



Scottish Courts and Tribunals Service

2015/16 Annual audit
report to Members and
the Auditor General for
Scotland

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Angela Cullen, Assistant Director, Audit Scotland is the appointed external auditor of the Scottish Courts and Tribunals Service for the period 2014/15 to 2015/16.

This report has been prepared for the use of the Scottish Courts and Tribunals 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

- The independent auditor's report on the 2015/16 financial statements is unqualified.

Financial Position

- The financial position of the Scottish Courts and Tribunals Service remains stable with the body operating within its available income and funding and a positive cashflow.
- Net expenditure of £83.082 million was within the DEL budget of £85.031 million.
- Capital expenditure of £9.233 million was within the £9.280 million Capital DEL budget.
- Revenue AME expenditure of £0.498 million exceeded the Revenue AME budget of £0.040 million. This was due to dilapidations on buildings owned by the Scottish Government which were transferred to the Scottish Courts and Tribunals Service as part of the merger with the Scottish Tribunals Service.
- Net asset position of £428.626 million.
- The 2016/17 budget is £88.9 million comprising an operating budget of £76.5 million and a capital budget of £12.4 million. This represents a 7.2 per cent decrease in real terms against 2015/16.
- The Scottish Courts and Tribunals Service had satisfactory financial management arrangements in place and systems of internal control operated effectively.

Governance & accountability

- The Scottish Courts and Tribunals Service's governance arrangements operated effectively in 2015/16.
- Arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.
- There is scope to improve the transparency of governance arrangements. Board papers could be made more accessible and some meetings could be held in public.



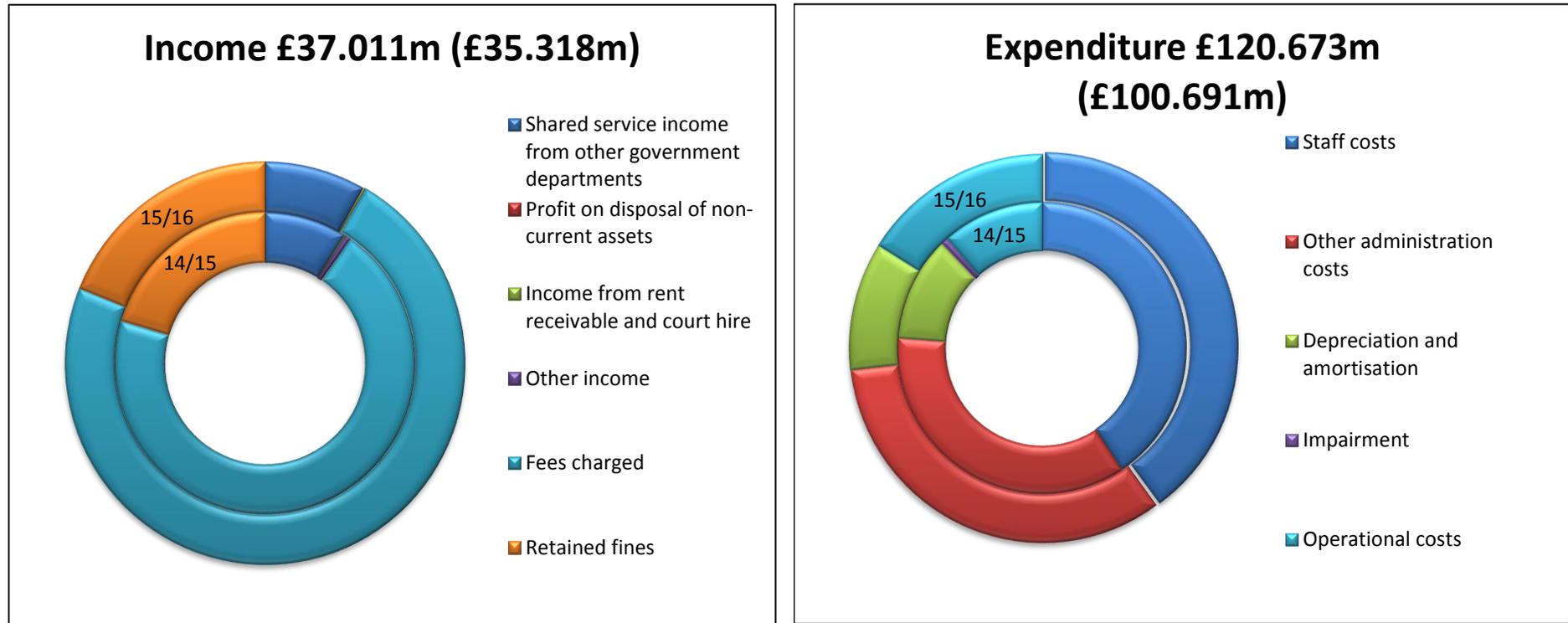
Value for Money

- The Scottish Courts and Tribunals Service has refined its arrangements for assessing and reporting its delivery of Best Value.
- A national performance audit on the efficiency of processing criminal cases through sheriff courts was published in September 2015. Reducing budgets and more complex cases are putting pressure on Scotland's sheriff court system. The establishment of the Scottish Government's Justice Board has improved joint working between key national bodies and management of the system as a whole.
- The People Strategy which will set out the key priorities for maintaining and developing the workforce for the next three to five years is currently being developed.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Scottish Courts and Tribunals Service.
2. The management of the Scottish Courts and Tribunals Service 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.
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 reports relevant to the Scottish Courts and Tribunals Service are summarised at [appendix II](#) and [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 the Scottish Courts and Tribunals Service understands its risks and has arrangements in place to manage them. The Audit and Risk Committee should ensure that they are satisfied with the proposed actions 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 the Scottish Courts and Tribunals Service will be Scott-Moncrieff. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

Audit of the 2015/16 financial statements



The financial statements show that income of £37.011 million is £1.693 million (4.8%) more than last year. This is largely due to increased fee income as a result of increased charges and levels of business. 2015/16 income is within the Total Limit on Income (accruing resources) of £40.0 million, set out in the 2015/16 Spring Budget Revision. In addition to income from fees and charges, the Scottish Courts and Tribunals Service had a resource DEL budget of £85.031 million, a capital DEL budget of £9.280 million and a revenue AME budget of £0.040 million (see page 10). The Scottish Courts and Tribunals Service received cash funding from the Scottish Consolidated Fund of £78.507 million which is £4.938 million (6.7%) more than last year.

Expenditure of £120.673 million is £19.982 million (19.8%) more than last year. This is due mainly to the merger with the Scottish Tribunals Service and increased expenditure on buildings maintenance, including back-log maintenance. An additional budget of approximately £11.0 million was transferred to the Scottish Courts and Tribunals Service in 2015/16 as a result of the merger with the Scottish Tribunals Service.

Audit opinions

Financial Statements	<ul style="list-style-type: none">• The financial statements of the Scottish Courts and Tribunals Service 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.• 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.
Regularity	<ul style="list-style-type: none">• In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.• The sums paid out of the Scottish Consolidated Fund were applied in accordance with section 65 of the Scotland Act 1998.
Other prescribed matters	<ul style="list-style-type: none">• The part of the Remuneration 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.• The information given in the Performance Report of the Annual Report is consistent with the financial statements.

Submission of financial statements for audit

10. We received the unaudited financial statements on 31 May 2016, in accordance with the agreed timetable. The unaudited financial statements were substantially complete with the exception of the Fees Memorandum Trading Account, which was not provided until 20 July 2016. The draft annual report and accounts were of a high standard and complied with the 2015/16 FReM. Staff provided support and working papers to the audit team which enabled us to complete our on-site fieldwork on 7 July 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 5 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 £81,700 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 programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
17. 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 £1.2 million (1% of gross expenditure).
18. 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 also revised on receipt of the unaudited accounts to £0.850 million (i.e. 70% of materiality).

19. We report all misstatements greater than £12,000.

Evaluation of misstatements

20. No misstatements have been identified which impact on the primary financial statements. Notes to the accounts have been amended as described in paragraphs 21 and 22 but these adjustments do not impact on the primary financial statements.

21. Note 12 “Commitments under operating leases” in the unaudited accounts excluded operating leases totalling £1.577 million transferred over from the Scottish Tribunals Service. Commitments under operating leases between two and five years were also overstated by £0.091 million. Note 12 has been amended in the revised audited accounts.

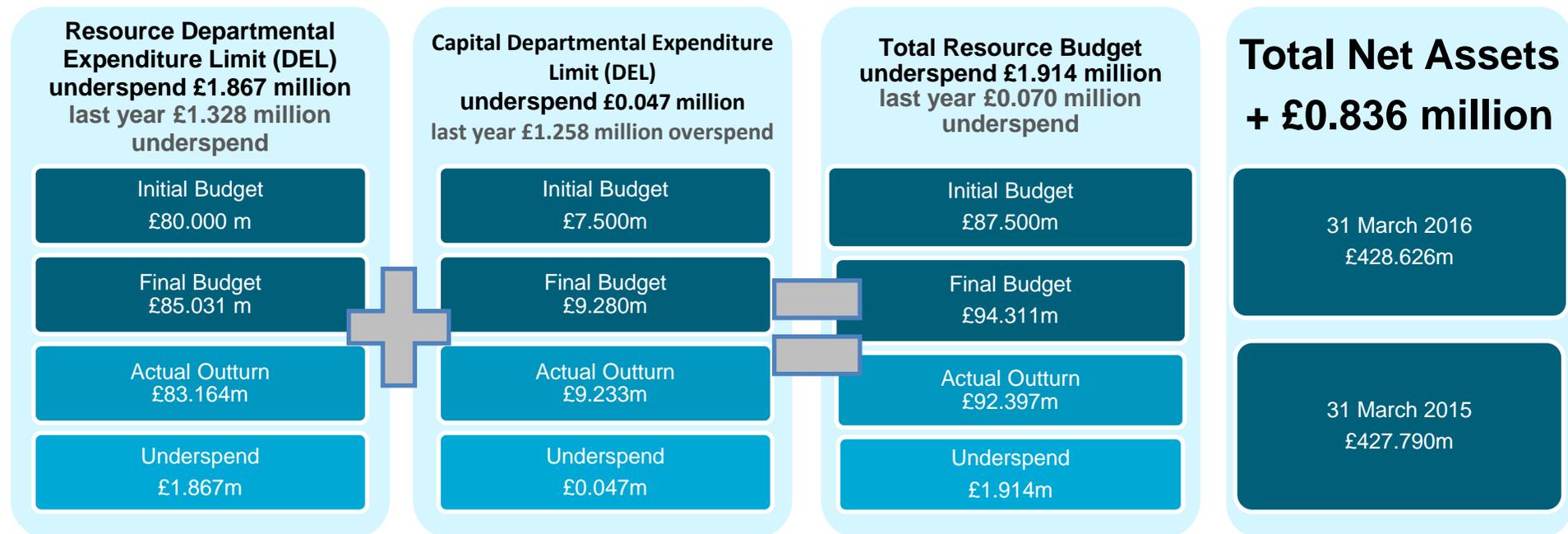
22. A late adjustment made by the Scottish Government to the Scottish Courts and Tribunals Service ledger resulted in “inward secondments” being understated and “other pension costs” being overstated by £0.038 million in the staffing costs note within the Remuneration and Staff Report. The staffing costs note has been amended in the revised audited accounts.

Significant findings from the audit

23. 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 were 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.
24. There are no issues or audit judgements, in our view, which require to be communicated to those charged with governance in accordance with ISA 260.

Financial management and sustainability



In addition to its resource budget above, the Scottish Courts and Tribunals Service also had a revenue Annually Managed Expenditure (AME) budget of £0.040 million which was overspent by £0.458 million. The Scottish Courts and Tribunals Service also received £33.911 million income from fees and retained fines and £3.100 million of other income, mainly shared service income from other government departments.

25. The main financial objective for the Scottish Courts and Tribunals Service is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers. The Scottish Courts and Tribunals Service operated within its resource budgets for 2015/16. The revenue outturn was £83.164 million against a resource budget of £85.031 million; an underspend of £1.867

million. The capital outturn was £9.233 million against a budget of £9.280 million; an underspend of £0.047 million. The AME budget was overspent by £0.458 million as a result of dilapidations on buildings owned by the Scottish Government, which were transferred to the Scottish Courts and Tribunals Service as part of the merger with the Scottish Tribunals Service.

2015/16 financial position

26. The Scottish Courts and Tribunals Service, is a Non-Ministerial Department, and as such, receives the majority of its funding directly from the Scottish Government. During 2015/16, it also received £33.911 million from fees and retained fines (2014/15: £31.921 million) and other income of £3.100 million (2014/15: £3.397 million) which was mainly shared service income for other government departments. 2015/16 income is within the Total Limit on Income (accruing resources) of £40.0 million, set out in the 2015/16 Spring Budget Revision.
27. The Statement of Financial Position at 31 March 2016 shows an increase in total equity of £0.836 million. This position is largely attributable to increases in non-current assets (£2.961 million) and current assets (£1.701 million). The increase in non-current assets is due mainly to expenditure on ICT and existing buildings. The increase in current assets is due to an increase in cash held and prepayments to suppliers.
28. This increase in assets is offset by an increase in provisions and other liabilities of £3.826 million. The increase in provisions is due to the inclusion of the president's pension costs as a result of the merger with the Scottish Tribunals Service and an increase in the property and dilapidations provision. Accruals have increased as a result of the merger, and buildings maintenance and additions.
29. The financial position of the Scottish Courts and Tribunals Service remains stable with the body operating within its available income and funding (on an accounting and resource basis), reporting an

excess of assets over liabilities and positive cashflows (taking into account Scottish Government funding).

Financial Planning

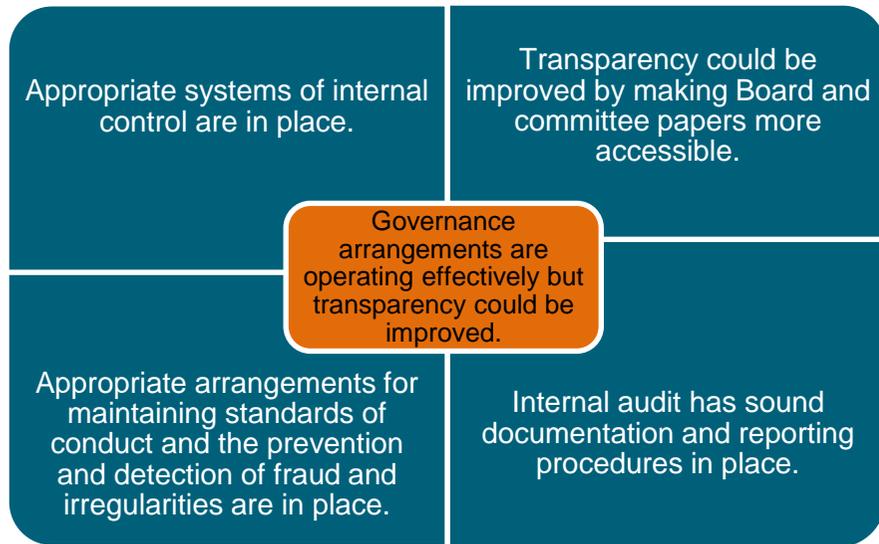
30. The Scottish Courts and Tribunals Service's corporate plan sets out the service's strategic vision and priorities over the three-year period from 2014-15 to 2016-17. For each year covered by the corporate plan, a business plan is prepared which explains the service's operating environment and deliverables. The business plan includes a high level summary financial plan for the period based on the assumed level of funding that will be available.
31. The Scottish Courts and Tribunals Service's budget for 2016/17 is £88.9 million. This comprises an operating budget of £76.5 million and a capital budget of £12.4 million. This represents a £5.5 million cash reduction (7.2 per cent in real terms) against the 2015/16 budget of £94.4 million (which includes AME of £0.040 million and is after the autumn and spring budget revisions).
32. Following the 2016 Scottish Parliament elections, it is likely that the new Scottish Government will publish a multi-year spending review. The Scottish Courts and Tribunals Service should develop a long-term financial strategy that includes a clear understanding of its costs, savings options, scenario planning and how it will meet demand and deliver services. The long-term financial strategy should clearly link to other strategies including the corporate plan, people strategy and digital strategy.

Appendix IV – Action Plan No.1

Financial management

33. 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 are provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
34. Based on our accumulated knowledge and through our attendance at the Audit and Risk Committee meetings, we conclude that the Scottish Courts and Tribunals Service has strong financial management arrangements in place.
- Audit and Risk Committee members provide a good level of challenge and question significant variances.

Governance and transparency



Corporate governance

35. The Accountable Officer for the Scottish Courts and Tribunals Service is the Chief Executive, answerable to the Scottish Government’s Principal Accountable Officer and Scottish Ministers. The Accountable Officer and the Scottish Courts and Tribunals Service’s Board are responsible for establishing arrangements for ensuring the proper conduct of the affairs of

the Scottish Courts and Tribunals Service and for monitoring the adequacy of these arrangements.

36. The Board is supported in its role by a number of standing committees as illustrated below:

Exhibit 1: The Scottish Courts and Tribunals Service Governance Structure 2015/16



37. The Scottish Courts and Tribunals Service’s Board met on seven occasions in 2015/16. Committees met quarterly, with the exception of the Remuneration Committee - which met

once to review the remuneration of the Scottish Courts and Tribunals Service's members who are not salaried public servants.

38. We concluded that the Scottish Courts and Tribunals Service has effective overarching and supporting governance arrangements, which provide an appropriate framework for organisational decision making.

Transparency

39. 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.

40. We reported in our 2014/15 Annual Audit Report that the Scottish Courts and Tribunals Service could improve the transparency of its decision making by holding some of its meetings in public, and making more Board and committee papers publicly available.
41. Management's response was that it would review its existing approach in relation to Board meetings and meetings on issues that are likely to generate significant public interest. In doing so it would consider the appropriateness of open meetings in the context of the nature of the business of the Scottish Courts and Tribunals Service.
42. Management has considered its approach and the position remains unchanged. We still consider that there is scope for the Scottish Courts and Tribunals Service to improve its level of openness and transparency without compromising the need to do some of its business in private. Board and committee papers could be made more accessible.
43. 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.

44. The Scottish Courts and Tribunals Service included disclosure of these areas in the Performance Summary and at Note 17 in the 2015/16 Annual Report and Accounts.

Internal control

45. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain sufficient audit evidence to support our opinion on the financial statements. Our overall conclusion was that the internal controls for the systems tested operated effectively and this allowed us to take the planned assurance from these systems for the audit of the 2015/16 financial statements.
46. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit, which could adversely affect the organisation's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Internal audit

47. 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.

48. As part of our risk assessment and planning process our Scottish Government audit team assessed the Scottish Government Internal Audit Directorate, the Scottish Courts and Tribunals Service's internal auditors, and concluded that they operate in accordance with the Public Sector Internal Audit Standards (PSIAS). This enabled us to place reliance on the work of internal audit, in terms of our wider Code responsibilities.
49. We have not placed formal reliance on the work of internal audit in 2015/16 for our financial statements audit due to the nature of the internal audit work. However, we have taken account of internal audit's 2015/16 work in respect of our wider Code responsibilities.

Information and Communication Technology (ICT) audit

Digital strategy

50. The national Digital Strategy for Justice in Scotland was published in 2014. We have previously noted that the Scottish Courts and Tribunals Service had not prepared a local strategy that sets out how it will implement the national strategy and supports the digital developments necessary to deliver the corporate plan. Demonstrable progress has been made

through the course of 2015/16; a draft strategy that sets out the local digital vision until 2021 is being developed. A range of initiatives to be delivered during the next five years are defined in the draft strategy. These will provide the basis to assess the effectiveness of investment in digital services.

Appendix IV – Action Plan No.2

Digital leadership

51. Following an extended period of interim leadership, the Interim IT Director has now been appointed on a permanent basis. This has strengthened accountability for the delivery of the digital strategy at a time when the pace of delivery is likely to increase.

Cyber security

52. We reviewed the Scottish Courts and Tribunals Service’s approach to considering the potential impact of a cyber attack, and the planned responses to dealing with such an incident. This highlighted a number of areas of good practice:
- The impact of a cyber security breach has been actively considered by the Board and the Audit and Risk Committee.
 - To ensure continuous review and improvement, the risk of cyber attack is included on the corporate risk register.

- There are a range of technical measures in place to protect IT systems that are annually assured on behalf of the Home Office to maintain PNN and PSN(P)¹ accreditation.
- The Audit and Risk Committee conducted a “deep dive” review of data and cyber security risks in August 2016.

53. During 2015/16 the Scottish Courts and Tribunals Service was subject to two cyber-attacks. These were both “ransomware” incidents.
54. Major Incident Reports confirm that both of these incidents had limited impact within the Scottish Courts and Tribunals Service. The standard access controls in place ensured that the staff members who inadvertently initiated these attacks had access privileges that allowed a very limited range of files to be encrypted. In both cases, once the malicious code was identified and removed, all corrupted data was restored from backup media.
55. The Scottish Courts and Tribunals Service treated these as major incidents and successfully managed its response using the corporate Major Incident Management plan. An incident report was prepared in each case, summarising the impact and

¹ PNN (Police National Network); PSNP (Public Service Network in Policing). Maintaining secure connection to these networks is required to allow SCTS to exchange information securely with their criminal justice partners.

lessons learned. These reports include action plans, which identify a number of technical improvements to further protect the Scottish Courts and Tribunals Service's infrastructure from future attacks and specify timescales for implementation.

- 56. A staff briefing about the prevalence of threats from malicious emails and web-sites and how to detect them has been circulated. In addition, a new mandatory data security eLearning module for staff has been developed.
- 57. It is clear that cyber security threats are being actively considered, and that a range of technical measures are in place to reduce the likelihood of a successful attack. Experience gained from the recent "ransomware" attacks provides assurance that the Scottish Courts and Tribunals Service has the necessary systems in place to identify and recover from such incidents. No organisation can expect to be completely free from the risk of a cyber attack, and management must ensure that the potential risks and their mitigating actions are kept under continual review.

Arrangements for the prevention and detection of fraud

- 58. The Scottish Courts and Tribunals Service is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We reviewed these arrangements and have concluded that there are effective arrangements for the prevention and detection of fraud.

National Fraud Initiative in Scotland

- 59. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error
- 60. Auditors are required to assess the arrangements that bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.
- 61. As part of the 2014/15 NFI exercise, the Scottish Courts and Tribunals Service submitted payroll and creditors data and the matching process identified sixteen data matches, with one of these "recommended" as a priority for investigation. All data matches have been investigated with no fraud or errors being identified.
- 62. The results from the NFI investigation have been discussed internally by senior management at the Scottish Courts and Tribunals Service, and by the Audit and Risk Committee in April 2016.
- 63. The NFI report was published on 30 June 2016. Since we last reported on The National Fraud Initiative in Scotland in June 2014, outcomes valued at £16.8 million have been recorded and the cumulative outcomes from the NFI in Scotland are now at £110.6 million. These outcomes represent a significant

return to the public finances of Scotland at a time when public finances continue to be under pressure. Across the UK the cumulative total is now £1.39 billion.

64. The NFI report contains a self-appraisal checklist which should be reviewed by the Audit and Risk Committee to ensure that they are fully informed of the planning and the progress being made by officers investigating the NFI 2016/17 exercise.

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

65. 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 consider whether bodies have adequate arrangements in place and have concluded that appropriate arrangements exist within the Scottish Courts and Tribunals Service.

Value for money

Arrangements for securing Best Value

- 66. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Scottish Courts and Tribunals Service's Audit and Risk Committee's remit refers to its responsibilities in relation to Best Value.
- 67. Audit Scotland delivered a presentation to the Audit and Risk Committee in April 2015. The presentation outlined the common framework for Best Value and continuous improvement in public services in Scotland. Members agreed that the Best Value toolkit and guidance would be useful tools that could be used by the Executive to conduct self-assessment and enhance the assurance framework.
- 68. The Committee agreed that the existing assurance framework would be expanded to include Best Value themes where these were not already covered. Members recognised the importance of mainstreaming the delivery of Best Value activity into plans, strategies and reports. This approach was already being undertaken, but the assessment and visibility of its effectiveness will be improved by the developments agreed by the Committee.

- 69. The assurance tracker has now been updated to align business processes and areas with Best Value themes. It was approved at the Audit and Risk Committee's November 2015 meeting, where members agreed that the assurance tracker should be broadened both to highlight where existing assurances supported Best Value themes and to capture further sources of assurance.
- 70. In preparing the 2017-20 Corporate Plan, the Scottish Courts and Tribunals Service is drawing on the vision and strategic direction toolkit. Several objectives in the 2015-16 Business Plan link to the Best Value themes of equality, sustainability and the delivery of efficient business. The completion of these strategic priority outcomes during the year supports delivery of Best Value.

Local performance audit work

Workforce Planning Arrangements

- 71. Audit Scotland published its impact report on '*Scotland's public sector workforce*' in August 2015. The original report (published in November 2013) encouraged bodies to plan workforce changes on a three-year rolling basis; take a longer-term view of the impact of their workforce change programmes, manage departure schemes and develop succession plans.
- 72. During 2015/16 auditors of all public bodies were asked to undertake audit work reviewing the workforce planning

arrangements in place. This work will inform Audit Scotland's forward programme of performance audits.

73. The 2012-2015 People Strategy supported the Corporate Plan of the Scottish Court Service. The People Committee reviews the content of the People Strategy and progress against the actions proposed in the strategy.
74. The Scottish Courts and Tribunals Service is currently developing its new People Strategy which will set out the key priorities for maintaining and developing the Scottish Courts and Tribunals Service's workforce for the coming three to five years.

Appendix IV – Action Plan No.3

National performance audit reports

75. 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 – September 2015

76. 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.
77. Since 2010/11, the budgets of the Scottish Courts and Tribunals Service and the Crown Office and Procurator Fiscal Service have experienced a more significant reduction than the overall Scottish Government budget.
78. 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 is important that work is undertaken to replicate that progress at a local level.
79. 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.

80. The Scottish Government has responded to Parliament on behalf of the justice bodies, including the Scottish Courts and Tribunals Service. Going forward, justice agencies, through the Justice Board and its sub-groups, will continue to work together to improve the efficiency of how cases are prosecuted through our sheriff courts.

81. We will monitor performance and follow up on the impact of this report.

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 (identified in Annual Audit Plan)	Assurance procedure	Results and conclusions
Financial statement issues and risks		
<p>Financial Statements - management override of controls</p> <p>Auditing standards (ISA 240 <i>The auditor's responsibility to consider fraud in an audit of financial statements</i>) require 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>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Evaluation of significant transactions that are outside the normal course of business. 	<p>We concluded from our audit testing that the 2015/16 journal entries, accounting estimates and judgments and significant transactions that we reviewed were appropriate.</p>

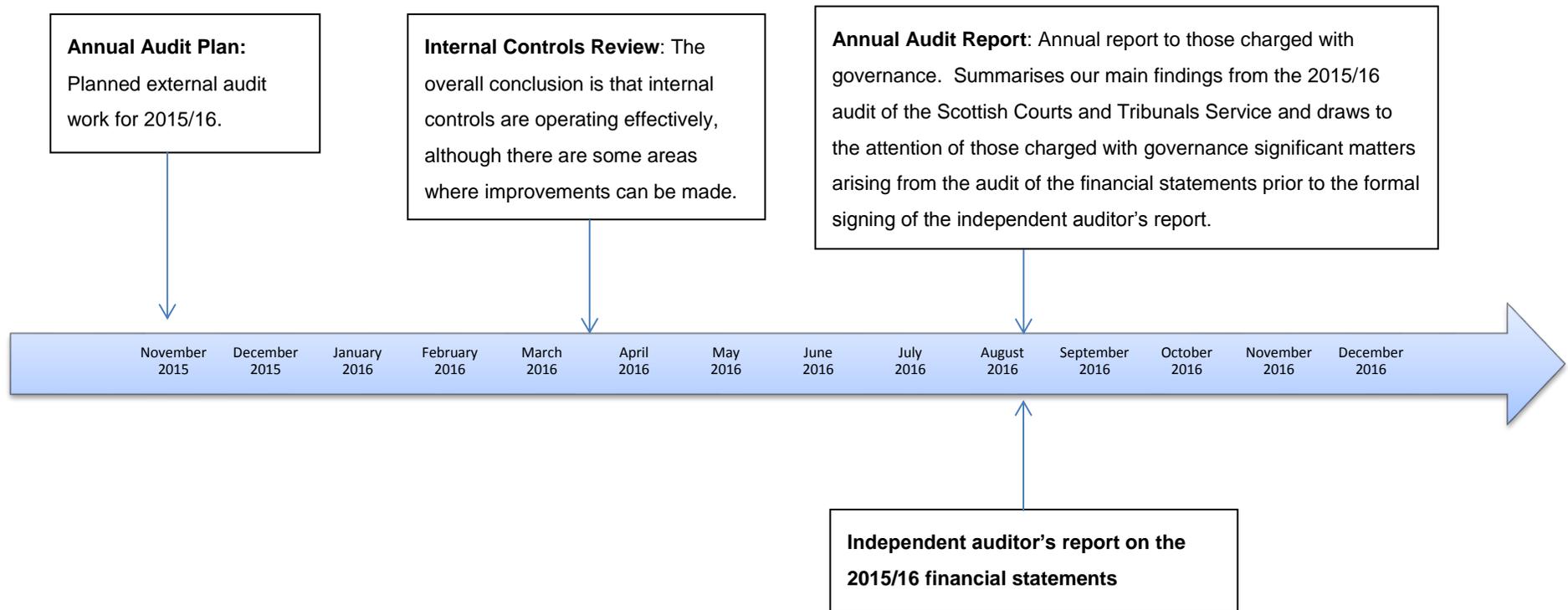
Audit Risk (identified in Annual Audit Plan)	Assurance procedure	Results and conclusions
<p>Income recognition</p> <p>ISA 240 The auditor's responsibility to consider fraud in an audit of financial statements requires auditors to presume a risk of fraud where income streams are significant. The Scottish Court Service receives over £35 million of income from fees and fines in addition to over £87 million funding from the Scottish Government.</p> <p>The extent of income means there is an inherent risk of fraud in accordance with ISA 240.</p>	<ul style="list-style-type: none"> • Review relevant internal controls. • Perform substantive testing of income and trade receivables. 	<p>We concluded from our audit testing that income was correctly accounted for.</p>
<p>Financial capacity</p> <p>Staffing changes and vacancies in the Finance department during 2015/16 are stretching the capacity of the Finance team There is a risk that the operation of internal financial controls and the preparation of the financial statements and supporting working papers may be adversely affected as a result.</p>	<ul style="list-style-type: none"> • Testing of internal controls to confirm that they operated during the year. • Focused substantive testing at the year end. • Meet with officers to discuss audit expectations and confirm timeline for outputs. • Review arrangements in place to mitigate the loss of experienced staff. 	<p>From our testing of internal controls, substantive testing and discussions with officers, we concluded that the capacity of the Finance team has improved during 2015/16. The recruitment of permanent staff remains an issue.</p>

Audit Risk (identified in Annual Audit Plan)	Assurance procedure	Results and conclusions
<p>Revisions to the Government Financial Reporting Manual (FReM)</p> <p>The 2015/16 FReM requires significant changes to the disclosures within the 2015/16 Annual Report and Accounts. A performance report will be required, along with an accountability report comprising a corporate governance report; remuneration and staff report; and a parliamentary and accountability report. There is a risk that non-compliance with the FReM results in a modified audit opinion for 2015/16.</p>	<ul style="list-style-type: none"> • Review of outline Annual Report against the FReM in advance of receipt of the draft Annual Report and Accounts for audit. • Review of the disclosures to ensure consistency with the financial statements and our knowledge of the Scottish Courts and Tribunals Service. 	<p>We discussed proposed amendments with the Scottish Courts and Tribunals Service prior to the provision of the draft Annual Report and Accounts for audit.</p> <p>We reviewed the draft Annual Report and Accounts against the FReM.</p> <p>We reviewed disclosures to ensure consistency with the financial statements and our knowledge of the Scottish Courts and Tribunals Service.</p> <p>We concluded that the 2015/16 Annual Report and Accounts were of a high standard and complied with the 2015/16 FReM.</p>

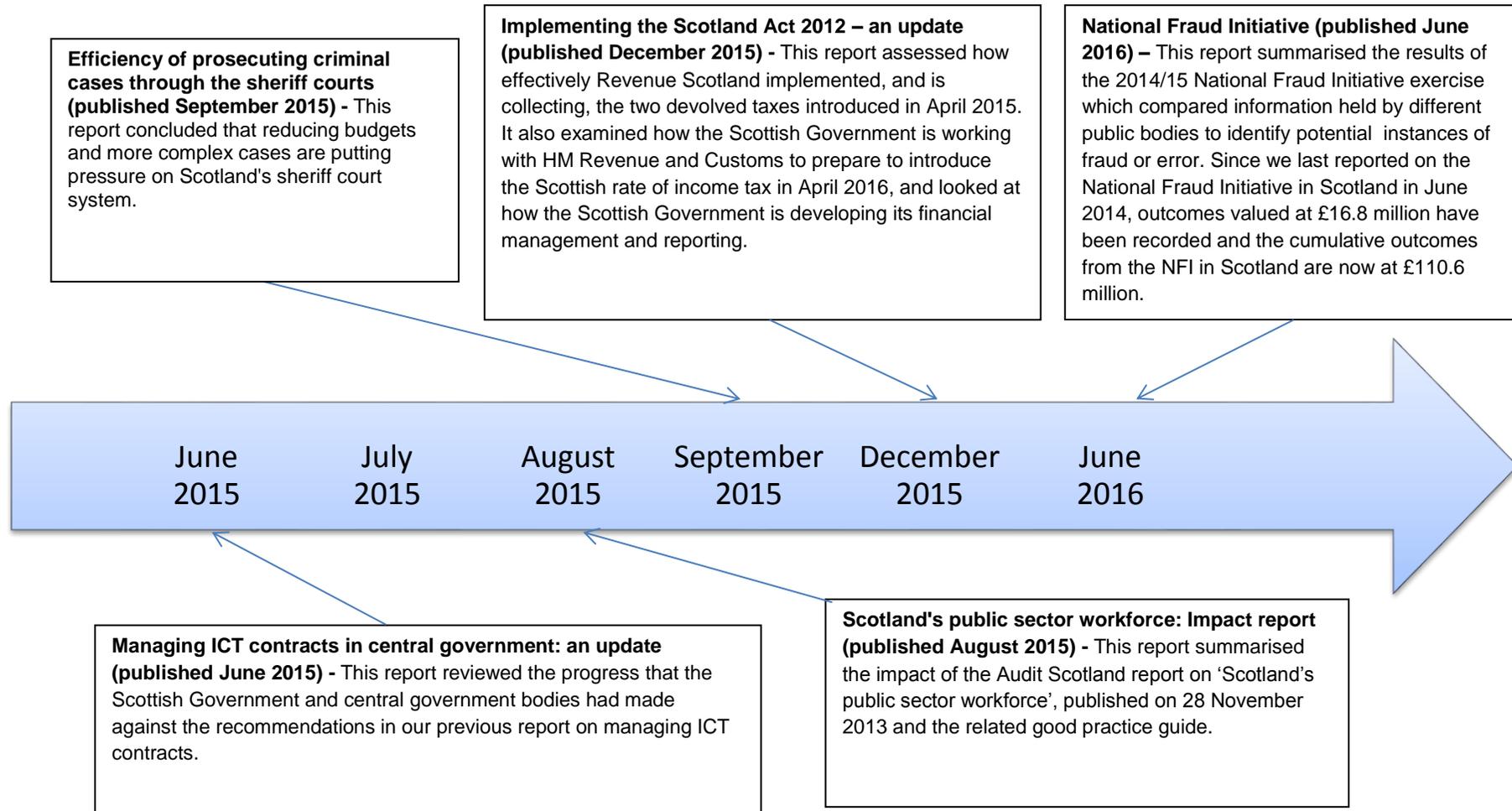
Audit Risk (identified in Annual Audit Plan)	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>Transparency</p> <p>The Scottish Courts and Tribunals Service holds its Board and committee meetings in private and the papers are not publicly available, although the minutes are published on the website. There are some areas of Board and committee business that would not be considered confidential and which could be made more accessible to the public.</p> <p>There is a risk that decision making may not be seen as open and transparent.</p>	<ul style="list-style-type: none"> Follow up of management action after the target date of 28 February 2016. 	<p>We understand that management has considered its approach and the position remains unchanged. We still consider that there is scope for the Scottish Courts and Tribunals Service to improve its level of openness and transparency without compromising the need to do some of its business in private. Board and committee papers could be made more accessible.</p>
<p>Digital Strategy</p> <p>There is no Digital Strategy that sets out how investment in digital enabled technologies will be measured and monitored, or how the Scottish Courts and Tribunals Service intends to deliver the elements of the national strategy that sit within its remit. There is a risk that resources may not be appropriately directed, dependencies may not be identified and successful delivery may not be recognised.</p>	<ul style="list-style-type: none"> Review progress towards preparing a local digital strategy. Review progress towards appointing a permanent IT director. 	<p>During the course of 2015/16 demonstrable progress has been made. A draft strategy that sets out the local digital vision until 2021 is being developed.</p> <p>Interviews to appoint an IT director were held in June 2016; the interim IT director has now been formally appointed on a permanent basis.</p>

Audit Risk (identified in Annual Audit Plan)	Assurance procedure	Results and conclusions
<p>Cyber security</p> <p>There is a risk that access to IT systems or the integrity of Scottish Courts and Tribunals Service data could be compromised as a result of a cyber attack.</p>	<ul style="list-style-type: none"> Review security controls against cyber attack including disaster recovery. 	<p>The impact of cyber security breaches are included in the corporate risk register and routinely reviewed by management. Annual expert assurance of technical security measures is required to maintain PNN and PSN(P) accreditation. Two recent cyber attacks were handled successfully with no resulting data loss.</p> <p>While no organisation can expect to be completely protected from the results of a cyber attack, the Scottish Courts and Tribunals Service has demonstrated that it is able to recover from such an attack and learn from the experience.</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.	32	<p>Long term financial strategy</p> <p>The Scottish Courts and Tribunals Service's corporate plan covers a 3 year period. It does not currently have a longer term financial plan.</p> <p>Risk: SCTS cannot demonstrate how it will deliver its key priorities within available resources over the longer term.</p> <p>Recommendation: The Scottish Courts and Tribunals Service should develop a long-term financial strategy that includes a clear understanding of its costs, savings options, scenario planning and how it will meet demand and deliver services. The long-term financial strategy should clearly link to other strategies including the corporate plan, people strategy and digital strategy.</p>	<p>The development of a long-term Financial Strategy has already been identified as one of our corporate goals and the strategy will be published by 31 December 2016.</p> <p>The strategy will be informed by the SCTS Corporate Plan 2017-20 and will identify cost drivers and pressures, investment opportunities and income projections.</p> <p>It will link through to other corporate strategies including the people and digital strategies.</p>	<p>Chief Finance Officer</p> <p>31 December 2016</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2. 69694	50	<p>Digital strategy</p> <p>A digital strategy that defines how the Scottish Courts and Tribunals Service's investment in digital technology will support both corporate requirements and the delivery of the Digital Strategy for Justice in Scotland is being developed.</p> <p>Risk: 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>Recommendation: Management should finalise and approve the digital strategy as soon as possible, and ensure it is supported by a delivery plan against which progress can be monitored.</p>	<p>As set out in our current Business Plan, SCTS has begun work on creating a digital strategy.</p> <p>An initial draft has been prepared and work is ongoing to develop this. We will publish the finalised SCTS Digital Strategy by 31 March 2017.</p> <p>The strategy will be informed by the SCTS Corporate Plan 2017-20, the SG Digital Strategy, Justice Digital Strategy and the emerging Evidence and Procedure outcomes.</p> <p>An implementation plan will be delivered for ongoing monitoring of progress.</p>	<p>Chief Finance Officer</p> <p>31 March 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3. 76920	74	<p>People Strategy</p> <p>A People Strategy which will set out the key priorities for maintaining and developing the workforce for the coming three to five years is being developed.</p> <p>Risk: Without a current People Strategy, succession planning, skills requirements and scenario planning for significant future changes (e.g. the potential for devolved tribunals) may not be properly addressed.</p> <p>Recommendation: Management should ensure that the People Strategy is finalised and approved as soon as possible. Progress against proposed actions should be regularly monitored by the People Committee.</p>	<p>As set out in our current Business Plan, a People Strategy is a key corporate deliverable for this financial year.</p> <p>SCTS will develop and publish a People Strategy by 30 January 2017.</p> <p>The strategy will be informed by the SCTS Corporate Plan 2017-20 and will read through to other emerging corporate strategies including the financial and digital strategies.</p> <p>The People Committee will be tasked with monitoring high level progress against the strategy.</p>	<p>Chief Finance Officer</p> <p>30 January 2017</p>