

Scottish Courts and Tribunals Service

Annual Audit Plan



 AUDIT SCOTLAND

Prepared for Scottish Courts and Tribunals Service

March 2024

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 external audit of Scottish Courts and Tribunals Service (SCTS). The main elements of our work include:

- an audit of the financial statements leading to an independent audit opinion
- audit opinions on regularity and other statutory information published within the annual report and accounts, including the Performance Report, Governance Statement, and the Remuneration and Staff Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- providing assurance on the Whole of Government Accounts (WGA) return
- an Annual Audit Report setting out conclusions.

Respective responsibilities of the auditor and SCTS

2. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the SCTS. Key responsibilities are summarised below.

Auditor responsibilities

3. Our responsibilities as appointed auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

4. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at the SCTS. In doing this, we aim to support improvement and accountability.

5. The appointed auditor, and engagement lead, for SCTS is Michael Oliphant, Audit Director.

Scottish Courts and Tribunals Service's responsibilities

6. The SCTS is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and

fair view. It is also required to produce other reports in the annual report and accounts in accordance with statutory requirements and applicable guidance.

7. The SCTS has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver its objectives.

Adding Value

8. We aim to add value by: tailoring audit work to the circumstances of the SCTS and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Audit and Risk Committee; and by recommending and encouraging good practice. In so doing, we will help the SCTS promote improved standards of governance, better management and decision making, and more effective use of resources.

Annual report and accounts

Introduction

9. The annual report and accounts are an essential part of demonstrating the SCTS' stewardship of resources and its performance in the use of those resources.

10. Appointed auditors are required to perform an audit of the financial statements, consider other information within the annual report and accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

11. We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels. The materiality values for the SCTS are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for SCTS

Materiality	Amount
<p>Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the SCTS' operations. For the year ended 31 March 2024, we have set our materiality at 1.75% of gross expenditure based on the budget for 2023/24.</p>	£3.93 million

Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 70% of planning materiality. £2.75 million

Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this threshold at 3.5 per cent of planning materiality. £135,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of the SCTS, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

16. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management's sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

Exhibit 2

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>Although we have not identified any specific risks of management override of control at the</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>SCTS, Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>		<ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.
<p>2. Valuation of land and buildings.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist assumptions and estimates, and changes in these can result in material changes to valuations.</p> <p>SCTS are also proposing a change to their treatment of the valuation of components of building assets.</p> <p>This level of estimation and judgement means there is a risk of material misstatement to the financial</p>	<ul style="list-style-type: none"> • Valuations of land and buildings carried out by professional external valuer 	<ul style="list-style-type: none"> • Review the information provided to the external valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Consider whether the valuation frequency is appropriate. • Critically assess the approach SCTS has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. • Discuss with SCTS the proposed approach to valuation of components and assess whether the approach is appropriate. • Critically assess the adequacy of the disclosures regarding the assumptions in relation to the valuation of land and buildings.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
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statements relating to asset valuations.

Source: Audit Scotland

17. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

18. We have rebutted this risk as funding received from the Scottish Government is clearly communicated and can be readily agreed to third party confirmations. In addition, the SCTS' other income streams comprise of a high volume of low valued transactions and we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

19. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

20. We have rebutted this risk as the main expenditure streams of the SCTS can be readily forecast based on a predictable pattern of spend and mainly comprise a high volume of relatively low value items. We also consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements.

21. As a result, we have not incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

22. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risks, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

23. The areas of specific audit focus are:

- Non-current assets register implementation – A new non-current asset register (NCAR) was introduced for land and buildings during 2022/23. During 2023/24, the remaining categories of non-current assets were transferred to the new system. There is a risk that information is not

correctly transferred to the new system and that non-current asset details in the financial statements are incorrect.

Regularity

24. Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

25. We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.

Wider Scope and Best Value

Introduction

26. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. This requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies.

27. In summary, the four wider scope areas are:

- **Financial management** – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability** – we will look ahead to consider whether the body is planning effectively to continue to deliver services, also comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- **Vision, leadership, and governance** – we conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by the SCTS. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how the SCTS demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

Wider scope risks

28. We have identified significant risks in the wider scope areas set out in [Exhibit 3](#). This exhibit sets out the risks, management's sources of assurance for the risks, and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 3

2023/24 wider scope risks

Description of risk	Management's sources of assurance	Planned audit response
1. Courts backlog	<ul style="list-style-type: none"> • Monitoring of Quarterly Criminal Court statistics. 	<ul style="list-style-type: none"> • Monitor performance reporting submitted to the SCTS board.

Description of risk	Management's sources of assurance	Planned audit response
<p>The Covid-19 pandemic exacerbated the strain on the criminal justice system in Scotland. This included a significant rise in the number of outstanding cases waiting to go through the court system. Recent modelling suggests that the backlog should be cleared slightly later than previously estimated, with summary cases cleared during 2024/25, high court cases by March 2025 and solemn activity during 2026/27.</p> <p>The report on the 2022/23 audit of the Scottish Prison Service, published in December 2023, also highlighted that scheduled court sessions have been postponed and planned changes to jury court operations, including the development of virtual custody courts, have been delayed due to issues with the Scottish Courts Custody and Prisoner Escorting Services (SCCPES) contract.</p>		<ul style="list-style-type: none"> • Review planned activity in addressing courts backlog • Review SCTS activity in supporting the SCCPES contract
<p>2. Financial sustainability</p> <p>SCTS faces a challenging financial position and this is likely to continue for the foreseeable future.</p> <p>Financial pressures arising from issues such as higher energy costs, inflationary pressures on</p>	<ul style="list-style-type: none"> • 2024/25 budget timetable and process • Preparation of Medium Term Financial Strategy • SG monitoring returns 	<ul style="list-style-type: none"> • Review the SCTS' arrangements in place to manage its financial position. • Review progress in developing a medium-term financial strategy. • Review any forecasts/budgeting work for future years.

Description of risk	Management's sources of assurance	Planned audit response
contracts and pay awards, as well as an anticipated flat cash allocation from the Scottish Government until 2026/27, represents a significant challenge for the SCTS.		

Source: Audit Scotland

29. Our planned work on the wider scope areas is risk based and proportionate, and in addition to local risks, we may be asked by the Auditor General for Scotland to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits, but we will remain cognisant of challenges identified in prior years such as climate change.

30. SCTS use Scottish Government (SG) financial systems including the Scottish Executive Accounting System (SEAS) and PECOS. We reported in our 2022/23 Annual Audit Report that the SEAS general ledger is due to be updated by the SG, with a move to Oracle Fusion Cloud software planned. This was planned to be completed in April 2024 however the update has now been delayed until later in 2024. We will continue to monitor progress with this project during our audit.

Best Value

31. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within the SCTS.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

32. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

33. We will provide:

- an Independent Auditor's Report to the SCTS, the Scottish Parliament, and the Auditor General for Scotland setting out our opinions on the annual report and accounts
- SCTS and the Auditor General for Scotland with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

34. [Exhibit 4](#) outlines the target dates for our audit outputs. In determining the target reporting date, due regard is paid to meeting the statutory deadline for laying the accounts of 31 December 2024.

Exhibit 4 2023/24 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31 March 2024	22 April 2024
Independent Auditor's Report	29 July 2024	29 July 2024
Annual Audit Report	29 July 2024	29 July 2024

Source: Audit Scotland



35. All Annual Audit Plans and the outputs detailed in [Exhibit 4](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

Timetable

36. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

37. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 5 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	10 June 2024
Latest date for final clearance meeting with the Chief Finance Officer	15 July 2024
Agreement of audited and unsigned annual report and accounts	19 July 2024
Issue of Annual Audit Report to those charged with governance.	19 July 2024
Consideration of Annual Audit Report by those charged with governance.	29 July 2024
Approval of annual report and accounts by the SCTS Board	12 August 2024
Signed Independent Auditor's Report	13 August 2024

Source: Audit Scotland

Audit fee

38. In determining the audit fee, we have taken account of the risk exposure of SCTS and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The agreed audit fee for 2023/24 is £99,050 as set out in [Exhibit 6](#).

Exhibit 6**Audit fees (including VAT)**

Fee component	Fees (£)
External Auditor Remuneration	113,190
Pooled costs	11,430
Sectoral Cap Adjustment	(25,570)
Total 2023/24 fee	99,050

Source: Audit Scotland

39. In setting the fee for 2023/24, we have assumed that the SCTS has effective governance arrangements and will prepare a comprehensive and accurate set of annual report and accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

40. It is the responsibility of the SCTS to establish adequate internal audit arrangements. Internal audit for SCTS is provided by the Scottish Government Directorate for Internal Audit and Assurance. As part of our planning process, we carry out an annual assessment of internal audit to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). This review will be carried out by our Scottish Government external audit team in spring 2024. We will report any significant findings to management in our Annual Audit Report.

41. We also review internal audit reports and findings for SCTS which may impact on our audit approach, including our wider audit dimensions work. From our initial review of the internal audit plans we do not plan to use the work of internal audit for our financial statements' responsibilities. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

42. The appointed auditor is independent of the SCTS in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

43. Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

44. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of the SCTS.

Audit Quality

45. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

46. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.
- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

47. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

48. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Scottish Courts and Tribunals Service

Annual Audit Plan 2023/24

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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