



# Crown Office and Procurator Fiscal Service

2015/16 Annual audit  
report

July 2016

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Angela Cullen, Assistant Director, Audit Scotland is the appointed external auditor of the Crown Office and Procurator Fiscal Service for the period 2014/15 to 2015/16.

This report has been prepared for the use of the Crown Office and Procurator Fiscal Service and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General in support of her wider responsibilities, including reporting to the Scottish Parliament.

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# Key messages

## Audit of financial statements

- Unqualified independent auditor's report on the 2015/16 financial statements.
- The 2015/16 Annual Accounts included severance costs of £0.096 million and we ensured that these payments met with Scottish Government's approval process for voluntary severances.

## Financial position

- COPFS had an underspend against its resource DEL budget of £670,000. COPFS had an overspend of £80,000 against its Capital DEL budget, but this was funded by income from the sale of assets. COPFS's AME impairment of £780,000 was within its £800,000 AME impairment budget.
- The financial position remains stable with an excess of total and current assets over liabilities and positive cashflows.
- The total budget for 2016/17 has decreased by £1.4 million in real terms to £112.5 million (£108.9 million Resource DEL and £3.6 million Capital DEL).
- COPFS continues to develop its long term financial strategy and this will be finalised following the completion of the Financial Sustainability Project.
- We identified control weaknesses in the key financial systems tested during 2015/16 and carried out additional testing to get the necessary assurance to support the audit opinion. COPFS had adequate financial management arrangements in place during 2015/16.

## Governance & accountability

- Overall we found that COPFS had sound governance arrangements.
- Arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.
- There is scope to improve the transparency of governance. COPFS agreed to make available on their website copies of redacted minutes of management and Audit and Risk Committee meetings, performance and budget information. Executive Board minutes are published; the Annual Report and Accounts is the main public report on performance and financial position.
- COPFS has an effective internal audit function and robust anti-fraud arrangements.
- In 2005/16, two correspondents wrote to Audit Scotland expressing concerns about the use of public funds by COPFS. We responded with our conclusion that there was no misappropriation.



### Value for money

- We reported in 2014/15 that COPFS undertook a self-assessment of their arrangements using all of Audit Scotland's Best Value Toolkits. This was a good start and COPFS should build on this by clearly setting out the overall assessment for each toolkit. We noted that an improvement plan had been developed and progress against the plan was to be presented to the Executive Board on a regular basis. These planned actions did not happen during 2015/16 as COPFS was in the process of restructuring.
- An organisation wide workforce plan will be developed based on the revised Workforce Planning Challenges document and the known outcome of the Financial Sustainability Project.

# Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Crown Office and Procurator Fiscal Service (COPFS).
2. The management of COPFS is responsible for:
  - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
  - ensuring the regularity of transactions, by putting in place systems of internal control
  - maintaining proper accounting records
  - publishing with their financial statements an annual governance statement and a remuneration report
  - preparing consolidation packs.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. The local reports are summarised at [appendix II](#) and national reports relevant to COPFS at [appendix III](#).
6. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that COPFS understands its risks and has arrangements in place to manage them. The Audit and Risk Committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.
9. 2015/16 is the final year of the current five year audit appointment. From 2016/17 the auditor of COPFS will continue to be Angela Cullen, Assistant Director, Audit Scotland.

# Audit of the 2015/16 financial statements

## Audit opinions

<b>Financial Statements</b>	<ul style="list-style-type: none"><li>• The financial statements of COPFS for 2015/16 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.</li><li>• We confirm that the financial statements have been properly prepared in accordance with the 2015/16 FReM and the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions.</li></ul>
<b>Regularity</b>	<ul style="list-style-type: none"><li>• In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.</li></ul>
<b>Other prescribed matters</b>	<ul style="list-style-type: none"><li>• The part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.</li><li>• The information given in the Performance Report is consistent with the financial statements.</li></ul>

## Submission of financial statements for audit

10. We received the unaudited financial statements on 20 May 2016, in accordance with the agreed timetable. The working papers were of a good standard and staff provided support to the audit team which enabled us to complete our on-site fieldwork on 14 June 2016.

## Overview of the scope of the audit of the financial statements

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit and Risk Committee on 23 February 2016.
12. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed fee for the audit was £96,860 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
13. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.

14. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

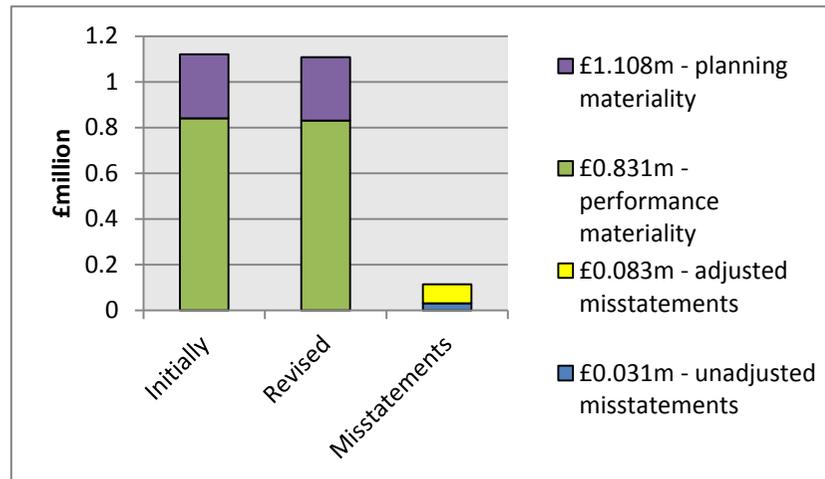
## Materiality

16. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. We assess the materiality of uncorrected misstatements, both individually and collectively.
17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
18. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £1.108 million (1% of the Gross Expenditure of £110.8 million).
19. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our

materiality level. Performance materiality was set at £0.831 million (i.e. 75% of materiality).

20. We report all misstatements greater than £10,000.

**Exhibit 1: Overall materiality misstatements**



Source: 2015/16 Annual Audit Plan

**Evaluation of misstatements**

21. We identified one misstatement in the unaudited financial statements which has not been adjusted in the audited financial statements. The cost of migrating system data following a system upgrade has been capitalised as IT Hardware. We consider this to be a revenue cost; COPFS does not agree with this assessment. This expenditure was £0.031 million.

22. There were two adjusted misstatements relating to the asset held for sale at 31<sup>st</sup> March 2015. This asset was mistakenly transferred back into Property, Plant and Equipment in 2015/16. Assets held for sale should not be depreciated; the depreciation charge in Notes 3 and 5 have been overstated by £13,000. The profit on disposal of assets is also overstated because the net book value of this asset was reduced by the depreciation charge. The profit on sale of the asset is overstated by £13,000 as there was a £4,000 loss of the sale, after accounting for the costs of selling the asset. There is no impact on the Statement of Comprehensive Net Expenditure.

23. There was a related misstatement for Property, Plant and Equipment disposals and transfers within Note 5 to the financial statements. These were overstated by £0.070 million (cost/valuation £0.095 million and depreciation £0.025 million) due to the inclusion of the asset held for sale. The disposal of this asset should be accounted for in Note 7 Assets Held for Sale; this has been adjusted in the audited financial statements.

24. We considered the impact of these misstatements on our audit approach and decided that further audit procedures were not required. The total of these misstatements did not breach our performance materiality.

**Significant findings from the audit**

25. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
  - Significant difficulties encountered during the audit.
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
  - Written representations requested by the auditor.
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
26. The following table details those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

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**Table 1: Significant findings from the audit**

### Significant findings from the audit in accordance with ISA260

#### Accounting treatment of data migration costs

27. As a result of a system upgrade, the COPFS capitalised data migration costs amounting to £0.031 million. This is the incorrect accounting treatment of data migration costs as these should be expensed.

**Resolution:** COPFS do not agree with our interpretation of the treatment of data migration costs. This has been recorded as an unadjusted misstatement.

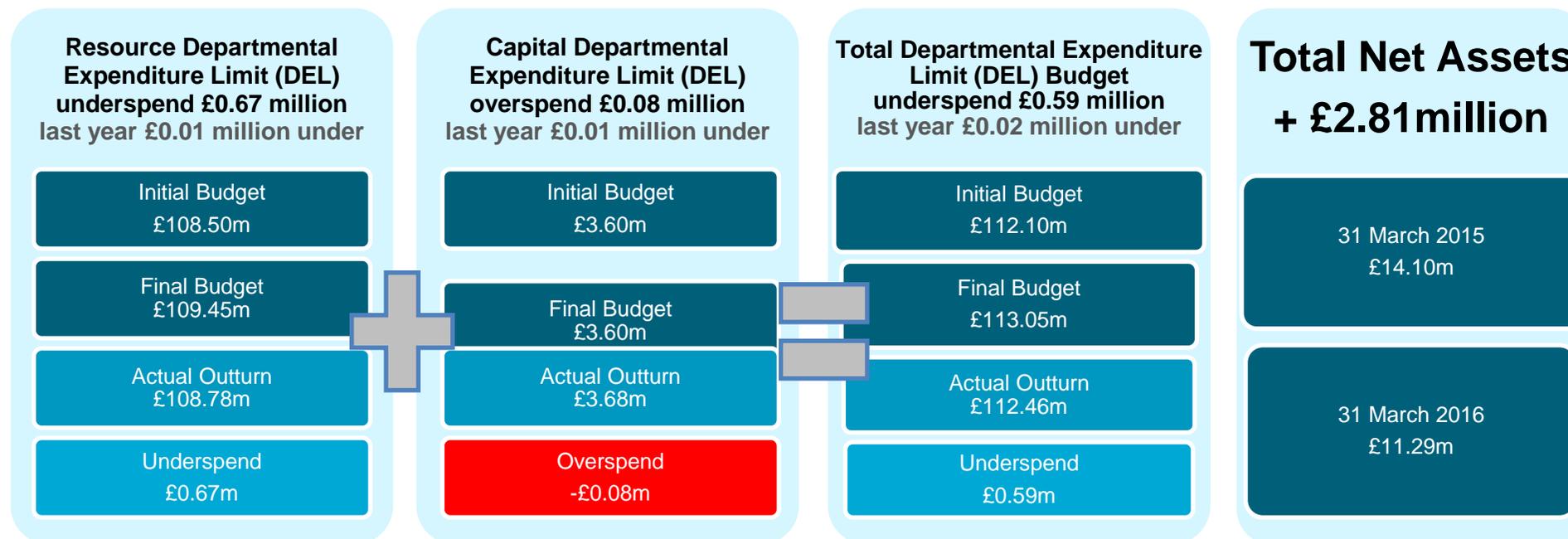
## Significant findings from the audit in accordance with ISA260

### Accounting treatment of Asset Held for Sale

28. The COPFS disclosed an Asset Held for Sale in their 2014/15 audited accounts. The asset was removed from the Non-Current Asset Register at that time and the building was disposed of in 2015/16. In the 2015/16 draft financial statements COPFS incorrectly added back the Asset Held for Sale into the Property, Plant and Equipment note to the accounts (shown as a transfer in Note 5) and then removed it through Property, Plant and Equipment disposals. This resulted in the transfers and disposals in Note 5 being overstated by £0.070 million.
29. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, paragraph 6 states “An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.” The carrying amount would not be recovered by continuous use and therefore it could not be transferred back into non-current assets. It also no longer meets the IAS 16 classification of a non-current asset.
30. Assets held for sale should not be depreciated; when the asset was added back into Property, Plant and Equipment, it was depreciated during the year in error. The depreciation charge in Note 3 Other Administrative Costs was overstated as a result. The profit on sale of assets in Note 3 Other Administrative Costs was also overstated because the net book value of this asset had been reduced by the depreciation charge. There was a £4,000 loss on the sale, after accounting for the costs of selling the asset; the profit on sale of assets in Note 3 has been reduced by £13,000 to correct this. The depreciation charge in Note 3 has also been reduced by £13,000. There is no impact on the Statement of Comprehensive Net Expenditure as these adjustments balance each other out.

**Resolution:** The correction of the transfer from Assets Held for sale to Property, Plant and Equipment was agreed with finance staff and an adjustment has been processed in the accounts. The asset held for sale has been removed from Note 5 Property, Plant and Equipment and its disposal is now correctly shown in Note 7 Assets Held for Sale. The depreciation figure and the profit on sale of assets in Note 3 Other Administrative Costs have both been adjusted to remove the impact of the depreciation charge.

# Financial management and sustainability



In addition to its resource budget above, COPFS also had Annually Managed Expenditure (AME) budget of £0.80 million. The AME budget was underspent by £0.02 million. The overspend on capital expenditure was funded by income from the sale of assets.

## 2015/16 financial position

31. COPFS, as a ministerial department of the Scottish Government, receives almost all of its funding directly from the Scottish Government. Its main financial objective is to ensure that the

financial outturn for the year is within the budget allocated by Scottish Ministers.

32. The Spending Review allocation for COPFS was £112.10 million (resource and capital) for 2015/16. During the year a further allocation was approved for additional domestic abuse caseload

(£0.95m). COPFS reported an outturn of £112.46 million, resulting in an underspend of £0.59 million.

## Financial Planning

33. As funding from the Scottish Government is COPFS's primary source of income there is a greater degree of certainty over future funding streams than for some other public sector organisations who are involved in income generating activities. Therefore, the main focus for COPFS is achieving a balanced financial plan to remain within their annual allocation.
34. The Scottish Government published its 2016/17 draft budget in December 2015 with a total DEL allocation of £112.50 million (£108.9 million resource and £3.6 million capital) an increase of £0.40 million. However, this is a decrease of £1.4 million in real terms in comparison to the 2015/16 budget allocation.
35. We reported in last year's Annual Audit Report that COPFS was reviewing its financial strategy. The COPFS is still in the process of developing its long term financial strategy. This will be finalised following the completion of the Financial Sustainability Project. The project's objectives include ensuring ongoing affordability within a challenging financial environment. It is anticipated that this will be completed in late summer 2016.
36. Following the 2016 Scottish Parliament elections it is likely the new Scottish Government will publish a multi-year spending review. COPFS should ensure their business plans consider how resources

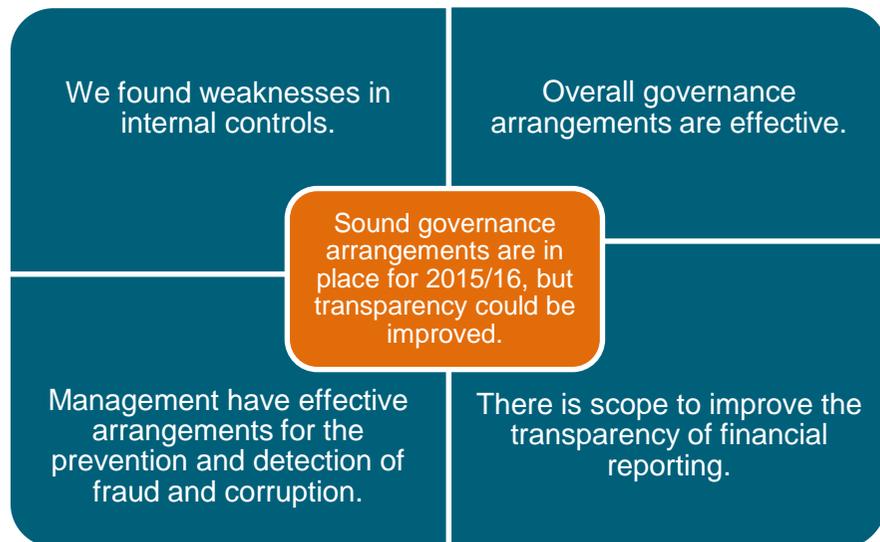
are to be utilised over the medium and long term. Developing a long term financial strategy will help do this.

## Appendix IV – Action Plan No.1

## Financial management

37. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
  - the Director of Finance has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the body
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - Audit and Risk Committee members provide a good level of challenge and question significant variances.
38. Based on our accumulated knowledge, our review of Senior Management Team meeting papers and through our attendance at the Audit and Risk committee we conclude that COPFS has adequate financial management arrangements in place.
39. One employee left through the voluntary early severance scheme at a cost of £96,240. We ensured that this payment met with Scottish Government's approval process for voluntary severances.

# Governance and transparency



chair of the Audit and Risk Committee. The chair is a non-executive director appointed by the Permanent Secretary of the Scottish Government.

- 42. The Audit and Risk Committee had four non-executive directors until February 2015. One non-executive director left and a replacement has not yet been appointed. COPFS are awaiting instruction from the Scottish Government regarding the replacement.
- 43. The Crown Agent chairs the Executive Board, which reports to the Strategic Board. It comprises five executives and two non executive directors, one appointed by the Permanent Secretary and the other by the Crown Agent. The Board meets on a monthly basis throughout the year to consider relevant matters. The Executive Board is supported by a number of corporate groups as illustrated in Exhibit 2.

## Corporate governance

- 40. The Crown Agent as Accountable Officer is responsible for establishing arrangements for ensuring the proper conduct of the affairs of COPFS and for monitoring the adequacy and effectiveness of these arrangements.
- 41. COPFS has a Strategic Board which operates as a decision making forum. The Board is chaired by the Lord Advocate and attended by the Solicitor General. Other members are the Crown Agent and the

**Exhibit 2: COPFS Corporate Groups 2015/16**



- 44. We concluded that COPFS has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
- 45. The following key staff changes have taken place. The Crown Agent left at the year end and was replaced by David Harvie on 4<sup>th</sup> April 2016. The Lord Advocate and the Solicitor General stepped down at the May 2016 election. The new Lord Advocate is James Wolffe QC and the new Solicitor General is Alison di Rollo who took up post on 2<sup>nd</sup> June 2016.

- 46. A new governance structure was implemented in May 2016. COPFS should review the effectiveness of the revised structure when this has had an opportunity to bed in. We will review this as part of our 2016/17 audit.

**Transparency**

- 47. The Scottish Government’s On Board guidance (<http://www.gov.scot/Publications/2015/04/9736/0>) for board members of public bodies was updated and reissued in April 2015. On Board states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:
  - holding an annual open meeting
  - holding board meetings in public unless there is a good reason not to
  - publishing summary reports and/or minutes of meetings
  - inviting evidence from members of the public in relation to matters of public concern
  - consulting stakeholders and users on a wide range of issues
  - making corporate plans and the annual report widely available.
- 48. Audit Scotland also believes in transparency of financial reporting within the Annual Report and Accounts including:
  - a clear reconciliation between expenditure and the outturn against Scottish Government Resource budgets.

- identification and explanation of any significant movements in budget during the year.
49. We reported in our 2014/15 Annual Audit Report that COPFS could improve transparency by considering holding some of its meetings in public, making Audit and Risk Committee minutes publicly available and adding the register of interests to the external website. COPFS considered this recommendation and has concluded that it will continue to meet in private. The management response in last year's annual audit report action plan stated that appropriately redacted minutes of management and Audit and Risk Committee meetings, performance and budget information would be made available on the website. Executive Board minutes, performance statistics and prior years' Annual Report and Accounts are available on the COPFS website. Information on financial performance and progress against strategic plan objectives is limited. The Annual Report and Accounts is the main public document reporting on COPFS's performance.
50. We still consider that there is scope for COPFS to improve its level of openness and transparency without compromising the need to do some of its business in private.

### **Appendix IV – Action Plan No.2**

51. In terms of the transparency of financial reporting, the Annual Report and Accounts is the main document publicly available on COPFS's website that reports on the organisation's performance and financial position.
52. The Performance Report within the Annual Report and Accounts includes a table and note reconciling expenditure within the financial statements to the reported outturn against the Scottish Government resource budget. The table shows the movement between the original and updated budget for 2015/16.

## **Internal control**

53. Our interim audit found control weaknesses in all of the key financial systems we tested. We therefore concluded that we could not take the controls assurance we had planned. Our report was discussed at the Audit and Risk Committee on 11 May 2016 and management have committed to take actions for improvement.
54. As a result of these findings we undertook additional substantive testing of income and expenditure transactions to obtain the necessary assurance to support the audit opinion on the financial statements. From this additional testing we are able to conclude that the control weaknesses did not result in any material misstatements in the figures within the financial statements.
55. Our focussed substantive testing of non-current assets (including testing depreciation calculations) did not identify any material errors. However, we identified that the inter-related non-current asset figures were inconsistent throughout the unaudited accounts; all figures should agree between the notes and the primary statements. These have now been adjusted as noted in Table 1 (page 10). We note that it is time consuming to audit the reconciliation of the Non-Current Asset Register to the financial statements. There is scope to

improve the reconciliation process to clearly demonstrate that all inter-related non-current asset figures within the financial statements are consistent.

#### Appendix IV – Action Plan No.3

56. As part of our 2016/17 audit we will follow up our 2015/16 interim audit findings to test whether the agreed management actions have addressed the internal control weaknesses in the key financial systems.

### Internal audit

57. Internal audit provides the Audit and Risk Committee and Accountable Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
58. As part of the risk assessment and planning process our Scottish Government audit team assessed the Scottish Government Internal Audit Division, COPFS's internal auditors, and concluded that they operate in accordance with the Public Sector Internal Audit Standards (PSIAS). We have not placed formal reliance on the work of internal audit for our financial statements audit however we have relied on their work in terms of our wider Code responsibilities.

### ICT Audit

59. As part of our 2015/16 audit we met with the Director of Information Technology (IT) to consider the continuing and emerging challenges and strategic opportunities facing the development and delivery of digital services within COPFS.
60. **Digital strategy:** At the conclusion of our 2014/15 audit we noted that a local digital strategy, defining how COPFS would deliver the digital priorities defined in the Strategic Plan, had not been developed. Assurance was given that this would be in place by September 2015. This was not achieved, and the draft version available at that time had a number of areas that required significant further development.
61. Progress towards completing the strategy continues, and we have been informed that a final draft will shortly be presented to the Executive Board.

#### Appendix IV – Action Plan No.4

62. **IT Disaster Recovery:** Our annual audit plan noted that to guard against data loss in the event of a disaster, there were technical measures in place to ensure that all critical data is replicated from the primary to secondary data centre. However the “failover process” to move service delivery from the primary to secondary data centre is not routinely tested. Management have stated that the current technical infrastructure is complex and it is not viable to put in place the full range of duplicate IT infrastructure to allow this to be fully tested on a routine basis. Recent experience gained from a

planned shutdown of the primary data centre provided assurance that services could be restored. The IT solution to replicate data between the environments was tested as part of this process. The issues encountered were resolved by internal IT support staff and appropriate external technical support providers commissioned as part of the risk mitigation provisions to support this planned weekend shutdown of the primary data centre.

63. Improving Enterprise Resilience is a core theme within the local digital strategy currently under development. To inform this strategic workstream, specialist reviews of the data centres have recently been completed. The recommendations from these expert reviews and the experience gained when restoring services at the primary data centre are being considered by management. These will determine the investment necessary to improve resilience, and facilitate regular testing. Until the recovery capabilities of the ICT infrastructure are routinely tested, there is a risk that in the event of a disaster service restoration may take longer than anticipated.

#### Appendix IV – Action Plan No.5

64. **Cyber Security:** Following consideration in May 2015 by the Strategic Board of the potential consequences of a successful cyber attack, COPFS has developed a Cyber Security Policy. Based upon the “10 Steps to Cyber Security” guidance developed by the UK Government, this policy defines an information risk management regime, sets out clear responsibilities for key staff and defines clear controls that COPFS will implement to reduce the risk of cyber attacks.

65. To be effective this policy will need to be well publicised throughout COPFS and should be supported by clear guidance that is readily accessible to all staff. A programme to review and update the security policies (e.g. the IT Acceptable Use Policy) is underway. We have been informed that this recently developed over-arching policy is due to be presented to the Executive Board for formal approval.

#### Appendix IV – Action Plan No.6

### Arrangements for the prevention and detection of fraud

66. COPFS is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We reviewed COPFS’s arrangements and concluded that there are effective arrangements for the prevention and detection of fraud.

### National Fraud Initiative in Scotland

67. COPFS participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error.
68. We reported in 2014/15 that the Executive Board and Audit and Risk Committee are not regularly updated on NFI activities. There has been no reporting of NFI activity to the Executive Board or Audit and Risk Committee during 2015/16.

69. We also reported in 2014/15 that COPFS had not progressed its investigation of NFI data matches. When we reported progress in February 2016 to our Audit Strategy colleagues to inform the national NFI report, COPFS had investigated 105 of its 960 data matches and identified three errors (duplicate payments to a supplier, totalling £3,600). COPFS's enquiries since then have confirmed that the supplier issued a credit note for this amount and the matter is resolved. The NFI website has been updated to reflect this. COPFS has now investigated all its matches; three further errors were noted (duplicate account numbers) but these did not result in any overpayment. No fraud has been identified.
70. The national NFI audit report was published by Audit Scotland on 30 June 2016; this report contains a self appraisal checklist for audit committees, to ensure that they are fully informed of the planning and the progress being made by their officers investigating the NFI 2016/17 exercise. We recommend that this report and progress updates on COPFS's participation in the 2016/17 NFI exercise should be presented to the Audit and Risk Committee.

#### Appendix IV – Action Plan No.7

### Arrangements for maintaining standards of conduct and the prevention and detection of corruption

71. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring

compliance with standards and codes of conduct, standing orders and financial instructions. We reviewed these arrangements and concluded that appropriate arrangements exist within COPFS.

### Correspondence referred to the auditor

72. As part of our wider Code responsibilities we are required to consider issues raised and follow these up as part of our risk based approach to the audit if they fall within our remit.
73. As part of our wider Code responsibilities we are required to consider issues raised and follow these up as part of our risk based approach to the audit if they fall within our remit.
74. In 2015/16 a correspondent wrote to Audit Scotland expressing concerns about the use of public funds by COPFS to fund legal services for a specific case. Following review of the relevant supporting documentation, we confirmed that the expenditure was appropriately authorised, in line with the Ministerial Code and Scottish Government staff handbook and accounted for in the financial statements. We found no evidence of misappropriation of public funds.
75. A second correspondent wrote to Audit Scotland expressing a similar concern. We responded referring to our conclusion to the original correspondent. Audit Scotland does not plan to take any further action in this matter.

# Value for money

## Arrangements for securing Best Value

76. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
77. We reported in 2014/15 that COPFS had self-assessed its arrangements against criteria contained in all 18 Audit Scotland Best Value toolkits. We concluded that in some instances the overall assessment and any associated actions were not clear. No additional work was undertaken on this during 2015/16 as COPFS was in a process of restructure.

### Appendix IV - Action Plan Point No.8

## Local performance audit work

### Workforce Planning Arrangements

78. During 2015/16 auditors of all public bodies were asked to undertake audit work reviewing the workforce planning arrangements in place. This work will feed into a follow up of our 2013 report *Scotland's Public Sector Workforce*.
79. Our review was a follow up of our 2014/15 Workforce Planning Arrangements audit. The Shaping the Future Programme is complete and a change in the organisation structure took place in April 2016. As a result of this restructure, the Workforce Planning

Challenges document is being updated by the Workforce Planning Group (chaired by the Deputy Chief Executive).

80. COPFS has continued to make progress on their workforce planning arrangements. An organisation wide workforce plan will be developed based on the revised Workforce Planning Challenges document and the known outcome of the Financial Sustainability Project. It is anticipated that this will be finalised in September/October 2016. A Fair Futures Project is also ongoing within COPFS to enable successful implementation of the workforce plan.

### Appendix IV - Action Plan No.9

## National performance audit reports

81. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, the following relevant reports were issued: 'Efficiency of prosecuting criminal cases through the sheriff courts' and 'Scotland's public sector workforce – impact report'. The key messages from these reports are detailed below.

### Efficiency of prosecuting criminal cases through the sheriff courts

82. Reducing budgets and more complex cases are putting pressure on Scotland's sheriff court system. The report found fewer cases are concluding within the 26-week performance target, the average time for cases to conclude has risen, and a greater proportion of cases are going to trial. This is, in part, due to a greater focus on more

complex cases involving domestic abuse and historic sexual offences, and a subsequent rise in reporting of these types of crimes.

83. Since 2010/11, the budgets of the Crown Office and Procurator Fiscal Service and the Scottish Court Service have experienced a more significant reduction than the overall Scottish Government budget.
84. The report notes that establishment of the Scottish Government's Justice Board has improved joint working between key national bodies and management of the system as a whole. This helped manage a 10 per cent increase in the number of cases in 2013/14. It's important that work is undertaken to replicate that progress at a local level.
85. The report recommends that the bodies involved in the system take a fresh look at how they measure and report the performance of sheriff courts, and consider how to build upon the 26-week performance target to provide a broader public picture of the system's efficiency.
86. We will monitor performance and follow up on the impact of this report.

### **Scotland's public sector workforce – impact report – August 2015**

87. This report summarises the impact made by the joint Accounts Commission and Auditor General for Scotland performance audit '*Scotland's public sector workforce*' published on 28 November

2013 and the related good practice guide. The original report has encouraged bodies to plan workforce changes on a three-year rolling basis; to take a longer-term view of the impact of their workforce change programmes and the need to manage departure schemes and develop succession plans.

88. As noted at paragraph 80, we have monitored progress made on workforce planning within COPFS during 2015/16. COPFS has continued to make progress with their workforce planning arrangements and we reported our findings to our performance audit colleagues.

# Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Financial statement issues and risks</b>		
<p><b>Management override of controls</b> (Statement of Comprehensive Net Expenditure)</p> <p>Auditing standards (ISA 240 The auditor's responsibility to consider fraud in an audit of financial statements) requires auditors to consider, on all audits, management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Detailed testing of journal entries</p> <p>Review of accounting estimates</p> <p>Evaluation of significant transactions that are outside the normal course of business</p> <p>Testing of monthly management checklists</p>	<p>Our interim audit testing of internal controls, including the monthly management checklists, identified control weaknesses in each of the key financial systems. We carried out further testing to obtain the assurances needed to support the audit opinion.</p> <p>From our audit testing we concluded that the 2015/16 journal entries, accounting estimates and judgements and transactions tested were appropriate.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Quality of draft accounts</b></p> <p>The unaudited financial statements for 2014/15 were received on time but were incomplete. A late decision to adjust misstatements delayed completion of the audit process and limited the time available for Audit and Risk Committee members to review the revised financial statements prior to approval.</p> <p>There are two significant revisions in the FReM that apply to 2015/16:</p> <ul style="list-style-type: none"> <li>• Adoption of IFRS13 'Fair value measurement' for the first time</li> <li>• Simplification and Streamlining Project – changes to the form and content of the annual report and accounts</li> </ul> <p><b>Risk:</b> COPFS does not fully consider and comply with the amendments to the FReM when preparing the 2015/16 annual report and accounts. If additional work is required, we may not issue our audit opinion in accordance with the agreed timetable.</p>	<p>Monthly meetings with staff in COPFS to agree with working paper requirements and monitor progress with preparing financial statements</p> <p>Weekly meetings with staff in COPFS from 23 May 2016, until the audit is complete</p> <p>Agreement of audit timetable to ensure that any decision to amend the financial statements for identified misstatements allows sufficient time for audit checks to be undertaken</p> <p>Review annual report against revised FReM requirements</p> <p>Review the disclosures to ensure consistency within the financial statements and our knowledge of COPFS</p> <p>Ensure that a completed set of unaudited accounts, along with an associated working papers pack that includes evidence providing a clear audit trail is available by the agreed deadline</p>	<p>Regular meetings were held with finance staff. COPFS provided an early draft of the annual report in advance of the financial statements audit; this draft contained all the expected disclosure sections.</p> <p>The complete unaudited Annual Report and Accounts document was received in line with the agreed timetable.</p> <p>Audit and Risk Committee members were provided with a copy of the draft financial statements following the clearance meeting. This allowed suitable time for members to scrutinise the accounts and provide feedback to finance staff.</p> <p>The Annual Report and Accounts complies in all material aspects with the amendments to the 2015/16 FReM.</p> <p>We confirm in our audit opinion that the financial statements have been properly prepared in accordance with the 2015/16 FReM.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Non-Current Asset Register (NCAR)</b> (Notes 5 and 6 to the Financial Statements)</p> <p>The financial statements audit has been delayed in prior years as a result of issues with the NCAR's completeness and accuracy.</p> <p><b>Risk:</b> There is a risk that these legacy issues may result in a material misstatement in the financial statements, and may delay the financial statements audit process.</p>	<p>System review of the NCAR</p> <p>Focussed substantive testing of non-current assets as part of the financial statements audit</p>	<p>The system review of the NCAR was reported in our 2015/16 interim report. COPFS finance staff identified a problem with the depreciation charges calculated by the NCAR; they are investigating the cause of the system error and checking the system-generated depreciation figures.</p> <p>We have identified non-material misstatements in the financial statements (see Table 1, pages 9-10).</p>
<p><b>Staffing Capacity of the Transactions Processing Team</b> (Statement of Comprehensive Net Expenditure)</p> <p>In recent months the payments transactions team has experienced a significant increase in the volume of courts and witness payment transactions to be processed. COPFS has requested approval for additional staff to alleviate the burden on current staff.</p> <p><b>Risk:</b> There is a risk that if the backlog is not cleared the financial statements do not reflect a true and fair view of the COPFS's year end financial position.</p>	<p>Monitor performance of the transactions processing team</p> <p>Review impact on budget of additional costs associated with increase in staffing establishment</p>	<p>An additional member of staff has been approved but not yet appointed.</p> <p>The backlog of the transaction processing team is in a more favourable position that at the start of the year.</p> <p>This has not had an impact on the COPFS's year end position.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Purchase to Pay System</b> (Statement of Comprehensive Net Expenditure)</p> <p>COPFS implemented a new accounts payable (Purchase to Pay) module and upgraded the Sun accounting system in 2015/16. There is a risk associated with the implementation of any new system, including the system does meet the requirements of the organisation or staff have not been appropriately trained.</p> <p><b>Risk:</b> Inappropriate controls in place resulting in appropriate payments.</p>	<p>System review of Purchase to Pay</p> <p>Testing of monthly management checklists</p> <p>Focussed substantive testing of trade payables as part of the financial statements audit</p>	<p>The roll out of the system to other departments has been slower than anticipated. The system was rolled out across all departments by 1 April 2016.</p> <p>We reviewed the Purchase to Pay system and recommended changes to improve segregation of duties and enhance controls.</p> <p>Additional substantive testing was required to obtain the required assurance to support the audit opinion; this testing did not identify any inappropriate payments.</p>
<p><b>Wider dimension issues and risks</b></p>		
<p><b>Financial Sustainability</b> (Performance Report and Statement of Comprehensive Net Expenditure)</p> <p>The 2015/16 budget was approved by the Scottish Parliament in February 2015. The COPFS' total budget of £112.1 million comprises an operating budget of £108.5 million and a capital budget of £3.6 million. COPFS has been awarded an additional £0.95 million in 2015/16 for further work required as a result of the justice system initiatives (in</p>	<p>Review of budgetary control arrangements</p> <p>Review the financial strategy and ensure this complies with good practice</p> <p>Monitor progress of the Shaping the Future programme and the Financial Sustainability Project</p> <p>Follow up of our <i>Review of Workforce Planning Arrangements 2014/15</i> report</p> <p>Cut off testing</p>	<p>The COPFS operated within its revenue budget for 2015/16. It overspent against its Capital DEL budget by £0.08 million but this was funded by income from the sale of non-current assets.</p> <p>Our interim and financial statements audits included substantive testing of expenditure, a review of journal entries during 2015/16 and cut-off testing. No errors were identified in this testing.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>relation to the strategy to reduce Violence Against Women and Girls) to decrease the time that cases in respect of domestic violence take to proceed through courts.</p> <p>The draft budget for 2016/17 comprises an operating budget of £108.9 million and a capital budget of £3.6 million. This represents a real terms reduction of £1.5 million.</p> <p>Continuous financial monitoring is required to ensure expenditure is contained within funding levels. COPFS has introduced scenario planning to assess its future financial sustainability and developing a long term financial strategy.</p> <p><b>Risk:</b> COPFS cannot maintain performance levels within available resources.</p>	<p>Testing of journal entries</p> <p>Review of Audit and Risk Committee, Business Service Delivery Group and Executive Board minutes and papers</p>	<p>We monitored progress of the Shaping the Future Programme and the Financial Sustainability Project as part of our workforce planning audit.</p> <p>The long-term financial strategy will not be finalised until the completion of the Financial Sustainability Project.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Governance Arrangements</b> (Governance Statement)</p> <p>COPFS has recently reorganised and changed its internal reporting structure. The following changes have impacted on COPFS’s financial management and accountability arrangements:</p> <p>The Finance Management Group no longer exists and finance issues are now discussed by the Business Services Delivery Group, which has a wider remit than the Finance Management Group</p> <p>The Finance Director is no longer on the Senior Management Team</p> <p><b>Risk:</b> There is a risk that finance issues may not have the necessary prominence in the organisation</p>	<p>Review of internal reporting arrangements are working in practice</p> <p>Review of Strategic Board, Executive Board, Audit and Risk Committee, and Business Services Delivery Group minutes</p>	<p>We reviewed Board, committee and BSDG minutes for 2015/16. We concluded in our interim report (May 2016) that the wider remit of BSDG indicates that not enough time is available at these meetings to discuss finance matters in depth and that this could impact on the effectiveness of COPFS’s financial management. We recommended that COPFS should review the time available at BSDG meetings for financial discussions, to ensure financial decisions are subject to appropriate scrutiny.</p> <p>We note that the governance structures changed again in May 2016 and the BSDG no longer exists; finance matters are now discussed by the Resources Committee. We will review the impact of this change as part of our 2016/17 audit.</p>

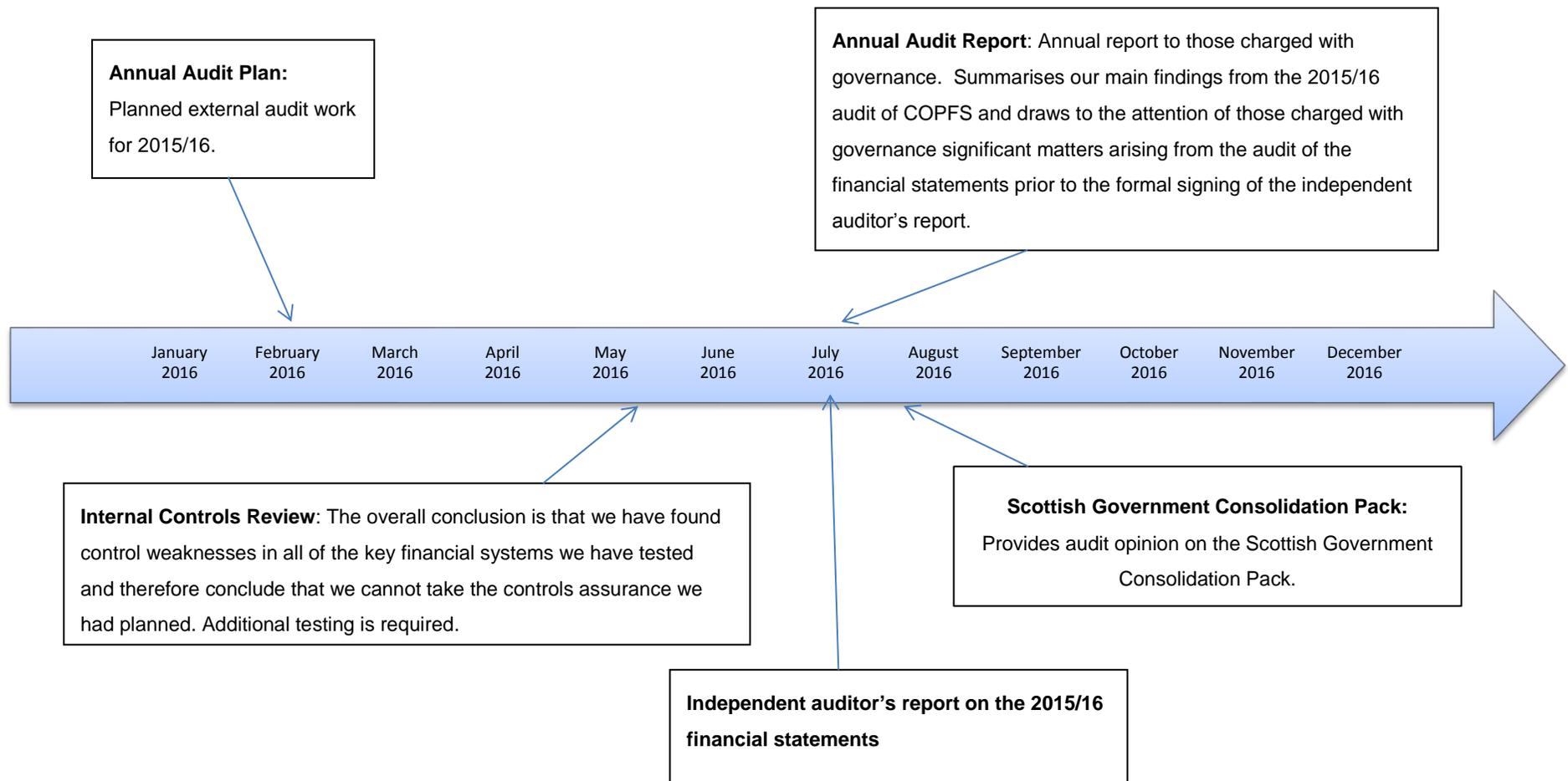
Audit Risk	Assurance procedure	Results and conclusions
<p><b>National Fraud Initiative (NFI)</b> (Statement of Comprehensive Net Expenditure)</p> <p>NFI does not have a particularly high profile with COPFS. Data matches should be actively investigated and findings regularly reported to the Audit and Risk Committee.</p> <p>As part of the NFI exercise in 2014/15, COPFS submitted payroll and creditors data and the matching process identified 960 records for investigation, with 194 of these “recommended” for investigation. At the time we issued our 2014/15 Annual Audit Report, none of the data matches had been investigated. However COPFS stated the intention to investigate all matches by 31 March 2016.</p> <p><b>Risk:</b> There is a risk that COPFS does not investigate matches timeously and that an error or fraud may occur. There is a further risk that senior management and Audit and Risk Committee members are not fully informed of any issues arising from this exercise.</p>	<p>Monitor progress by COPFS on investigating matches</p> <p>Report to the Audit and Risk Committee</p>	<p>We have reviewed Executive Board and Audit and Risk Committee minutes for the year. The Audit and Risk Committee and Executive Board have not received update reports on NFI activity during 2015/16.</p> <p>We have monitored COPFS’s progress in investigating its data matches. COPFS has now investigated all of its 960 data matches and identified three errors (duplicate account numbers). Three previously identified errors (duplicate payments to a supplier, totalling £3,600) have now been closed as the supplier issued a credit note for this amount. No fraud has been identified from data match investigations.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Digital Strategy</b></p> <p>COPFS is one of the main justice bodies in Scotland covered by the Scottish Government’s Digital Strategy that sets out how investment digital enabled technologies will be measured and monitored. This local strategy should also demonstrate how COPFS will deliver the elements of the national Digital Strategy for Justice in Scotland that sit within their remit. COPFS does not currently have an agreed Digital Strategy, supported by a delivery plan.</p> <p><b>Risk:</b> COPFS may not be able to demonstrate that they are capable of supporting the delivery of the national <i>Digital Strategy for Justice in Scotland</i>.</p>	<p>Review arrangements for completion and implementation of the Digital Strategy</p> <p>Review the arrangements in place within COPFS to ensure that the local digital strategy fully supports the aims of COPFS strategic priorities and the national digital strategy</p>	<p>At present COPFS does not have an agreed Digital Strategy, supported by a delivery plan, although a final draft of COPFS’s digital strategy will shortly be presented to the Executive Board. We have not seen the draft strategy and cannot draw a conclusion on its content.</p>

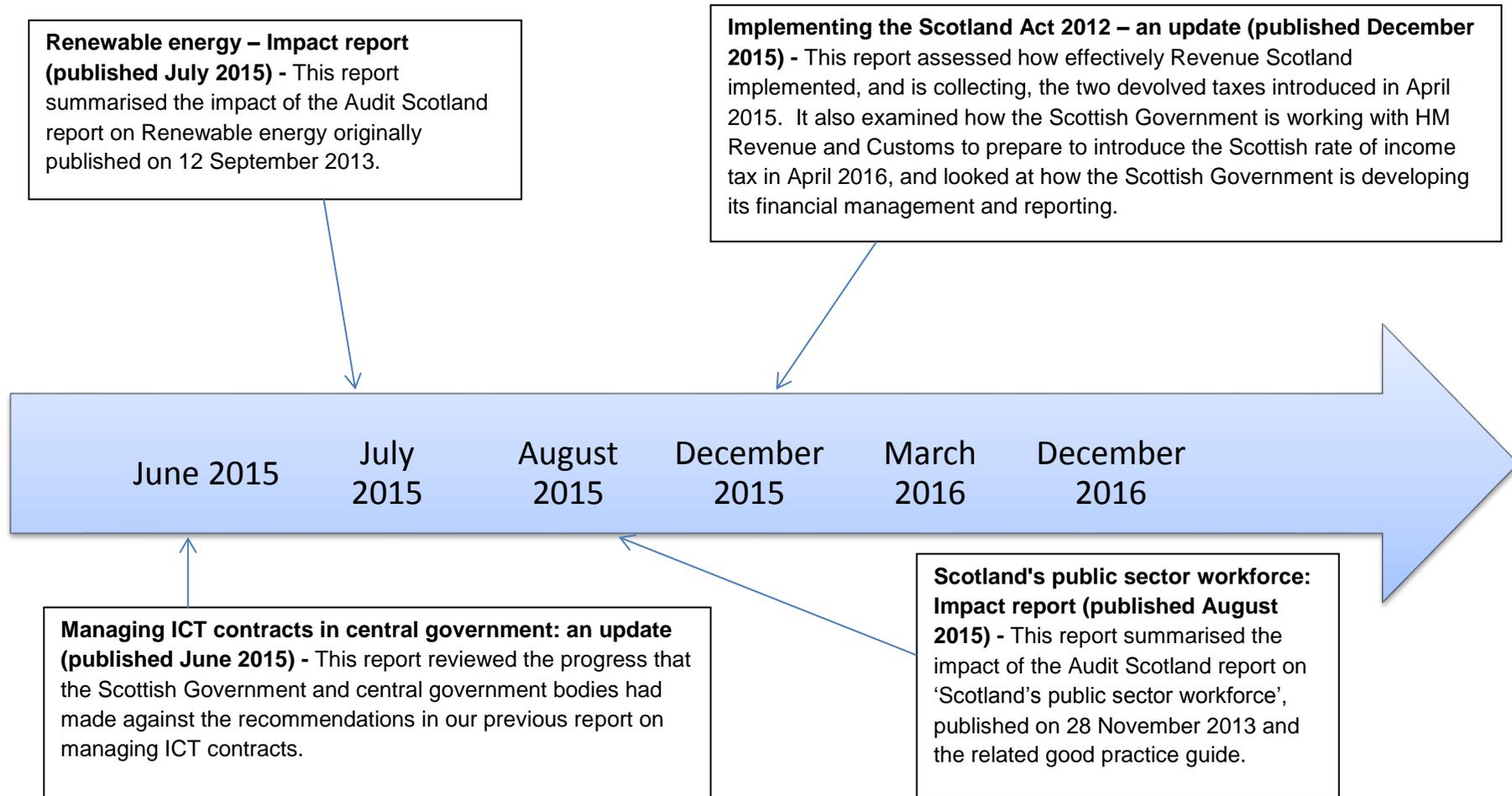
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Cyber Security and Disaster Recovery</b></p> <p>There is an increasing awareness throughout the public sector of the risks to data security and service continuity resulting from cyber attacks. In the event of a cyber attack, or another event resulting in the loss of data, COPFS has technical measures in place to ensure that all critical data is replicated from their primary to secondary data centre. This should ensure that no data is lost in the event of a disaster. However, the “failover process” from primary to secondary data centre is not subject to routine testing.</p> <p><b>Risk:</b> In the event of a disaster, recovery of operations to the secondary data centre may take longer than anticipated, may not be complete or may not be achieved.</p>	<p>Review of COPFS’s approach to cyber security, including disaster recovery arrangements</p>	<p>Our review of COPFS’s approach to cyber security confirmed that COPFS has developed a cyber security policy. This policy is based on the UK Government’s “10 Steps to Cyber Security” guidance; defines an information risk management regime; sets out clear responsibilities for key staff; and defines clear controls that COPFS will implement to reduce the risk of cyber attacks.</p> <p>The policy has not yet been approved by the Executive Board.</p> <p>A planned shutdown of the primary data centre has provided assurance that services can be restored successfully. The issues encountered were resolved by COPFS IT staff and external support providers. Management consider that the current infrastructure continues to be complex and it is not viable to put in place the full range of duplicate IT infrastructure to facilitate routine testing. Until the recovery capabilities of the ICT infrastructure can be routinely tested there is a risk that recovery of operations may take longer than anticipated, may not be complete or may not be achieved.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Transparency</b></p> <p>We raised in our Annual Audit Report 2014/15 that COPFS holds Executive Board and Audit and Risk Committee meetings in private. There is restricted access to Board papers, Audit and Risk Committee papers and the register of members' interests.</p> <p><b>Risk:</b> There is a risk that COPFS is not sufficiently open and transparent in its decision making.</p>	<p>Attendance at Audit and Risk Committee meetings</p> <p>Monitor progress in relation to transparency of information during 2015/16</p>	<p>COPFS considered this recommendation and concluded that it will continue to meet in private. The management response in last year's annual audit report action plan stated that appropriately redacted minutes of management and Audit and Risk Committee meetings, performance and budget information would be made available on the website. Executive Board minutes, performance statistics and prior years' Annual Report and Accounts could be located from our review of the COPFS website.</p> <p>We still consider that there is scope for COPFS to improve its level of openness and transparency without compromising the need to do some of its business in private.</p>

# Appendix II: Summary of local audit reports 2015/16



# Appendix III: Summary of Audit Scotland national reports 2015/16



# Appendix IV: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1. 70853	36	<p><b>Long Term Financial Strategy</b></p> <p>COPFS is operating in a climate of reducing budgets. It is likely that the Scottish Government will publish a multi-year spending review in 2016. COPFS continues to develop its long term financial strategy and this will be finalised following the completion of the Financial Sustainability Project.</p> <p><b>Risk:</b> There is a risk that COPFS may not be able to maintain service delivery within their budget allocation.</p> <p><b>Recommendation:</b> COPFS should finalise its long term financial strategy with a clear connection between planned spending and delivery of outcomes.</p>	As previously agreed with Audit Scotland, an updated Financial Strategy will be produced following the Financial Sustainability Project, which is due to report in August 2016, and the outcome of the 2016 spending review in autumn 2016.	Deputy Chief Executive August 2016 and following the outcome of the 2016 Spending Review.

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2. 62660	50	<p><b>Transparency</b></p> <p>We recommended last year that COPFS should consider implementing the recommendations of the Scottish Government’s “On Board” guidance. COPFS considered this and decided to continue meeting in private and restricting access to board and committee papers. COPFS agreed to publish appropriately redacted minutes of management and Audit and Risk Committee meetings, performance and budget information on its website. Executive Board minutes, performance statistics and prior years’ Annual Report and Accounts could be located from our review of the COPFS website. The Annual Report and Accounts is the main publicly available document covering COPFS’s performance and financial position.</p> <p><b>Risk:</b> COPFS is not open and transparent in conducting its business.</p> <p><b>Recommendation:</b> COPFS should keep the recommendations of the “On Board” guidance under review and seek opportunities (such as publishing redacted minutes) to increase the transparency of its business.</p>	<p>COPFS will review options to improve the transparency of our business but note that the “On Board” guidance applies to Non-Departmental Public Bodies rather than parts of central government that are led by a Minister. We would also highlight that a considerable amount of information about COPFS covering what we do, our performance, statistical information and our prosecution policies is already freely available on our website.</p>	<p>Head of Corporate Office December 2016</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3. 75018	55	<p><b>Non-Current Asset Register (NCAR)</b></p> <p>We carried out focussed substantive testing of non-current assets as part of our financial statements testing, including testing depreciation calculations. We did not identify any material errors in our testing but we note that it is time consuming to audit the reconciliation of the Non-Current Asset Register to the financial statements and identify why there were inconsistencies between the inter-related non-current asset elements within the financial statements and notes. There is scope to improve this reconciliation process to clearly demonstrate that all inter-related non-current asset elements within the financial statements are consistent.</p> <p><b>Risk:</b> The NCAR may not be complete and accurate and the financial statements may contain misstatements.</p> <p><b>Recommendation:</b> COPFS should review the NCAR to create a clear audit trail from the register to the financial statements. COPFS should ensure that all inter-related non-current asset elements of the financial statements are consistent and reconcile to supporting documentation.</p>	<p>COPFS believes that the current process provides a transparent audit trail of the end to end process. Whilst we are more than happy to work constructively to further enhance the process, it is worth noting that the audit was undertaken by three different members of the audit team on four different occasions, apparently without sufficient documentation to allow continuity. We would welcome a further review by one, suitably qualified and experienced, member of the audit team.</p> <p>For 2016/17 assets held for sale will be separately identified where appropriate and COPFS will ensure clarity of inter-related asset elements.</p>	<p>Finance Director (to support Interim Audit) January / February 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
4. 75309	61	<p><b>Digital strategy</b></p> <p>Developing a local digital strategy that defines how the digital priorities defined in the COPFS Strategic Plan and the national Digital Strategy for Justice in Scotland will be delivered, continues to be a challenge.</p> <p><b>Risk:</b> There is no formal basis to monitor the progress of digital delivery targets, and against which the costs and benefits of digital investment can be assessed.</p> <p><b>Recommendation:</b> Management should ensure that the digital strategy is finalised, and that it is supported by a detailed delivery plan against which progress can be monitored.</p>	<p>COPFS will publish its new Digital strategy in summer 2016. This strategy will define COPFS' digital vision/aims and will set out the further innovation and transformation of COPFS' IT services and capabilities. The Digital Strategy will be accompanied by a delivery plan and strategic roadmap. COPFS' Digital Strategy will be aligned appropriately to the Scottish Government's Justice Digital Strategy. COPFS' Information Systems Division (ISD) also has strategic business plans in place defining its IT development and innovation priorities in line with corporate strategic and business needs.</p>	<p>Director of IT September 2016</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
5. 75325	63	<p><b>Business continuity and disaster recovery</b></p> <p>The current ICT infrastructure is considered to be too complex to allow regular testing of IT disaster recovery capabilities.</p> <p><b>Risk:</b> In the event of an incident that compromised the ICT infrastructure or services, recovery of services may take longer than anticipated.</p> <p><b>Recommendation:</b> Management should ensure that a plan to routinely test IT disaster recovery capabilities is developed.</p>	<p>ISD has a range of business continuity and disaster recovery systems in place, including a number of new or enhanced solutions delivered as part of the major programme to upgrade COPFS' core IT infrastructure over 2015/16. This includes systems to replicate COPFS' case management information between the live and DR datacentres; innovative virtualised IT infrastructure solutions to enable desktop services to be delivered flexibly in the event of systems issues; and the implementation of an enterprise load and volume software solution that significantly mitigates the risk of making changes to business critical case management and other corporate systems. Enhanced Uninterrupted Power Supply (UPS) solutions were implemented to the live datacentre in 2016. New IT Service Management systems were introduced in 2015 that improves the management and delivery of IT services across the enterprise; these systems are also used to coordinate communications to customers and stakeholders in the event of any IT systems issues. A review of COPFS' datacentres was carried out in 2016 and consideration of improvement options is underway. Enhanced computing contingencies have been put in place for selected offices over 2015. Improved wide area network resilience will be implemented over 2016/17 for a number of key COPFS offices. Although the complexity of COPFS' IT infrastructure means it is not viable to put in place the full range of duplicate IT infrastructure to allow failover to be fully tested on a routine basis, recent experience gained from a planned shutdown of the primary datacentre provided assurance that services can be restored, with the resilience systems highlighted above utilised and tested as part of the successful completion of this planned shutdown. Improving 'Enterprise Resilience' will be a core theme in the new COPFS Digital Strategy, which will enable further business resilience and disaster recovery improvements to be strategically aligned and planned.</p>	<p>Director of IT</p> <p>September 2016 (Included in the Digital Strategy)</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
6. 75310	65	<p><b>Cyber resilience</b></p> <p>The recently developed Cyber Security Policy is due to be presented to the Executive Board to seek formal approval.</p> <p><b>Risk:</b> Until the Cyber Security Policy is formally approved and fully supported by the Executive Board, there is a risk that staff may choose not to comply with it.</p> <p><b>Recommendation:</b> The Cyber Security Policy should be formally adopted and used as the basis to raise staff awareness and improve cyber security practice.</p>	<p>A strategic paper defining COPFS' approaches to developing a Cyber Resilience Plan was discussed and approved by the Strategic Board in 2015. A Cyber Security Policy has since been developed, which along with a range of other IT/IS security policy documents will be formally approved via the appropriate COPFS governance mechanisms over summer 2016. The new Cyber Security Policy factors UK Government policy and other appropriate industry cyber security guidance. The policy and information risk management approaches will be used to define COPFS' cyber resilience risk management practices and protective measures and technology solutions. COPFS is a member of the Cabinet Office PSN and Home Office PSNP network security accreditation schemes, successfully achieving re-accreditation to both schemes in March 2016 for a further 12 months. COPFS manages its network and information systems appropriately to attain the standards specified by these accreditation schemes. Annual network penetration and health checks are carried out by independent security specialists as part of COPFS' IT security management.</p>	<p>Director of IT September 2016</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
7. 63121	70	<p><b>National Fraud Initiative</b></p> <p>The Executive Board and the Audit and Risk Committee have not received any update reports on NFI activity within COPFS in 2014/15 (reported last year) or 2015/16. The national report on the 2014/15 NFI exercise was published 30 June 2016. The report contains a self appraisal checklist for audit committees, to ensure that they are fully informed of the planning and the progress being made by their officers investigating the NFI 2016/17 exercise.</p> <p><b>Risk:</b> There is a risk that senior management and Audit and Risk Committee members are not fully informed of any issues arising from the National Fraud Initiative.</p> <p><b>Recommendation:</b> The national NFI report published by Audit Scotland and updates on future NFI exercises should be reported to senior management and the Audit and Risk Committee.</p>	NFI work has been completed. It will be reported to the August Executive Board and ARC meetings.	Finance Director August 2016

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
8. 63125	77	<p><b>Best Value Toolkits</b></p> <p>COPFS agreed last year to include an overall assessment for each of their best value toolkits, and regularly report progress on the Improvement Plan to the Executive Board. No additional work on this was undertaken during 2015/16, as COPFS was in the process of restructuring.</p> <p><b>Risk:</b> There is a risk that a lack of a clear overall assessment will impact on the prioritisation of any associated actions in the Improvement Plan.</p> <p><b>Recommendation:</b> If COPFS plans to use the best value toolkits in future, it should ensure that they have a clear overall assessment with improvement actions where required. The improvement action plan should be reported to the Executive Board and Audit and Risk Committee where necessary.</p>	<p>Best Value is being taken forward through a range of activities, including our Finance Sustainability Project, Workforce Planning Group, a newly established Non-Staff Costs Working Group, our Procurement Strategy, our Prosecution Policy Review, our Business Modernisation Strategy, our IT strategy and our Fair Futures work. These strands are being coordinated and a suitable overview maintained via our Board Committees which have a degree of common membership, are each chaired by a Deputy Crown Agent and which report to the Executive Board. Given what is already in place, we do not consider that there is any value in creating a separate reporting and monitoring mechanism.</p>	N/A

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
9. 64891	80	<p><b>Workforce Planning</b></p> <p>An organisation wide workforce plan will be developed based on the revised Workforce Planning Challenges document and the known outcome of the Financial Sustainability Project. It is anticipated that this will be finalised in September/October 2016. A Fair Futures Project is also ongoing within COPFS to enable successful implementation of the workforce plan</p> <p><b>Risk:</b> There is a risk that the organisation wide workforce plan does not achieve its intended benefits.</p> <p><b>Recommendation:</b> COPFS should plan workforce changes on a three-year rolling basis; to take a longer-term view of the impact of their workforce change programmes and the need to manage departure schemes and develop succession plans COPFS's workforce planning arrangements should align the long term financial strategy and plans.</p>	<p>The Workforce Planning Group is overseeing the development of a medium-term workforce strategy for COPFS to tie in with the outcome of the Financial Sustainability Project; to support and inform this process, WPG has also commissioned work to identify the future structure, grading, skill sets etc for each of the three functions (Serious Casework, Local Court and Business Services).</p>	<p>Deputy Chief Executive</p> <p>On-going but initially December 2016</p>