

Scottish Court Service

Annual report on the 2010/11 audit



Prepared for Scottish Court Service and the Auditor General for Scotland
October 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Key messages	4
2010/11	4
Outlook.....	4
Introduction	5
Financial statements	6
Audit opinion	6
Accounting issues	7
Outlook.....	8
Financial position	10
Financial results 2010/11.....	10
Capital investment and performance 2010/11	11
Financial planning to support priority setting and cost reductions	11
Outlook.....	13
Governance and accountability	14
Corporate governance.....	14
Prevention and detection of fraud and irregularities.....	16
Standards of conduct and arrangements for the prevention/ detection of bribery and corruption	16
Best Value, use of resources and performance	17
Management arrangements	17
Overview of performance in 2010/11	18
National performance reports	19
Appendix A: audit reports	21
Appendix B: action plan	22

Key messages

2010/11

We have given an unqualified opinion on the financial statements of Scottish Court Service (SCS) for 2010/11. The accounts show that SCS achieved slight underspends against both its capital and revenue budgets in the year. Income from fees and retained fines continues to be a significant feature and remains at 30% of total expenditure.

Following enactment of the Judiciary and Courts (Scotland) Act 2008 the Scottish Court Service changed status from an executive agency of the Scottish Government to a non-ministerial department on 1 April 2010. During 2010/11, the SCS established governance processes including committee structures, published a corporate plan and set out its strategic vision.

SCS also took significant steps to reduce its on-going operating costs, in the context of constrained public finances:

- a 2010/11 voluntary severance exercise resulted in approval of 96 staff leaving the organisation (8.2% of the total workforce) at a cost of £3 million
- a new facilities management contract was awarded with year-on-year efficiency targets
- a shared service approach to estate management was introduced in partnership with the Crown Office and Procurator Fiscal Service.

Outlook

SCS will be required to deliver a 2011/12 revenue budget that has been reduced by 5%. A more significant challenge will be the 50% reduction in capital budget. This reduction will impact on the ability of SCS to maintain its estate, as a significant proportion of the remaining capital budget is committed to Parliament House and ICT.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Scottish Court Service (SCS). The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. Reports have been issued in the course of the year (Appendix A) and we do not repeat all of the findings in this report, but instead we focus on the financial statements.
3. Appendix B is an action plan setting out 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 "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that SCS understands its risks and has arrangements in place to manage these risks. The Board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to SCS and the Auditor General and should form a key part of discussions with audit committees, either prior to, or as soon as possible, after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by SCS's Audit Committee.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of the expenditure and income (except for local government bodies).
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, statement on internal control and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of SCS for 2010/11 give a true and fair view of the state of the body's affairs.
11. SCS is required to follow the 2010/11 Government Financial Reporting Manual (the FReM) and we confirm that the financial statements have been properly prepared in accordance with the FReM.

Regularity

12. In accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, we have also provided an opinion, that in all material respects, the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

Remuneration report and statement on internal control

13. In our opinion, the audited part of the remuneration report has been properly prepared and is consistent with the financial statements.
14. We also confirm that we have no issues to report to you on the statement of internal control and its compliance with guidance.

Accounting issues

Accounts submission

15. A set of financial statements and working papers were submitted for audit on 16 May, in accordance with the pre-agreed timetable. These statements comprised only the annual accounts element. The first stage of the audit fieldwork was completed and any audit matters cleared with the Head of Finance by 16 June.
16. On 18 July we received the residual elements of the annual report including, but not limited to, the management commentary, remuneration report, statement of accountable officer's responsibilities, statement on internal control and performance results.
17. This split approach to submission was agreed to enable SCS to fully consider any revisions to its narrative disclosures as a result of the change in status during 2010/11 (to non-ministerial department) and to take advantage of the longer reporting timeframes this change allowed.
18. Our report on any significant matters on the financial statements was issued to the Audit Committee on 24 August. The revised financial statements were signed by the chief executive and accountable officer on 21 September.

Presentational and monetary adjustments to the unaudited accounts

19. Last year we reported that the draft accounts did not comply with the FReM in a number of areas and SCS agreed to improve its compilation procedures including a cross check to the FReM before issue. This year we again found that the narrative disclosures within the report contained some presentational and compliance issues. The most significant of these issues have been corrected in the audited annual report and accounts.

Refer Action Plan No. 1

20. We also identified an issue with the application of indexation to the revaluation of buildings which added around £1.5 million to the valuation of property in the draft accounts. The audited financial statements have been adjusted to reflect this.

Prior year adjustments

21. All central government bodies have been affected by the removal of the cost of capital in the 2010/11 FReM. This change is identified in the accounting policies and appropriate amendments have been made to the prior year statements.

Pension transfer provisions

22. The accounts include a provision of £6.3 million for payments to be made to the Principal Civil Service Pension Scheme (PCSPS). Staff who are ex-employees of the former District Courts were given the option to transfer from local government pension schemes into the premium scheme of the PCSPS. Due to underfunding within the local government schemes (as advised by the Government Actuary's Department) the shortfall is required to be met by SCS.

23. This provision has been in place since 2007/08 and was based on a similar transfer undertaken by Her Majesty's Court Service in England and Wales. However, to date, SCS has only received final valuation information from the Government Actuary's Department for staff that transferred from Lothian and Borders and from Grampians, Highlands and Islands. In monetary terms £77,000 has been applied from the provision in 2010/11 (£333,000 in 2009/10 and £292,000 in 2008/09). The slow rate of realisation has hindered SCS from carrying out a full review of the provision, against the original assumptions, but we note that the Director of Finance continues to monitor the position. Any significant change to this valuation could have a significant impact on budgets and financial planning. SCS staff will continue to liaise with the Government Actuary's Department.

Refer Action Plan No. 2

Retentions

24. Included within other trade payables are retention amounts totalling £838,000. A proportion of this balance (£286,000) pre-dates 2010/11 and relates to capital activity going back to 2001. Due to the age of these retentions there is a risk that these liabilities are no longer valid. Officers within SCS have agreed to review the retentions during 2011/12.

Refer Action Plan No. 3

Whole of government accounts

25. The whole of government accounts (WGA) is the consolidated financial statements for all branches of government in the UK. SCS was required to submit a consolidation pack to the Scottish Government by 15 July, prior to the submission to audit. The pack was submitted on 4 July, and the audited return completed on 28 August (deadline 26 August).

Outlook

26. The main change in the financial reporting framework (FReM) next year (2011/12) is that grants and donated assets should be recognised immediately, unless there is a condition that the recipient had not satisfied that would lead to repayment. This is unlikely to have much (if any) impact on SCS.
27. Looking further ahead, from 1 January 2013 changes to international financial reporting standards (IFRSs) will become effective. This includes the introduction of:
- IFRS 9 - financial instruments (replacing IAS39)
 - IFRS 10 - consolidated financial statements (replacing IAS27)
 - IFRS11 - joint arrangements (replacing IAS31)
 - IFRS12 - disclosure of interest in other entities (replacing IAS 27,28 and 31)
 - IFRS 13 - fair value.
28. Revisions to the FReM for 2013/14 are included in the Financial Reporting Advisory Board (FRAB) forward work programme for 1 December 2011.

Audit appointment for 2011/12

29. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for SCS will continue to be Audit Scotland. We look forward to continuing the good working relationship that exists and thank officers and members of the board and committees for their assistance during the last five years.

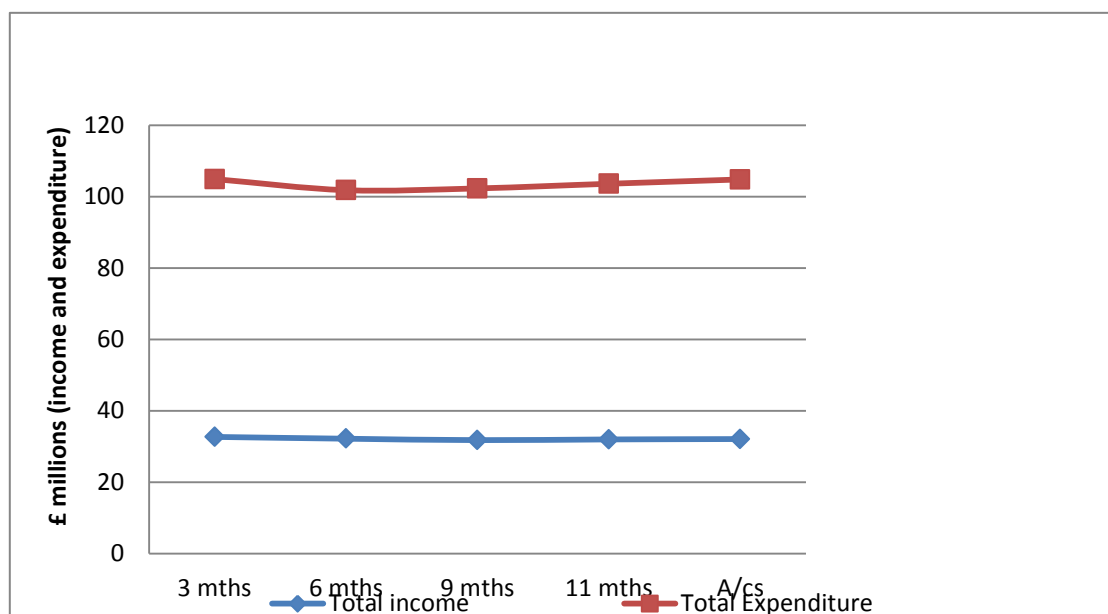
Financial position

30. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
31. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
32. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results 2010/11

33. The Scottish Government provides SCS with a budget allocation for the year, which originates from the Spending Review Settlement and is subsequently approved in the Budget Bill. During the year revisions are approved in the autumn and spring budget. SCS is expected to manage its budget in accordance with the Financial Memorandum and Scottish Public Finance Manual.
34. SCS achieved a net underspend of £0.7 million against a net revenue funding budget from Scottish Government of £73.5 million. The largest elements of SCS's total expenditure (£104.8 million) are staff and administration costs with depreciation and operational costs also at significant levels. Total expenditure is offset by income of £32 million consisting of fees, retained fines and rental income.
35. It is Scottish Government policy that fees reflect the cost of providing services, and SCS's budget is set at a level that requires additional income to be raised. In 2010/11 SCS recovered 76% of the costs of delivering civil business in the courts. This compares to 80% recovery in the same period by HM Courts Service in England and Wales. Whilst plans are in place to realise cost savings in this area, the level of recovery is likely to fall further without revised Fees Orders being issued. Following recent publication of the Scottish Government Spending Review, SCS will be working with the Scottish Government to consult on the level of fees charged in future years.

Exhibit 1: Budgetary control reporting



Source: SCS finance reports (forecast figures) and 2010/11 Annual Report and Accounts

36. Exhibit 1 shows forecast income and total expenditure at different stages in 2010/11 and then the final outturn per the Annual Report and Accounts. Finance reports are reviewed by the executive team on a monthly basis and as shown above the final outturn was close to the forecasts during the year, which demonstrates careful budget monitoring. The difference from the 11 month forecast to the accounts position was primarily due to a write-down in value of Paisley JP court as a result of closure.

Financial position

37. The balance sheet as at 31 March 2011 shows net assets of £405 million (31 March 2010 £393 million (restated)). The capital budget allocated for 2010/11 was £20 million and this was only slightly underspent by £0.2 million. The majority of capital expenditure was on the Parliament House project.

Financial planning to support priority setting and cost reductions

38. In 2010/11 SCS had to manage a budget which incorporated efficiency savings of approximately 5%. Budgets were comprehensively reviewed and in 2010 SCS commenced work designed to deliver year-on-year savings. The more significant activities are detailed below.

Workforce reduction

39. SCS introduced a recruitment freeze in 2010 and subsequently carried out a voluntary severance exercise with 96 staff approved for early release. The combined effect of these two activities is a reduction in staff complement of 120 full time posts with an associated annual pay cost saving of £2 million. The scale of reduction represents 8.2% of the 2009/10 workforce

(1,456). The voluntary severance exercise has helped SCS towards cutting baseline costs in 2011/12.

Estate Management

40. During the year, SCS awarded a new facilities management (FM) contract to Arthur MacKay. The contract covers the provision of services over the whole estate with scope for considerable efficiency savings. These include a guaranteed year-on-year 5% energy consumption saving.

Shared services

41. An agreement has been reached between SCS and the crown Office and Procurator Fiscal Service (COPFS) to share estate management services, bringing estimated savings of £200,000 per annum. SCS and COPFS are already co-located in several buildings and a feasibility study indicated that both organisations could realise financial benefits from a shared estate management function. In July 2011 SCS assumed responsibility for managing both estates.

Procurement

42. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement. In 2009 the Scottish Government introduced a new annual evidence-based assessment, the procurement capability assessment (PCA), to monitor how far public sector bodies adopt good purchasing practice and as a basis for sharing best practice. SCS were assessed as "improved performance" in the PCA assessments with an overall result of 59%. SCS are continuing to monitor the efficiencies achieved through procurement to identify any areas for further improvement.

Partnership working

43. SCS identified working with others to improve the efficient and effective delivery of justice in the one year corporate plan covering 2010/11. SCS are involved in projects with partners from within the justice system as part of the Scottish Government's 'Making Justice Work' Programme. Projects within making justice work contribute towards National Outcome 15: 'Our public services are high quality, continually improving, efficient and responsive to local people's needs'.
44. Projects are overseen by senior staff from the Scottish Government's Justice Directorate and other arms length bodies within the justice portfolio, including the Chief Executive of SCS. 'Making Justice Work' contains five overarching projects, most of which are directly relevant to SCS. Projects include 'Delivering efficient and effective court structures' and 'Improving procedures and case management'. These projects are hoped to achieve efficiency savings through, for example, greater use of video technology and steps to ensure that a higher proportion of scheduled cases proceed.

Outlook

2011/12 budget

45. Scottish Ministers have agreed a total revenue expenditure budget (funded by retained income and SG funding) of £101 million for 2011/12, a 5% decrease on the 2010/11 revenue budget of £106 million. As noted above the SCS has taken significant steps to reduce its annual operating costs, but the extent of budget reduction is significant and some risk still remains over the achievement of this budget.

Refer Action Plan No. 4

46. The capital budget for 2010/11 is £10 million (a reduction of £9.9 million or 49%). The majority of this is committed capital costs on the Parliament House project and unavoidable ICT costs. There is therefore a risk that necessary capital work in other areas of the SCS estate will not be possible within the restricted capital budget.

Refer Action Plan No. 5

End Year Flexibility

47. As part of efforts to reduce national borrowing levels, the UK Government has announced the replacement of End Year Flexibility with a more restrictive budget exchange arrangement from 2011/12. The Scottish Government is in dialogue with HM Treasury about the ultimate implications for the Scottish Budget, including the extent to which it can carry forward any unspent funding from 2010/11 to future years.

Governance and accountability

48. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
49. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
50. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
51. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

52. Prior to the beginning of 2010/11 SCS had established a Shadow Board to enable a smooth transition towards the change from being an agency to a non-ministerial department. The Board is responsible for ensuring that SCS fulfils the aims and objectives agreed between the SCS and Scottish Ministers. The role of the Board includes establishing the overall strategic direction and strong working relationships between SCS staff and the judiciary; ensuring effectiveness, efficiency, economy and equality and compliance with the Scottish public finance manual.
53. Standing orders have been approved and the SCS Board has established three standing committees to provide assurance to the full board. These committees are the: People Committee; Estates Health and Safety, Fire and Security Committee and the Audit Committee.
54. The Audit Committee supports the Board and Accountable Officer by reviewing the level of assurances provided by, for example, SCS's Internal Auditors. The Audit Committee reviews the reliability and integrity of these assurances. The Audit Committee has appointed two additional non-executive members to support its work.
55. The Accountable Officer also signs the Statement on Internal Control within the Annual report and Accounts. The Statement is supported by assurance submissions from SCS executive

directors confirming the effectiveness of controls; corporate risk management systems; the Health and Safety and Security Works Committee and reports to the audit committee from Internal and External auditors.

Internal control

56. Our audit approach includes a review of the high level controls operating within SCS's key financial systems. Our overall conclusion from the 2010/11 review was that key controls were operating effectively and that SCS has adequate systems of internal control in place.
57. While we concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require us to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work is informed by an assessment of risk and the activities of internal audit.
58. As part of our risk assessment and planning process we assessed Scottish Government Internal Audit Directorate (SGIAD), SCS's internal auditors, and concluded that they operate in accordance with the Government Internal Audit Manual. In 2010/11 due to the generic scope of planned work, we did not place reliance on specific tests of control. For 2011/12 we will work with SGIAD and SCS finance team to place greater reliance on the work of internal audit, based on specific key controls and planned internal audit coverage.
59. Our audit approach includes a review of the high level controls operating within SCS's key financial systems. Our overall conclusion from the 2010/11 review was that key controls were operating effectively and that SCS has adequate systems of internal control in place.
60. In their annual report for 2010/11, SGIAD provided substantial overall assurance that SCS's risk management, control and governance arrangements are generally sound and well managed.
61. In the interests of an efficient audit approach we also rely on assurances received from the external auditor of the Scottish Government on work performed on shared systems that operate at SCS, hosted by the Scottish Government. This approach ensures we are delivering an efficient co-ordinated audit that avoids unnecessary duplication. The central systems assurance letter provided by the external auditor concluded that there was adequate assurance from key controls and procedures to enable reliance to be placed on the system.
62. The statement on internal control (SIC) within the 2010/11 financial statements accurately reflects the findings of internal and external audit work. The SIC records management's responsibility for maintaining a sound system of internal control and summarises the process by which the Accountable Officer obtains assurances on the contents of the SIC.

Data loss

63. During 2010/11 SCS reported two incidents of data loss to the Information Commissioner's Office (ICO). The first incident related to inappropriate disposal of High Court records by a third party. The second incident resulted from inappropriate access being granted to a

journalist to petition documents. Investigations into these incidents confirmed that responsibility for the loss lay with SCS.

64. SCS has reached a formal agreement with the ICO to ensure that staff and third parties are aware of and comply with SCS's data handling policy and the requirements of the Data Protection Act (1998). Apologies have been issued to individuals affected by the loss of data.

Prevention and detection of fraud and irregularities

65. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements. SCS has appropriate arrangements in place to prevent and detect instances of fraud and corruption. There were no instances of fraud or corruption reported by SCS in 2010/11.

NFI in Scotland

66. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. SCS participated in the 2010/11 NFI exercise and met the deadlines for submission of data. SCS had 28 matches, which is less than 2% of total staff, and has made good progress in reviewing the NFI reports and taking appropriate action. No instances of fraud have been identified from the recent NFI exercise.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

67. 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 have concluded that the arrangements in SCS are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

68. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
69. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.
70. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
71. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
72. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
73. This section includes a commentary on the Best Value/ performance management arrangements within SCS. We also note any headline performance outcomes/ measures used by SCS and any comment on any relevant national reports and the body's response to these.

Management arrangements

Best Value

74. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.
75. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

76. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
- vision and leadership
 - effective partnership
 - governance and accountability
 - use of resources
 - performance management
 - equality (cross-cutting)
 - sustainability (cross-cutting).
77. The SCS corporate plan 2011-14 (published April 2011) contains actions that reflect the themes above e.g. implementing a new performance framework for 2010/11 and rolling-out the SCS Equality Statement and guidelines. The corporate plan states compliance with Best Value principles will be monitored by the SCS Audit Committee.
78. However, we would recommend that officers review the revised Best Value guidelines to inform future plans and review of performance and which would support the Audit Committee in the above role.

Refer Action Plan No. 6

Overview of performance in 2010/11

Performance measurement outcomes

79. For 2010/11 SCS adopted the performance framework from previous years. During the year the performance framework was reviewed and modified under the direction of the board. This review considered the problems of measuring the performance of the justice system as a whole against the performance of SCS. The new performance framework was approved by the board in February 2011.
80. Two tiers of performance indicators have been established in the new framework. High level indicators are reviewed at Board meetings and lower level indicators are monitored by the executive team and escalated to the board if deemed necessary. Targets highlighted red are followed-up and action taken.
81. SCS Performance during 2010/11, as measured against the indicators in place at the beginning of the year, is divided into two areas:
82. National Targets – Both targets were achieved. These are the Justice system target (65% of criminal cases dealt with within 26 weeks) and the 2% year on year efficiency target (see below).
83. Court Performance Indicators – These are predominantly measures of waiting periods. Performance is measured against indicative performance from prior periods. Performance

against this wide variety of targets has been mixed e.g. waiting periods for criminal appeals to the high court have reduced but waiting period for civil cases have generally increased.

Efficiency targets

84. SCS had 2% year on year efficiency saving target set by the Scottish Government of £7.8 million, for the three years to 31 March 2011. SCS reports that it has achieved savings of £9.0 million against this target.

National performance reports

85. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of interest are:

Exhibit 2: A selection of National performance reports 2010/11

- | | |
|---|--|
| <ul style="list-style-type: none"> Improving energy efficiency: a follow-up report Scotland's public finances: responding to the challenges The role of boards | <ul style="list-style-type: none"> Role of boards: a summary for non-executive board members Management of the Scottish Government's capital investment programme An Overview of Scotland's Criminal Justice System |
|---|--|

Source: www.audit-scotland.gov.uk

The role of boards

86. The report noted that there remains a lack of clarity about the roles of the boards of public bodies, particularly the extent to which they provide leadership and strategic direction and examines this issue, along with other questions about the work of boards.
87. SCS participated in fieldwork for the report. New Board members are provided with induction training and SCS plans to complete a self assessment against the checklist in the Role of Boards report in September 2011.

Improving energy efficiency: a follow-up report

88. Scotland has ambitious targets to reduce greenhouse gas emissions and public bodies are adopting a more strategic approach to improving energy efficiency. However, the public sector as a whole is not yet reducing emissions at sufficient pace to set a good example or influence others, and future budget reductions may affect the level of investment available to achieve further improvement.
89. SCS has incorporated emission reduction targets into the newly-awarded facilities management contract. Energy efficiency is taken into account when assets are replaced and decisions regarding rationalisation of the estate also consider energy efficiency. The Estates

Committee regularly reviews energy usage figures and the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme has been subject to review by Internal Audit.

Management of the Scottish Government's capital investment programme

90. Capital investment met from the Scottish budget will decrease by more than a third between 2010/11 and 2014/15. The Scottish Government will need to make difficult decisions about its investment plans over this period, including affordability and priorities. Although cost estimating has improved in recent years, slippage continues to affect many projects. Cost increases and slippage, when they happen, affect both traditionally financed and revenue financed (including PFI) projects. The longest delays occurred in the earlier stages rather than during the delivery stage (which would be more costly). The Scottish Government is improving its project monitoring and management of the capital programme. However, the pace of change of some improvements has been slow. The Scottish Government is strengthening leadership and oversight of its capital investment programme.
91. SCS already undertake several of the activities recommended to help improve the performance of public bodies. SCS contributes to the Scottish Government's Infrastructure Database on a 6 monthly basis. SCS carry out early stage estimating and quantification of risk and uncertainty and projects are regularly reviewed to ensure they remain relevant. Alternative forms of financing, such as the Scottish Futures Trust, have been considered as have ways to improve value for money. Objectives and targets have been developed to help drive initiatives such as design quality and sustainability and reports are made to the board on current and future capital investment plans.

An overview of Scotland's criminal justice system

92. The Audit Scotland report 'An overview of Scotland's criminal justice system found that the criminal justice system cost an estimated £857 million in 2009/10. While cases were processed through the courts quicker than previously, many cases still have to repeat stages, costing around £10 million in 2009/10, others are subject to late decisions not to proceed, costing an additional £30 million. The report concluded that much of this inefficiency is avoidable.
93. The report warns there are risks to the long-term sustainability of criminal justice services because of falling budgets, rising costs and limited control over demand. New legislation, case law and the increasing complexity of cases are also driving up some costs.
94. The report noted that efficiency could be improved by legislative changes, developing a shared approach between partners in the Justice System, reducing the number of cases that are delayed or resolved and adoption of a case management approach.
95. Some of these improvements are already being explored in the Scottish Government's 'Making Justice Work' programme, which is reflected in SCS corporate plan 2011-2014.

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	2 February 2011	9 February 2011
Key financial controls assurance report	18 August 2011	24 August 2011
Report on financial statements to those charged with governance	18 August 2011	24 August 2011
Audit opinion on the 2010/11 financial statements	18 August 2011	24 August 2011

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible officer	Target date
1	19	<p>Accounts preparation: we again found that the narrative disclosures within the report contained some presentational and compliance issues with FReM.</p> <p>There is a risk that accounts submissions are non-compliant with FReM delaying completion of the audit.</p>	Draft accounts will be reviewed and cross-checked to the FReM prior to submission for audit.	Financial controller	31 March 2012
2	23	<p>Pension provision: The pensions transfer deficit provision is significant, but has a slow rate of realisation, making it difficult to assess the original assumptions for the liability.</p> <p>There is a risk that the provision is misstated.</p>	SCS staff will continue to liaise with the Government Actuary's Department and review the pension deficit in light of information received.	Financial controller	31 March 2012
3	24	<p>Retentions: A proportion of the retention amount in the accounts (£286,000) relates to capital activity going back to 2001.</p> <p>Due to the age of these retentions there is a risk that these liabilities are no longer valid.</p>	Retentions will be reviewed during 2011/12.	Financial controller	31 March 2012
4	45	<p>2011/12 revenue budget: The reduction compare to</p>	The budget risk has been identified on	Director Finance	On-going to March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible officer	Target date
		<p>last year is 5%. SCS has achieved workforce reductions of 8.2% and has planned energy savings of 5%, but achieving this level of budget reduction will be challenging.</p> <p>There is a risk that the 2011/12 budget is not met.</p>	<p>the SCS Corporate Risk Register.</p> <p>Necessary actions have been taken to ensure a balanced budget in 2011/12 and to monitor actual expenditure and income against forecasts during the year. Current projections are that the budget will be met.</p>		
5	46	<p>2011/12 Capital budget:</p> <p>The capital budget has been halved and a significant [proportion of the 2011/12 capital budget is committed to existing projects at Parliament House and on ICT expenditure.</p> <p>There is a risk that other capital and essential maintenance projects are not taken forward and this affects the overall condition of the estate.</p>	<p>The budget risk to the capital budget and estate compliance has been identified on the SCS Risk Register, alongside the risk to individual projects, in particular Parliament House.</p> <p>Investment to address backlog maintenance is monitored through the SCS Board's agreed Performance Framework.</p> <p>Phase II of Parliament House was completed ahead of time and within budget in October 2011 and authorisation and</p>	Executive Director Strategy and Infrastructure	On-going to March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible officer	Target date
			<p>funding for Phase III has been agreed. Capital investment on ICT projects is within budget.</p> <p>Condition surveys have been undertaken of the SCS estate and the SCS Estates etc. Committee and SCS Board have agreed necessary actions and budget allocations to address necessary compliance issues across the estate.</p>		
6	78	<p>Best value:</p> <p>Revised best value guidelines were issued in March 2011 and the accountable officer has a duty to take a systematic approach to self-evaluation and continuous improvement.</p>	<p>The SCS will review its activities against the revised Best Value guidelines as part of its business planning process during early 2012 and include this as part of the business planning information provided to the SCS Board.</p>	Executive Director Strategy and Infrastructure	February 2012