

Scottish Court Service

Annual Report on the 2011/12 Audit



Prepared for the Scottish Court Service and the Auditor General for Scotland
November 2012

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.

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Key messages

2011/12

We have given an unqualified opinion that the financial statements of the Scottish Court Service for 2011/12 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The Scottish Court Service makes provision for pension and harmonisation costs for staff who are ex-employees of the former District Courts that transferred their past service credits into the premium scheme of the Local Government Pension Schemes (LGPS). Due to the under-funding of this scheme, the shortfall is borne by the Scottish Court Service.

A release on this provision was made during the year based on existing liabilities and payments already made in the reporting period. However, notification was received on 25 July 2012, that an amount due to be paid for staff transferred from the Tayside, Central and Fife Sheriffdom exceeded the existing provision in the accounts by £0.5 million. This event occurred after the reporting period and has been adjusted in the financial statements increasing net revenue expenditure to £69.9 million.

Outlook

The Scottish Court Service is required to manage a 2012/13 revenue budget that has reduced by approximately 1.5%. A more significant challenge will be the 19.3% reduction in capital budget. This further reduction on 2011/12 levels continues to impact on the ability of the Scottish Court Service to maintain its estate, as a significant proportion of the capital budget is committed to Parliament House and Information and Communications Technology.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of the 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 on the financial statements and any significant issues identified. 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 in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the SCS.
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 the 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 the SCS and the Auditor General and should form a key part of discussions with the Audit Committee. 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 the Audit Committee.
6. The management of the SCS 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 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.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, remuneration report and governance statement. 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 opinions

10. We have given an unqualified opinion that the financial statements of the SCS for 2011/12 give a true and fair view of the state of the SCS's affairs and of its net operating cost for the year.
11. The SCS is required to follow the 2011/12 Government Financial Reporting Manual (the FReM) and we confirmed that the financial statements have been properly prepared in accordance with the FReM. We also confirmed that relevant parts of the remuneration report had been properly prepared and that information given in the management commentary was consistent with the financial statements.
12. We reviewed the Governance Statement and concluded that it complied with Scottish Government guidance.

Regularity

13. 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 issued by Scottish Ministers.

Accounting issues

Accounts submission

14. A set of financial statements and working papers were submitted for audit on the 14 May 2012 in accordance with the pre-agreed timetable. These statements comprised only the primary financial statements and limited disclosures. The statements did not include any financial review, management commentary, or narrative that precedes the financial statements.
15. On 19 June we received the outstanding elements of the Annual Report including the management commentary, remuneration report, statement of accountable officer's responsibilities, governance statement and performance results.
16. This split approach to submission enabled the SCS to fully consider any revisions to its narrative disclosures as a result of the change in status to a non-ministerial department and to take advantage of the longer reporting timeframes this change allowed. This has been the approach for the last two years, but in our view this approach should now be reviewed as we feel it doesn't lead to an efficient audit process and extends the final accounts audit process over almost five months. We will discuss with officers a revised timetable for 2012/13 and agree a date for receipt of a full set of annual report and accounts.

Refer Action Plan 1

17. The working papers were of a high standard and the staff provided good support to the audit team enabling all outstanding points to be cleared by 5 July 2012. A report covering the key matters arising from the financial statements audit (ISA260 report) was issued on 24 July 2012 and presented to the Audit Committee on the 2 August 2012. The financial statements were signed by the Accountable Officer on 1 October 2012 following Board approval.

Presentational adjustments to the unaudited accounts

18. A small number of presentational changes were required to the annual report and accounts as a result of our review of the disclosures required by the FReM. We also identified some monetary changes including:
 - Accruals were understated by £0.4 million due to two invoices for works on Parliament House relating to 2011/12 being incorrectly accounted for as expenditure.
 - Prepayments were understated by £0.6 million due to water and sewerage charges relating to 2012/13 being incorrectly accounted for as in-year expenditure.
19. These errors had a small net impact on the Statement of Financial Position, increasing net assets by £0.2 million. These errors were corrected in the financial statements.

Adjusting Events

20. The Scottish Court Service makes provision for pension and harmonisation costs for staff who are ex-employees of the former District Courts that transferred their past service credits into

the premium scheme of the Local Government Pension Schemes (LGPS). Due to the underfunding of this scheme, the shortfall is borne by the Scottish Court Service.

21. Notification was received on 25 July 2012 that the amount due to be paid for staff transferring from the Tayside, Central and Fife Sheriffdom was £0.5 million more than the amount remaining in the provision. This event occurred after the reporting period and has been adjusted in the financial statements increasing net revenue expenditure to £69.9 million.

Whole of Government Accounts

22. The Whole of Government Accounts (WGA) is the consolidated financial statements for all branches of government in the UK. The SCS is required to submit a consolidation pack to the Scottish Government and appointed auditors by 31 July 2012 with an audit deadline of 24 August 2012. The WGA return was submitted by the SCS on time, although the audit certification was not completed until 30 August 2012. The delay in submission was due to some follow up work required.

Outlook

23. From 2011/12, all relevant bodies were encouraged to produce a sustainability report in accordance with the Scottish Government's Public Sector Sustainability Reporting Guidance (January 2012). This guidance is non-mandatory, however it represents good practice and central government bodies were encouraged to adhere to it. The sustainability report should contain:
 - A simple overview commentary covering a body's performance in the reported year along with an overview of forward plans.
 - A table of financial and non-financial information covering the body's emissions, waste, water and any other finite-resource consumption for the financial year to which it relates.
24. For 2011/12 the SCS is currently finalising its sustainability report and this will be submitted to the Carbon Management Board in late October 2012. As this report was not included as part of the Annual Report and Accounts it is not covered by the consistency element of our audit opinion.

Financial position

25. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
26. We consider whether they 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.
27. These are key areas in the current economic circumstances.

Financial results

28. The main financial objective for the SCS is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish ministers. SCS operated within the resource budgets for 2011/12 as detailed in Table 1 below which also shows the budget changes that occurred during the financial year.

Table 1: 2011/12 Outturn against budget

	Initial Budget £000	Autumn Revision £000	Spring Revision £000	Final Budget £000	Actual Outturn £000	Under/ (Over) £000
Resource DEL	69,500	69,500	69,838	69,838	66,206	3,632
Capital DEL	10,400	10,400	10,400	10,400	11,601	(1,201)
Total (grant in aid)	79,900	79,900	80,238	80,238	77,807	2,431
AME			3,600	3,600	3,708	(108)

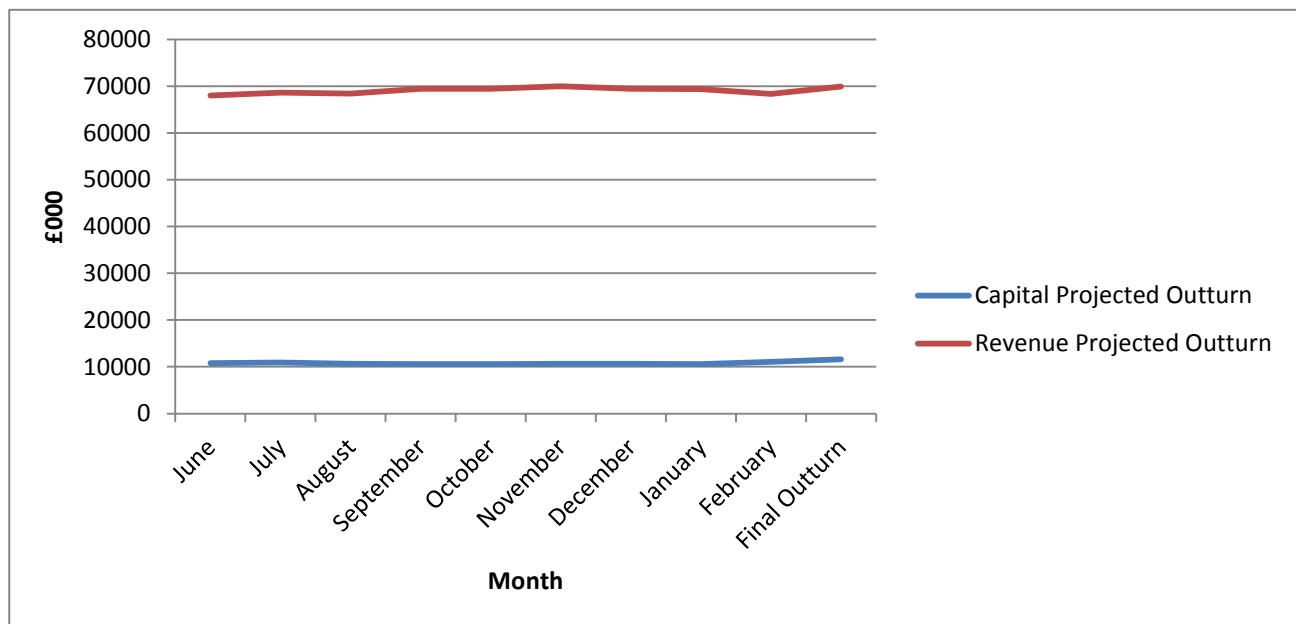
Source: SCS Finance Reports

29. The budgets for departmental expenditure limits (DEL) are set as part of the Scottish Spending Review and Annual Budget Bills. These are for running costs associated with the delivery of the SCS.
30. Annual managed expenditure (AME) represents costs that are more volatile and therefore are not managed in the same way as DEL. In the Spring Budget Revision SCS was allocated £3.6 million to meet the costs of an impairment of Glasgow Justice of the Peace Court.
31. Overall, the SCS underspend was applied during the year to assist in meeting cost pressures elsewhere in the Scottish Government's Justice portfolio.

Budgetary control

32. Finance reports are presented and considered by the Executive team on a monthly basis providing details of the financial results for the period and the projected outturn for the financial year. The budget reporting throughout the year presented accurate and consistent projections as indicated in Exhibit 1.

Exhibit 1: 2011/12 Financial reporting



Source: SCS Finance and Performance Reports

33. The SCS total budget for 2011/12 was £83.8 million with actual outturn for the financial year being £81.5 million, meaning that the SCS under-spent its combined revenue and capital budgets by £2.3 million. This underspend was identified during the year to assist with meeting cost pressures elsewhere within the Justice portfolio.

Financial position

34. On the basis of the information in this section of the report, we have concluded that subject to any major change in Scottish Government funding, the financial position of SCS is stable and its activities are financially sustainable.
35. The statement of financial position as at 31 March 2012 shows net assets of £414 million (31 March 2011: £405 million). There are no major changes in the financial position compared to the previous year, with the exception of an overall reduction in provisions for pensions deficit transfer.
36. SCS funds around 31% of its expenditure through income (fee income and retained fines mainly) with the rest funded by the Scottish Government. The ongoing commitment to wages and salaries has reduced by £2 million (6%) in 2011/12. The capital budget allocated for 2011/12 was £10.4 million and this was slightly overspent by £1.2 million however this

overspend was met within total DEL budget due to an underspend of £3.6 million on revenue. The majority of this capital expenditure relates to the Parliament House project.

Capital investment and performance 2011/12

37. During the year the SCS spent £10.7 million on property and plant and equipment with the majority relating to expenditure on phase 2 of Parliament House. Of this, £8.1 million is currently classed as assets under construction.

Financial planning to support priority setting and cost reductions

2012/13 budget and reporting

38. In February 2012 the Board approved a balanced budget for 2012/13 of £77.3 million (2011/12: £80.2 million) a 3.6% reduction compared to 2011/12. The key areas of spending reduction are mainly capital as the capital budget is further reduced by £1.9 million (19%) in addition to the 50% reduction from the previous financial year.
39. Financial reports to the end of August 2012 show that the revenue budget is underspent by £2.9 million (22% of budget to date) and there is a 48% underspend on capital. The projected revenue underspend for the year is £1.6 million with capital on budget.
40. Sheriff court fees continue to reduce but are being closely monitored by SCS.

Workforce planning

41. The SCS's workforce planning toolkit was rolled out to senior management in April 2011. This toolkit enables management to ensure the efficient and effective deployment of staff and the identification of training needs. This is a key development helping SCS to manage staffing levels, capacity and the skills base.
42. The toolkit continues to be developed and SCS are looking at ways in which to expand this to incorporate budgetary and financial information which will further enhance the value. Internal Audit plan to review this toolkit during 2012/13.
43. The People Strategy was approved in December 2011 by the Board and formally launched in March 2012. This strategy supports and informs the future direction of the SCS people management, policies and activities.

Workforce reduction

44. During 2011/12, 96 staff left the SCS under the Voluntary Early Release Scheme. The SCS continued to identify further posts during 2011/12 with 24 managed vacancies being removed from the staff complement. The SCS is now focussing on career development opportunities through restructuring with a number of employees anticipated to move into first line manager posts.

Shared services

45. The SCS entered into a shared service agreement with the Crown Office and Procurator Fiscal's Office (COPFS) to provide estates and health and safety management. The shared service has resulted in a joint financial saving as well as improving the capacity of both organisations to manage facilities and health and safety.

Partnership working

46. SCS continue to be 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'.
47. 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
 - Improving procedures and case management.
48. These projects are aimed at achieving efficiency savings through, for example, greater use of video technology, and cross justice ICT steps to ensure that a higher proportion of scheduled cases proceed.

Procurement

49. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement. We reviewed the governance arrangements in place during the year and found these to be robust. Through the term of our appointment we will continue to monitor the progress of SCS in achieving efficiencies through procurement.

Outlook

Financial forecasts beyond 2012/13

50. The Scottish Government's Comprehensive Spending Review 2012/13 to 2014/15 has indicated the following revenue and capital budgets as shown in Table 2 below. This illustrates that over the three year period the overall budget reducing by approximately 21%, with most of this reduction in the capital budget. The underlying revenue reduction is 5%.

Table 2: Revenue and capital budgets

	2012/13	2013/14	2014/15
	£000	£000	£000
Revenue DEL	68,841	67,316	65,351
Capital DEL	8,500	6,000	4,000
Total DEL	77,341	73,316	61,351

Source: *Scottish Spending Review 2012/13 to 2014/15*

Governance and accountability

51. 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.
52. 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.
53. Consistent with the wider scope of public audit, we 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.

Corporate governance

Overall effectiveness

54. The following paragraphs identify areas for improvement in some aspects of the corporate governance and internal control arrangements, but with the exception of these issues we found that the overall arrangements were satisfactory.

Processes and committees

55. The Board is responsible for ensuring that the SCS fulfils the aims and objectives set out by the Scottish Government. The role of the Board includes establishing the overall strategic direction of the SCS, monitoring performance against agreed objectives and ensuring that statutory requirements for the use of public funds are complied with. The Board is supported by four sub-committees with key areas of expertise and responsibility, these are:
 - Audit Committee
 - People Committee
 - Estates, Health and Safety, Fire and Security Committee
 - Remuneration Committee.

Role of the Board

56. In September 2010 Audit Scotland published a report on *'The Role of Boards'*. The report examined the system of accountability within Scottish public bodies and colleges, the public appointments system and the performance of boards. The report included a list of questions for board members to use as a self-assessment tool.
57. During 2011/12 we followed up this report within the SCS and assessed the progress made to improve the performance and operation of the Board. The original report highlighted a number of key message for public bodies such as:
 - Ensure all non executives receive formal induction training
 - Ensure that performance of all non executives are formally and regularly assessed
 - Ensure the Board's scrutiny efforts are focussed on organisational performance, financial management and risk management
 - Review the use of committees and ensure that major decisions that should be made by the Board are not delegated
 - Maximise the openness and accessibility of Board meetings and papers
58. Based on the original report, we focused our follow up work around two key questions:
 - How effective is the board and is it seeking to continuously improve its performance and ways of operating?
 - How is the board ensuring that it has the skills and expertise to enable it to perform effectively?
59. The findings of this review are explained below.
60. Our follow-up work confirmed that the SCS Board receives detailed information on corporate performance, financial management and risk management regularly. The Board receives quarterly reports on progress against key corporate objectives with a summary of performance against all key performance indicators (KPIs) that underpin each objective set out in the Corporate Plan. Board members felt that the information provided allowed the Board to effectively scrutinise the management of the organisation and to hold to account for its performance.
61. The Board also receives regular financial reports. Reports are wide ranging and cover the resourcing aspects and implications of the Corporate Plan, advise the Board on the annual budget and provide monitoring reports throughout the year for actual and projected income and expenditure against budget. Thorough explanations accompany these reports documenting the reasons for significant variations or items for action.
62. The Audit Committee has overall responsibility for the evaluation of, and reporting to the Board on risk management and business continuity arrangements however, key corporate risks are incorporated in the full corporate risk register which is discussed at and owned by the Board.

- 63. The Board have introduced a 'decision tracking' system to record all key decisions made at the Board. This allows the Board to follow through each decision to completion. The introduction of a balanced scorecard has also allowed members to focus on the performance of the SCS.
- 64. We found that the Board engages well with staff and the judiciary, all agendas and meetings are placed on the SCS's intranet on a timely basis and non-restricted minutes are published on SCS's website. Board meetings are held in various court locations across Scotland but are not held in public. This approach has worked well in informing the Board about the views of staff and the local successes and challenges. The Board is keen to identify new ways of engaging with staff and the judiciary whilst minimising the disruption to the working day as a result of Board meetings being held around the country. As a result Board meetings are now planned to be held in Parliament House. The Board is in the process of considering how they will engage with stakeholders in a more structured manner.

Refer action plan point 2

- 65. The Board routinely assess its performance by completing a formal annual self assessment questionnaire. Members are invited to complete this self-assessment form in advance of their formal appraisal providing their perspective on their own performance and contribution to the Board. Members are also asked to provide their views on the effectiveness of the Board and any proposals for improving the effectiveness of the Board going forward. This is formally signed off by the Chair of the Board and each member.
- 66. Training and development of Board members is another key aspect of good governance principles and further improvement in the effectiveness of the Board. The general consensus with Board members was although induction training is received by each member this would benefit from being reviewed and formalised.
- 67. We also discussed on-going training over the duration of each member's appointment. Ideally this should be focussed and provided on a needs-basis through, for example, Board development events or financial training.

Refer action plan point 3

Internal control

- 68. 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 as a whole. However the extent of this work is informed by our assessment of risk and the activities of internal audit.
- 69. The key controls within financial systems should operate effectively to accurately record transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. As part of our audit we reviewed the high level controls in operation and concluded that overall the system of internal control was operating effectively. We reported this to management in May 2012.

70. A key element of our work on internal controls is the extent of reliance that we can place on the work of internal audit. Our review concluded that the internal audit service provided by Scottish Government (SGIAD) operates in accordance with government internal audit standards. The 2011/12 Internal Audit overview was completed in January 2012 and we found that internal audit work is of a good quality. However, due to the nature of the audits undertaken by Internal Audit in 2011/12, we were unable to place reliance on it for our financial statements audit.

Use of resources - Government Procurement Cards

71. Across the public sector government procurement cards (GPC) have been used to reduce the costs relating to the purchase of small items and some internet based purchases where a credit card is the most effective way of making payment. A recent significant fraud, in another public body, which in part resulted from misuse of the GPC highlighted that public bodies need to ensure that their processes for the use of these cards are fit for purpose.
72. The SCS currently operates 76 GPCs with total expenditure during the 2011/12 financial year of £0.140 million. The GPCs are generally used for low value goods and services which are not covered by the purchase order processing arrangements already in place. We did a high level review of the policies and procedures in place and we found satisfactory arrangements in place to control and monitor their use.

Data loss

73. During 2011/12 SCS reported four incidents of data loss to the Information Commissioner's office (ICO). All incidents related to either publication of personal information on SCS website, issue of complaint documents with personal details in error and unsecure disposal of bail hearing papers.
74. During 2011/12, the SCS reviewed and updated its Information Data Handling Policy for staff. The revised policy was published on 1 November 2011, along with a '10 Golden Rules' guide for correct data handling issued to all staff. Staff are required to undertake mandatory on-line training on data handling and data protection. Managers undertake additional on-line training on data management.

Prevention and detection of fraud and irregularities

75. The SCS is responsible for establishing arrangements to prevent and detect fraud and other irregularity. We review and report on these arrangements.
76. The SCS has appropriate arrangements in place (based on Scottish Government guidance) to prevent and detect instances of fraud including a Fraud Policy and a Whistle-blowing Policy which are available on its website. There are also clear roles for internal audit in investigating cases of suspected fraud.
77. There were no instances of fraud reported by SCS in 2011/12.

NFI in Scotland

78. National Fraud Initiative (NFI) is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies to identify circumstances that might suggest the existence of fraud or error (matches). Where matches are identified public bodies are expected to investigate these and if fraud and error has taken place, to stop payments and attempt to recover the amounts involved. The exercise also provides assurance on the effectiveness of arrangements and helps deter fraud.
79. SCS participated in the 2011/12 NFI exercise and met the deadlines for submission of data. Any matches identified will be communicated to the SCS in the new year.

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

80. 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. Auditors consider whether bodies have adequate arrangements in place.
81. We have concluded that the arrangements in SCS, which are consistent with the requirements of the Scottish Government, 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

82. Audited bodies have responsibility to ensure that arrangements have been made to secure Best Value. 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 such requirements are not specified we may, in conjunction with audited bodies, agree to undertake local work in this area.
83. 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. We 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.
84. During the course of our audit appointment we also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years. We may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.

Management arrangements

Best Value

85. The Scottish Government guidance for accountable officers on Best Value in public services requires a systematic approach to self-evaluation and continuous improvement. The guidance identifies the themes 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.
86. The SCS corporate plan 2011-14 (published April 2011) contains actions that reflect the themes above e.g. implementing a new performance framework 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. The SCS as part of its business planning process has reviewed its activities against the Best Value guidelines during 2012 and include this as part of the business planning information provided to the SCS Board i.e. Balanced Scorecard.

Performance Management

87. The Government Economic Strategy sets out high-level targets for increasing Scotland's sustainable economic growth. These targets assisted the SCS in shaping the performance measurement objectives and outcomes within the National Performance Framework.
88. For 2011/12, the SCS adopted the new performance framework approved by the Board in February 2011. This revised framework adopts a 'balanced scorecard' approach to better reflect the inter-dependence of the SCSs key priorities. This new framework has two tiers of performance indicators with high level indicators being reviewed at Board meetings quarterly and lower level indicators being monitored by the Executive Team. Where it is deemed necessary escalation of issues with lower level indicators will be reported to the Board.
89. The SCS have 14 key performance indicators (KPIs) scored as red, amber and green and are reviewed quarterly at Board meetings and published on the SCS website. Each criterion has targets. KPIs are also categorised into perspectives such as customer/stakeholder, process, learning and growth and finance.
90. The SCS continue to review and improve measures based on experience and results of the preceding year. This proactive approach ensures that measures are relevant for 2012/13 and continue to provide the Board with assurances on the SCS's performance.

Overview of reported performance in 2011/12

Performance measurement outcomes

91. The SCS's Corporate Plan sets out the strategic vision and priorities with the aim of building a stronger SCS within constrained budgets and significant reform to the Justice system. To assist in achieving this a range of actions in support of key themes were identified:
 - Skilled, engaged and motivated workforce
 - A well managed SCS estate
 - Clear and efficient business processes
 - Effective information and communication technology
 - Appropriate collaboration with other justice organisations
92. The SCS monitors performance against 14 published KPIs. During 2011/12 SCS achieved eleven of these targets (green) with two amber and one red (on waiting times).

National performance reports

93. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2011/12 this included a report on Scotland's Public Finances - addressing the challenges. The SCS Audit Committee discussed this report and completed a self-assessment using the checklist included in the report.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	21 February 2012	29 February 2012
Review of internal audit	2 February 2012	29 February 2012
Key controls report	2 May 2012	23 May 2012
Report on financial statements to those charged with governance (ISA260)	20 September 2012	24 October 2012
Audit opinion on the 2011/12 financial statements	24 October 2012	24 October 2012
Annual Report on the 2011/12 Audit	20 November 2012	30 January 2013

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	16	<p>The split submission of accounts and disclosures does not lead to an efficient audit process.</p> <p>Risk - the inefficiencies in the annual audit process could result in increased fees.</p>	<p>We will discuss with Audit Scotland as part of the annual accounts timetable a submission date for a full set of accounts to be submitted for audit in 2012/13.</p>	<p>Paul McGilly, Financial Controller January 2013</p>
2	64	<p>The SCS Board meetings are held at various court locations around the country although not held in public. Future Board meetings will now be held in Parliament House in Edinburgh.</p> <p>Risk - there is a risk that public perception develops that the SCS is not sufficiently open and transparent with its staff, the judiciary and the general public.</p>	<p>Future Board meetings will only be held in Parliament House and the reasons for this decision have been communicated to staff. Board meetings are internal meetings and are given no publicity outside the SCS apart from publication of the minutes on the Scottish Courts website</p>	<p>Stephen Coulter Director Planning and Performance Management March 2013</p>
3	67	<p>Induction training for Board members should be reviewed and formalised to meet the needs of Board members. On-going training needs should also be considered and addressed going forward.</p> <p>Risk - there is a risk that Board members feel that they do not receive the necessary support and training to maximise their contribution to the Board.</p>	<p>A number of training and development events have been provided to Board members and we will consider formalising the training needs assessments. Induction sessions were also arranged when the Board formed in 2010.</p> <p>Induction is being arranged for new Board members at present.</p>	<p>Stephen Coulter Director Planning and Performance Management March 2013</p>

