matter to the Audit and Risk Committee for a more detailed review of the approach to the project.

15.3 The Committee were informed of the steps taken by the Executive to fully review the project and the steps taken. The transfer of the project from an external provider to an in-house project team had allowed closer scrutiny and management of the project. The Executive stressed the importance of good governance, challenge and listening to users during development and testing.

15.4 Four lessons learned exercises had been completed with different focus groups which had provided valuable output for both the project but and change management within the SCTS in general. External challenge had also been provided by the Digital Assurance Office.

15.5 Phase 1 of the project launched successfully at the end of January and was completed within the revised timetable on budget. Over 5m Power of Attorney records migrated from the old SIGMA system to the new PAIGE system. Phase 2 had commenced and was in the "understand" process, close governance and scrutiny within collaborative structures was in place. During this phase, continuous improvement activity relating to the Power of Attorney element would continue as any issues were identified.

15.6 The Committee acknowledged the open and honest scrutiny of the project that had taken place. They welcomed the lessons learned activity and ongoing development of change in the organisation as a result. Members thanked Tim for his informative presentation.

15.7 The Board meeting in June would be held at the Office of the Public Guardian in Falkirk. Members would receive a demonstration of the new system during the meeting and an update on the development work under way.

Scottish Courts and Tribunals Service
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