

# Scottish Court Service

Report on the 2007/08 Audit



29 September 2008



# Contents

<b>Executive Summary</b>	<b>1</b>	<b>Performance Management</b>	<b>11</b>
<b>Introduction</b>	<b>3</b>	<b>Looking Forward</b>	<b>15</b>
<b>Financial Position</b>	<b>4</b>	<b>Appendix A: Action Plan</b>	<b>17</b>
<b>Governance</b>	<b>8</b>		



# Executive Summary

## Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by the Scottish Court Service. We audited the financial statements and we also considered aspects of performance management and governance. This report sets out our key findings.

## Financial Position

During financial year 2007/08, the Scottish Court Service recorded income of £21.2 million from operating activities and received financing of £64.1 million from the Scottish Government. The Scottish Court Service incurred a net operating cost of £80.9 million against a budget of £79.9 million; a net overspend of £1.0 million on operating costs.

The balance sheet moved from an opening position of £379.4 million to a closing balance of £390.1 million. The capital budget allocated to Scottish Court Service for 2007/08 was £17.3 million. An overspend of £0.2 million was recorded (£17.5 million outturn capital expenditure).

The increasingly tight financial settlement for 2008-11 will be expected to deliver summary justice reform changes in addition to the normal business of Scottish Court Service. The Scottish Court Service will also be expected to achieve 2% year on year efficiency savings.

## Financial Statements

We have given an unqualified opinion on the financial statements of the Scottish Court Service for 2007/08.

We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

## Performance

The Scottish Court Service published its last 3 year corporate plan for the period 2005-08. This included the use of a 'balanced scorecard' against which the effectiveness of performance could be evaluated over time. The agency review undertaken by Douglas Osler (published in 2006) recommended that the Agency develops new performance indicators to address problems with existing indicators which are viewed as not fit for purpose. It is anticipated that details of new indicators will be included in the next 3 year corporate plan (2008-11) which is yet to be published.



The Scottish Court Service exceeded its budget for 2007/08. The agency will report separately on its existing performance indicators in the Annual Report. In view of the impending changes to the performance indicator framework, we have not reviewed the results in detail.

## **Best Value**

Scottish Court Service completed a baseline review of Best Value in 2005/06. Since that time there have been significant changes in the governance of the Agency and many of the suggested changes have been implemented. We consider this to be sufficient to fulfil the Accountable Officer's duty in this area. After Audit Scotland's newly developed toolkits have been piloted and tested in 2008/09, we plan to apply the toolkits during the audit of the 2009/10 SCS accounts.

## **Governance**

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for the Agency operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

## **Looking forward**

The final part of our report notes some key risk areas for Scottish Court Service going forward. Summary Justice Reform, in particular the unification of the Scottish Court Service with the district courts, continues to represent a significant challenge to the Scottish Court Service.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

**Audit Scotland**  
**29 September 2008**



# Introduction

1. This report summarises the findings from our 2007/08 audit of Scottish Court Service. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 22 January 2008. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance. This report completes our audit by giving an overview of the work we carried out and a summary of the key findings.
2. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of Scottish Court Service during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# Financial Position

3. In this section we summarise key outcomes from our audit of the Scottish Court Service financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

## Our responsibilities

4. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view of the financial position of the Scottish Court Service and its expenditure and income for the period in question;
  - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
  - the consistency of the information which comprises the Operational Performance, the Business Plan Commitments, the Indication of Likely Future Developments, the Performance Against Targets, the Environmental and Social and Community Matters sections of the Management Commentary and the unaudited part of the Remuneration Report included in the Annual Report, with the financial statements, and
  - the regularity of the expenditure and receipts.
5. We also review the statement on internal control by:
  - considering the adequacy of the process put in place by the chief executive as accountable officer to obtain assurances on systems of internal control, and
  - assessing whether disclosures in the statement are consistent with our knowledge of the Scottish Court Service.

## Overall conclusion

6. We have given an unqualified opinion on the financial statements of the Scottish Court Service for 2007/08.
7. As agreed, the unaudited financial statements were provided to us on 6 May, supported by a comprehensive working paper package. As some of the schedules including parts of the management commentary, the remuneration report and the statement of internal control were not delivered by the agreed date, we will be working with Finance staff to reduce the number of schedules that will be



provided after the draft account date in 2009. Although some of this information will be coming from outside sources, the continued pressure for earlier closing from the Scottish Government will mean that each year the Agency will need to take steps to identify areas of work that can be advanced. However, the good standard of the supporting papers and the timely responses from SCS staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 18 June as timetabled.

## Financial Position

### Outturn 2007/08

8. Scottish Court Service is required to work within the resource budget set by the Scottish Government Justice Directorate. In 2007/08 Scottish Court Service overspent its operating costs budget by £1.0 million and overspent its capital budget by £0.2 million (overall position is £1.2 million overspend) – see exhibit 1 below.

**Exhibit 1 – Performance against Resource Budget 2007/08**

Resource Allocation (£ million)	Budget	Actual Outturn	Difference
Operating	79.9	80.9	-1.0
Capital	17.3	17.5	-0.2
<b>Total</b>	<b>97.2</b>	<b>98.4</b>	<b>-1.2</b>

9. Operating outturn increased by £10.8 million from £70.1 million (2006/07) to £80.9 million (2007/08). Increased expenditure on the implementation of summary justice reform was the main reason behind this increase. The creation of a £7.5 million provision for future pension liabilities arising from the transfer of staff was the single largest contributing factor. The movement of £9.6 million from £7.9 million (2006/07) to £17.5 million (2007/08) in capital outturn relates largely to additional funding received in year for major capital projects, for example Phase I of the Parliament House redevelopment.
10. During the year there were two Machinery of Government changes: the transfer of District Courts in Lothian and Borders Sheriffdom (10 March 2008); and the incorporation of the part time shrieval unit (2 April 2007). These figures are detailed in Note 20 and are incorporated in the Operating Cost Statement.
11. The pension liability of £7.5 million was for staff transferring from local authorities. The calculation of the amount was not supported by an actuarial opinion but was based on a pro rata calculation taking account of a similar situation in England when 8,000 staff transferred to HMCS. Audit Scotland examined the basis of the calculation and found that the amount of the provision was reasonable. In subsequent years it will be possible to refine the accuracy of this provision by basing calculations on the experience of the early unifications.



## 2008/09 Budget

12. Scottish Ministers have agreed a resource budget for Scottish Court Service of £101.1 million for 2008/09. This comprises:

- £81.3 million financing. This represents an increase of £0.4 million compared to resource available in 2007/08; and
- £19.8 million income retained from other sources.

**Exhibit 2 – 2008/09 Resource Plan**

	£ million
Operating	71.0
Capital	10.3
<b>Resource Budget</b>	<b>81.3</b>
Other Income Sources	19.8
<b>Total Operating Plan</b>	<b>101.1</b>

13. Current projections forecast expenditure to be within budget in 2008/09. However these projections make assumptions about the level of fee and retained fine income that may be subject to change.
14. The financial settlement for 2008-11 will be expected to deliver the continuing changes required by summary justice reform as well as the day to day business of Scottish Court Service. Although the corporate plan has not yet been published, detailed spending plans will reflect the tight nature of the settlement. Scottish Court Service is yet to find out the level of fine income that can be retained and whether an increase in fees will be approved by Parliament. The Scottish Court Service will also be expected to achieve 2% year on year efficiency savings.

## Issues arising from the audit

15. As required by auditing standards we reported to the audit committee on 18 June 2008 the main issues arising from our audit of the financial statements. The key issues reported were:
16. **Overspend on budget.** During 2007/08 the Scottish Court Service overspent both its operating and capital budget. The operating cost overspend arose as a consequence of adjustments for machinery of government changes. Prior to the machinery of government adjustments, Scottish Court Service's gross outturn figures were within budget.
17. **Disclosure of information in the Remuneration report.** Two members of the executive board have declined permission to disclose pension details in the remuneration report. Stringent conditions must





be satisfied to permit non-disclosure and we are not aware that these conditions have been met. Subject to the need to obtain individuals prior consent, there is a presumption that information about named individuals will be given in all cases with the exception of the circumstances outlined in paragraph 7.2.20 of the Financial Reporting Manual. These include grounds of national security or where it conflicts with existing legislation. Apart from the latter two circumstances, it is for the staff member to make a case for non-disclosure. Where this is agreed, the fact that certain disclosures have been omitted should be disclosed. At the Audit Committee on 18 June 2008, it was agreed that only Strategic Board directors should disclose pension details.

#### **Action Plan 1**

18. **Bank reconciliation.** The Fees and Fines bank account reconciliations have not been prepared or reviewed on a timely basis during the year and the year-end reconciliation was still outstanding at 3 June 2008. Technical problems relating to automated reconciliation hardware and software was a significant factor in the delay. These problems were compounded by the over-dependence on a single terminal for the automated bank reconciliation process.

#### **Action Plan 2**

19. **Payment performance.** A reduction in payment performance from 93% to 83% was recorded in 2007/08. This was caused by (i) individual courts not remitting invoices timeously and (ii) a decline in the quality and late timing of payment reports from Scottish Government. Late payment of invoices exposes SCS to a potential liability to pay interest under the Late Payment of Commercial Debts (Interest) Act 1998.

#### **Action Plan 3**

20. **Management letter.** A letter, including an action plan, covering other non material items identified during the course of the audit was issued to management on 12 August 2008. All items have been discussed with management and none are sufficiently material to warrant inclusion in this report.

## **Regularity Assertion**

21. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance. No significant issues were identified for disclosure.



# Governance

## Overview of arrangements

22. This section sets out our main findings arising from our review of Scottish Court Service governance arrangements. This year we reviewed:
- key systems of internal control;
  - internal audit; and
  - aspects of information and communications technology (ICT).
23. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 8-11). Our overall conclusion is that arrangements within Scottish Court Service are sound and have operated through 2007/08.

## Register of Interests

24. The Ethical Standards in Public Life etc (Scotland) Act 2000 requires that relevant public bodies maintain a register of members' interests. This supports the promotion of the highest standards in public life and would help to ensure that potential conflicts of interest are avoided. While the Act does not specifically cover the Scottish Government, good practice would be to maintain a register of interests, and in particular for non-executive members. The Scottish Court Service does not currently maintain a register for members of the Strategic Board and Executive Board.
25. The Government Financial Reporting Manual requires the Agency to disclose within its financial statements material transactions with related parties, including senior managers and non-executives. In our view the maintenance of a Register of Interests would provide appropriate transparency and support the effective disclosure of related party.

**Action Plan 4**

## Strategic change

26. The status of the Scottish Court Service is expected to change from executive agency to non-ministerial department as a result of the Judiciary and Courts (Scotland) Bill. During the year, the change was expected to take place in June 2008. Consequently our review of corporate governance was delayed until the new management structure had been confirmed. The change is currently expected to occur on 1 April 2010. It is anticipated that the judiciary will form the majority on a new strategic board to be chaired by the Lord President. Internal Audit is currently carrying out a review of



corporate governance procedures which we will take account of when we commence our corporate governance review.

## **Systems of internal control**

27. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2007/08 internal audit provided the opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control.
28. As part of our audit we reviewed the high level controls in a number of Scottish Court Service systems that impact on the financial statements. In addition to the work done on the Scottish Court Service's own systems we also drew assurance from work done by Audit Scotland's Scottish Government team on the Scottish Executive Accounting System (SEAS) used by the Scottish Court Service.
29. A number of minor items were reported in the interim report to management that was agreed in June 2008. The interim report covered work on fixed assets and expenditure in addition to detailed reperformance of peer reviews at three sheriff courts. The conclusions of the interim work were largely satisfactory. The action plan agreed with management included recommendations on peer reviews, payroll and non payroll expenditure.
30. Our overall conclusion was that key controls were operating effectively with the exception of the Fees and Fines bank account reconciliation (Action Point 2).

## **Prevention and detection of fraud and irregularities**

31. The Scottish Court Service has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members.

## **Internal Audit**

32. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2007/08 audit we assessed whether we could place reliance on Scottish Court Service internal audit function (provided by Scottish Government Internal Audit Division). We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in the areas of court peer reviews, civil income, and minor income and expenditure, as we



anticipated in our annual audit plan. We confirmed this in a letter to the Accountable Officer on 19 March 2008.

33. In addition, Audit Scotland's Scottish Government team reviewed the work of the Division in general and we reviewed the work carried out on the Scottish Court Service. We were in agreement with the findings of their report and therefore placed reliance on the areas covered by these audit reviews in coming to our conclusions.

### **Statement on Internal Control**

34. The Statement on Internal Control provided by the Scottish Court Service Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control set out the Scottish Court Service's approach to this.

### **Information and Communication Technology**

35. In January 2008 we presented the results of our Computer Services Review of the Scottish Court Service together with an action plan agreed with management. A number of areas of good practice were noted as well as opportunities for improvement. We will follow-up this work in autumn 2008 when a number of the agreed actions will have taken place.
36. A planned 'Your Business at Risk (YB@R)' report has been postponed until later in autumn 2008.



# Performance Management

37. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
38. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

## Best Value developments

39. The positive impact of the Best Value concept in local government led Scottish Ministers to introduce a non-statutory Best Value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on Best Value as a means of supporting public service reform.
40. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review which credited the Best Value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year.
41. The framework for our proposed Best Value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources, and with an evolutionary implementation.
42. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.
43. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self assessment. Audit Scotland will use the toolkits during the 2009/10 audits of SCS.



44. Scottish Court Service completed a baseline review of Best Value in 2005/06. Since that time there have been significant changes in the governance of the Agency including the establishment of the Strategic and Executive Boards and the reorganisation of the audit committee. Many of the changes suggested at the time of the initial review have subsequently been implemented. We consider this to be sufficient to fulfil the Accountable Officer’s duty in this area.

## Efficient Government

45. This was the last year of the three year efficiency programme. In 2007/08, SCS achieved savings of £3.1 million against a target of £3 million. Over the three years SCS has achieved overall savings of £7.1 million against targets totaling £6.5 million. A 2% target has been set for future years. This will be tight in view of current economic constraints.

**Exhibit 3 – Efficiency Savings 2005/06 to 2007/08**

	Target £ million	Actual £ million
2005/06	1.5	1.9
2006/07	2.0	2.1
2007/08	3.0	3.1
<b>Total</b>	<b>6.5</b>	<b>7.1</b>

## Performance Management

46. The management commentary gives details of the financial performance of Scottish Court Service. Although the management commentary describes the levels of activity it does not report the performance of the Scottish Court Service against the targets agreed in the 2005-08 corporate plan. Performance against these targets will be reported separately by Scottish Court Service in their Annual Report. This is the final year that the Scottish Court service will be reporting on these targets before they are superseded by a more relevant set of measures, as recommended by the Osler review. The new targets will be described in the 2008-2011 corporate plan and will be reported on in 2008/09.

## National Studies

47. The Audit Scotland report: *‘How Government Works: major capital projects’* was published on 24 June 2008. The study presented a picture of how Scottish Government, agencies and NDPBs have been and are delivering major capital projects. It provided Parliament with the first wide view report on the delivery of major capital projects to time, cost and quality. Audit Scotland obtained completed project data from a survey of these projects. There was a high-level assessment on 5 completed and 15 in-progress projects, including the redevelopment of Parliament House, on performance to time costs



and quality and project management arrangements. Key messages arising out of the report were as follows:

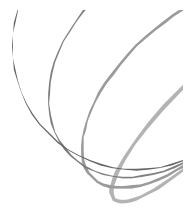
- In general, the achievement of cost and time targets improved significantly as projects progressed;
- Early cost and time estimates at project approval stage were too optimistic for many major projects;
- Performance against cost and time estimates is better after contracts are awarded, as plans are more certain and risks clearer;
- Most completed projects have successfully delivered the required roads, hospitals and other assets, and all current projects are forecast to do so. However, few projects have been evaluated to demonstrate that they have delivered the expected wider benefits which originally justified the investment;
- Nine current projects examined had awarded the main construction contract, which should increase cost certainty. However, four projects had significant increases in estimated cost before reaching this stage; and
- Project management and governance arrangements within individual projects are broadly effective, although room for improvement remains. A more strategic approach to managing the programme of capital projects could improve value for money.

48. The report made a number of recommendations for both the Scottish Government and public bodies. It recommended that the Scottish Government should report in public on the performance of projects, particularly any reasons for changes to costs and timing and what lessons can be learned from completed projects. It also made a several recommendations to public bodies about strengthening business cases, improving project management and governance arrangements, and post project reviews.

49. The Scottish Court Service has also contributed to the Audit Scotland report: *'Promoting and improving energy efficiency in the public sector'*. This study will review how well the public sector is promoting and improving energy efficiency across their estates. Publication is expected in late 2008.

50. The key objectives of the study are:

- To assess whether public bodies demonstrate sufficient commitment to, and set an example in, improving energy efficiency.
- To examine whether public bodies are performing well against their objectives, plans and targets for improving their energy efficiency.



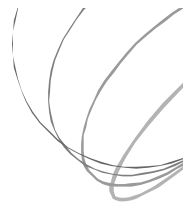
- To identify whether public sector bodies exhibit best value and deliver continuous improvement in their efforts to improve energy efficiency.

51. A separate report has been produced for SCS management based on a site visit on 9th April 2008.

This visit included a review of core documents, analysis of the SCS survey return, and interviews with a range of staff. The main conclusions were:

- SCS has established a Sustainable Development Policy and Manual which covers a broad range of issues in relation to building energy management, transport use and monitoring of environmental performance. The implementation of this Manual has been undertaken mainly at a local level through the annual asset maintenance programme. There is no overarching action plan to monitor progress in implementing the Manual, and it was noted that this would be useful, particularly with the expected roll out of various national policies, including the Carbon Reduction Commitment.
- During interviews, it was noted that the post of Sustainable Development Manager has been critical in progressing this area of work and preparing the organisation for implementation of national policy and legislation. However, it was highlighted that significant investment is required to make progress and prepare for national directives, and SCS are already experiencing difficulty in locating funding.
- There has been significant resource directed to improving the collation and monitoring of data, and improving central control of buildings through effective software management systems. This ensures that a more robust approach is now taken to identifying operational inefficiencies and priorities for future asset development programmes. With this information now available it was noted that there would be benefits in sharing this with local buildings on a regular basis.
- It is acknowledged that a significant challenge lies ahead in improving staff awareness and understanding of energy efficiency issues. The overall aim is to mainstream this area of work to ensure it is part of the responsibilities of all operational and management staff, rather than just the remit of corporate property staff. Various local discussions have been held to identify potential ways to achieve this, including the roll out of e-learning and the establishment of a champions group.

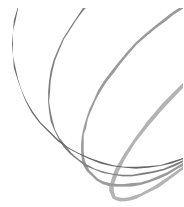




# Looking Forward

52. The Scottish Court Service faces a number of challenges in 2008/09, which include:

- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2007 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. A detailed timetable and list of requirements is awaited from the Scottish Government. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. We will consider how the Scottish Court Service is addressing this developing area as part of the 2008/09 audit.
- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on PFI, leases and infrastructure accounting. The challenge for the Scottish Court Service is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland, in response to failures in UK government bodies' procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. A report published in June 2008 made recommendations for a higher level of oversight and guidance from the Scottish Government and suggested that there was a need for further measures to



improve the security of sensitive information. We will monitor the Scottish Court Service's response to the review and action taken as part of our 2008/09 audit.

- **Strategic Change:** – The status of the Scottish Court Service is expected to change from executive agency to non-ministerial department as a result of the Judiciary and Courts (Scotland) Bill. It is anticipated that the judiciary will form the majority on a new strategic board to be chaired by the Lord President. Although this change is not anticipated until 1 April 2010 the implications resulting from the change will need to be considered in the new framework document and corporate plan.
- **Performance measurement:** - A new set of performance measures have been put in place and will be reported on from 2008/09 onwards. Reporting on these measures and the collection of robust supporting data will be a new challenge to the Scottish Court Service.
- **Summary Justice Reform:** - The unification of the administration of sheriff and district courts is now well underway with Lothian and Borders Sheriffdom and Grampian, Highlands & Islands Sheriffdom mergers now complete. Glasgow and Strathkelvin Sheriffdom is also due to unify during financial year 2008/09. The unifications continue to have implications for financial planning and control at the Scottish Court Service. Production of financial statements will necessarily be more complex as a result of further machinery of government changes. Examples of this will be accounting for the significant assets of district courts to be merged in 2008/09, and determining the level of retained fine income.
- **Monitoring and Completion of Capital Works:** - A number of major construction projects are currently underway. We are pleased to note that phase one of the redevelopment of Parliament House commenced in 2007/08. Due to inherent uncertainties in major capital projects and rising construction costs, the Scottish Court Service will need to maintain tight overall control.
- **Relocation Review:** – with the lease break point for Hayweight House due in 2009, the Scottish Court Service has established a working party to appraise alternative options for the accommodation of HQ functions. In addition to achieving value for money for any potential relocation, careful project management will be required to ensure minimum disruption to operations.

# Appendix A: Action Plan

## Key Issues and Planned Management Action

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
1	<p><b>Remuneration Report</b></p> <p>Two members of the executive board have declined permission to disclose pension details in the remuneration report. Although consent is still formally required in Scotland, there is a presumption that information about named individuals will be given in all cases with the exception of the rare circumstances described in paragraph 7.2.20 of the Government Financial Reporting Manual.</p> <p>The SCS is exposed to reputational risk and challenge under freedom of information legislation if it fails to disclose director's salary and pension benefit details.</p> <p><i>We recommend that</i></p> <p>(i) <i>SCS disclose directors pension benefits in line with the Government Financial Reporting Manual;</i></p> <p>(ii) <i>Where exceptions occur, we recommend that the Accountable Officer formally sanctions the move away from the presumption of disclosure.</i></p>	<p>This recommendation has been superseded because this was discussed at the Audit Committee on 18 June 2008 where it was agreed that only Strategic Board directors should disclose; (these two members are members of the Executive Board only).</p>	N/A	N/A

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
2	<p><b>Fees and Fines Reconciliations</b></p> <p>Fees and Fines bank account reconciliations have not been prepared or reviewed on a timely basis during the year and the year-end reconciliation was still outstanding at 30 May 2008. Technical problems relating to hardware failure and subsequent software problems were significant factors in the delay</p> <p>There is an increased risk that discrepancies such as the misappropriation of funds are not identified during the period in which this control is not operating.</p> <p><i>We recommend that SCS:</i></p> <p>(i) <i>complete the reconciliation and review within four weeks of the date of reconciliation; and</i></p> <p>(ii) <i>Ensure that the reconciliation process can be performed on more than one computer.</i></p>	<p>Work is underway with our software supplier to resolve the outstanding issues with the reconciliation software following the system failure.</p> <p>Once this has been resolved we intend to remove the separate terminal entirely and install the reconciliation software on at least two normal PCs. This will provide a backup in case of any future errors.</p> <p>Up until the system failure, the reconciliation process was being conducted in timely manner and no additional issues had arisen.</p>	Steven Green	December 2008 (at latest)

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
3	<p><b>Payment Performance</b></p> <p>A reduction in payment performance from 93% to 83% was recorded in 2007/08. This was caused by:</p> <p>(i) individual courts not remitting invoices timeously, and</p> <p>(ii) a decline in the timing and quality of payment reports from the Scottish Government.</p> <p>There is a risk that SCS will be liable to pay interest under the Late Payment of Commercial Debts (Interest) Act 1998.</p> <p><i>We recommend that:</i></p> <p>(i) <i>courts are reminded of the need to promptly remit invoices for central processing; and</i></p> <p>(ii) <i>SCS approach Scottish Government to ensure that reports are produced on time and with an appropriate level of information.</i></p>	<p>i) A notice was sent to all SCS users on 30 April 2008 advising them of the new centralised paying of invoices by Finance / Procurement in HQ. This was announced by SCS Circular, All Users email and on the SCS intranet (it is still on the front page). In it we reminded all staff to ensure their invoices are passed to us promptly for payment. We will be asking the Executive Board Directors to check that their staff are sending invoices timeously. We will also be looking at the most efficient system that can be put in place to record disputed invoices.</p> <p>An SCS Invoices Mailbox has also been created by IT for all users to quickly forward valid invoices to us for payment.</p> <p>ii) We will be raising this issue with them, along with a number of issues we have about embedded GPC statements and late posting of costs to our ledger</p>	Eddie Bracken/Steven Green	September 2008

Action Point	Risk Identified	Planned Action	Responsible Officer	Target Date
4	<p><b>Register of Interests</b></p> <p>The Ethical Standards in Public Life etc (Scotland) Act 2000 requires that relevant public bodies maintain a register of members' interests. The Scottish Court Service does not currently maintain a register for members of the Strategic Board and Executive Board. The Financial Reporting Manual requires the Agency to disclose within its financial statements material transactions with related parties, including senior managers and non-executives. The FReM also requires the disclosure of related party transactions.</p> <p>A register of interests would support the promotion of the highest standards in public life and would help to ensure that potential conflicts of interest are avoided.</p> <p><i>We recommend that SCS establish a Register of Interests for the Strategic and Executive Boards.</i></p>	<p>The Audit Committee agreed to put this in place; it will be for the Strategic Board (In view of the decision re: recommendation 1 above). It will be maintained by secretariat and updated through regular meetings.</p>	<p>Eleanor Emberson</p>	<p>June 2008</p>