

Scottish Courts and Tribunals Service

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Courts and Tribunals Service and the Auditor General for Scotland
July 2024

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Key messages

2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified. This means that the auditor is content that the accounts show a true and fair view and have been properly prepared to follow relevant standards and guidance and that income and expenditure for the year is lawful.
- 2 Actions to address prior year recommendations remain ongoing.

Financial management

- 3 Appropriate and effective financial management arrangements are in place, with regular budget monitoring reports provided to the Board.
- 4 SCTS operated within its revised budget for 2023/24, reporting an underspend of £3.5 million.
- 5 Key controls within the main financial systems were operating effectively, while standards for the prevention and detection of fraud remain appropriate.
- 6 SCTS has identified key risks relating to the delayed implementation of a new general ledger by the Scottish Government, including insufficient time to fully test the system.

Financial sustainability

- 7 Effective budgeting arrangements are in place, but SCTS will again be reliant on additional funding during 2024/25 if spending levels are to be maintained.
- 8 A refreshed medium-term financial strategy will be presented to the Audit and Risk Committee in July and to the Board in August for approval.

Vision, leadership, and governance

- 9 SCTS has clear plans in place to implement its vision, strategy and priorities.
- 10 Effective and appropriate governance arrangements are in place to support delivery of plans.
- 11 Appropriate handover arrangements were in place for the new Chief Executive.

Use of resources to improve outcomes

- 12 Effective and appropriate arrangements are in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.
- 13 SCTS has an appropriate performance management framework in place and was able to improve service performance levels during 2023/24. However, ongoing issues with the performance of the Scottish Courts Custody Prisoner Escorting Contract, managed by the Scottish Prison Service, are impacting on service delivery.

Introduction

1. This report summarises the findings from the 2023/24 audit of the Scottish Courts and Tribunals Service (“SCTS”). The scope of the audit was set out in our Annual Audit Plan presented to the April 2024 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of SCTS’s annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - financial management
 - financial sustainability
 - vision, leadership, and governance
 - use of resources to improve outcomes.

2. This report is addressed to the Board of SCTS and the Auditor General for Scotland and will be published on Audit Scotland’s website www.audit-scotland.gov.uk in due course.

Responsibilities and reporting

3. SCTS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the Accounts Direction from the Scottish Ministers. SCTS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

4. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice 2021, supplementary guidance and International Standards on Auditing in the UK (ISAs).

5. Weaknesses or risks identified are only those which have come to the attention of the audit team during our normal audit work and may not be all that exist. Communicating these does not absolve management of SCTS from its responsibility to address the issues raised and to maintain adequate systems of control.

6. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor independence

7. We can confirm that the audit team comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £99,050 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

8. We would like to thank Board members, Audit and Risk Committee (ARC) members, executive directors and other staff, particularly those in finance, for their cooperation and assistance in delivering the audit.

1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship of public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified. This means that the auditor is content that the accounts show a true and fair view and have been properly prepared to follow relevant standards and guidance and that income and expenditure for the year is lawful.

Actions to address prior year recommendations remain ongoing.

Audit opinions on the annual report and accounts are unmodified

9. The Board approved the annual report and accounts for SCTS for the year ended 31 March 2024 on 5 August 2024. As reported in the independent auditor's report, the audit opinions were that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the Remuneration and Staff Report was prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers
- the Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Overall materiality was assessed as £3.92 million

10. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

11. Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£3.92 million
Performance materiality	£2.74 million
Reporting threshold	£135,000

Source: Audit Scotland

12. The overall materiality threshold was set with reference to gross expenditure which was judged as the figure most relevant to the users of the financial statements.

13. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 70% of overall materiality, reflecting our assessment of the risk profile of SCTS and the number of recommendations and findings from our prior year audit.

14. It is our responsibility to request that all misstatements are corrected other than those below the reporting threshold. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

15. Under ISA (UK) 260, we communicate significant findings from the audit to the Board, including our view about the qualitative aspects of the Board's accounting practices.

16. The Code of Audit Practice also requires us to highlight key audit matters which are defined in ISA (UK) 701 as those judged to be of most significance.

17. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Pension information</p> <p>MyCSP is the agency which administers the Civil Service pension schemes. For 2023/24 there has been an exceptional delay in MyCSP providing remuneration information relating to civil service pensions needed for the Remuneration and Staff Report.</p> <p>The issue has impacted organisations across the public sector.</p>	<p>On 18 June 2024 SCTS received confirmation from the Scottish Government that 2023/24 Pension Disclosure figures would be provided by 31 August 2024.</p> <p>The Scottish Government advised that His Majesty's Treasury had agreed that departments who planned to publish their accounts before this date should not include 2023/24 pensions information in them.</p> <p>On 12 June 2024 the FReM was republished. The updated sections removed the requirement to disclose pension information if waiting for it could cause a delay in the planned laying of the accounts.</p> <p>SCTS' accounts are scheduled to be signed following the Board meeting on 5 August 2024. There is consequently a risk that waiting for the pension information would cause a delay.</p> <p>We are satisfied that pension disclosures included in SCTS Remuneration and Staff Report are consistent with updated guidance and comply with the FReM.</p>

Audit work responded to the risks of material misstatement we identified in our annual audit plan

18. We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<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 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 relationships 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. 	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>Focused testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Assessment of related party transactions did not identify any issues with the disclosures made in the accounts.</p> <p>The estimates and judgements made in the preparation of the accounts were appropriate.</p> <p>Substantive testing of transactions around the year end was satisfactory.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>

Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> 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 statements relating to asset valuations.</p>	<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. 	<p>The information provided to the external valuer was appropriate.</p> <p>We confirmed that the valuer was qualified and suitably objective to be able to provide independent valuations.</p> <p>The asset valuation policies in place at SCTS were assessed against requirements from the FreM and confirmed as being appropriate.</p> <p>Work carried out by SCTS to identify potential misstatements in assets not covered by the valuation programme were assessed and concluded as being appropriate.</p> <p>Disclosures relating to valuations of land and buildings were appropriate.</p> <p>Conclusion: We are satisfied that there are appropriate arrangements in place to ensure asset valuations</p>

Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> Critically assess the adequacy of the disclosures regarding the assumptions in relation to the valuation of land and buildings. 	are not materially misstated.

19. In addition, we identified “areas of audit focus” in our 2023/24 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- 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 systems are incorrect.*

20. We kept these areas under review throughout the audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

No material adjustments were made to the annual report and accounts as a result of the audit process

21. Our audit testing identified one error above our reporting threshold. A prepayment covering the period to April 2027 had not been split between current and non-current receivables. An adjustment of £844,000 was required to correctly split receivables between current and non-current. This was not material and officers agreed to correct the error for the final audited version of the annual accounts. There were no material adjustments required to the annual accounts.

22. There were a number of minor presentational adjustments to the unaudited annual report and accounts arising from our audit. These were discussed with officers who agreed to make the necessary changes.

23. The annual report and accounts are required to be prepared in line with the Accounts Direction issued by Scottish Ministers, with a copy of the Accounts Direction included as an appendix to the accounts. Our audit work identified that SCTS were using the Direction issued in 2006 that is not consistent with the 2014 version used currently by the Scottish Government. SCTS could not locate correspondence issuing the 2014 Direction to them by Scottish Ministers.

Recommendation 1

SCTS should engage with the Scottish Government to obtain a copy of the Accounts Direction.

The unaudited annual report and accounts were received in line with the agreed audit timetable

24. The unaudited annual report and accounts were received in line with the agreed audit timetable on 6 June 2024. We would like to thank all of those involved in the preparation of the Annual Report and Accounts for their hard work in providing us with the report on time and to a high standard.

Slow progress was made on prior year recommendations

25. SCTS has made slow progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

Appropriate and effective financial management arrangements are in place, with regular budget monitoring reports provided to the Board.

SCTS operated within its revised budget for 2023/24, reporting an underspend of £3.5 million.

Key controls within the main financial systems were operating effectively, while standards for the prevention and detection of fraud remain appropriate.

SCTS has identified key risks relating to the delayed implementation of a new general ledger by the Scottish Government, including insufficient time to fully test the system.

SCTS operated within its revised budget in 2023/24, reporting an underspend of £3.5 million

26. The main financial objective for SCTS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

27. SCTS reported an outturn of £191.1 million against its overall budget of £194.5 million for 2023/24, an underspend of £3.4 million. The financial performance against budget is shown in [Exhibit 4](#).

Exhibit 4

Performance against budget in 2023/24

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	105.4	141.7	140.0	(1.7)

Capital	12.7	16.9	17.7	0.8
Non-cash	29.6	33.5	33.3	(0.2)
DEL Total	147.6	192.2	191.1	(1.1)
AME Capital	0	2.0	0.1	(1.9)
AME Resource	0	0.3	(0.0)	(0.4)
Total	147.6	194.5	191.1	(3.4)

Source: SCTS Annual Report and Accounts and Scottish Government budget including autumn and spring revisions

28. SCTS's budget was increased by £46.9 million as part of the Autumn and Spring Budget revisions. The major areas of additional expenditure included:

- £23.5 million to support the 'Recover, Renew, Transform' programme;
- £3.9 million to cover the cost of IFRS 16 leases;
- £3 million to cover operational costs for the Private Rented Sector jurisdiction incurred by SCTS and the First-tier Tribunal Housing and Property Chamber;
- £4.5 million to support the replacement of the current Office of the Public Guardian (OPG) case management system;
- £1.8 million to support costs of unfilled judicial vacancies being covered by temporary judges and sheriffs; and
- £1.7 million to accommodate the increased pay settlement.

29. We would note that the Scottish Government Spring Budget Revision for 2023/24 shows a final allocation to SCTS of £197.5 million. SCTS provided some evidence from the Scottish Government that this was reduced due to higher than anticipated civil fee income. The final budget for 2023/24 as documented in SCTS' annual report and accounts was £194.5 million. It is unusual for budgets to be amended following the Spring Budget Revision. SCTS followed the process prescribed by the Scottish Government but, in such cases, we would expect more formal approval documentation to record changes.

SCTS has appropriate financial control arrangements in place

30. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that SCTS has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

31. During our interim audit work in February and March 2024 we reviewed key financial systems. We carried out walkthroughs of key controls and concluded that they are suitably designed to detect and/or prevent risks of material misstatement.

32. No significant internal control weaknesses were identified during the audit. We concluded that the issues noted would not affect SCTS's ability to record, process, summarise and report financial and other relevant data and result in a material misstatement in the financial statements.

33. SCTS use Scottish Government financial systems including the Scottish Executive Accounting System (SEAS) and PECOS. Some controls are therefore managed centrally by the Scottish Government. The Scottish Government external audit team have reviewed the key financial controls in these systems. They concluded that, subject to the matters reported in their Management Report and resultant management actions, the Scottish Government's key internal controls over the main financial systems (SEAS general ledger; Payables; Receivables and Banking) operated effectively during 2023/24.

SCTS identified key risks relating to the delayed implementation of a new general ledger by the Scottish Government, including insufficient time to fully test the system

34. The current SEAS Oracle general ledger is due to be replaced by the Scottish Government, with a move to Oracle Fusion Cloud software planned. This is a significant project and was originally scheduled for completion in October 2023. We reported last year that this implementation date had been delayed until April 2024. During 2023/24 the date was further delayed until 1 October 2024.

35. As part of the implementation work, regular meetings between the Scottish Government implementation team and other bodies, including SCTS, have been held to discuss and prepare for the upgrade. Progress with this work has been reported to the SCTS Audit & Risk Committee (ARC). The report to the April ARC meeting identified key risks relating to the project, including resource pressures from staff time needed for the project, and a lack of time to fully test the system before implementation.

36. The move to the new ledger software is a major change and requires effective and regular dialogue between SCTS and Scottish Government to ensure that adequate arrangements are in place for the new system to be implemented successfully in October 2024. We will cover this as part of our 2024/25 annual audit work.

Internal audit operates in line with Public Sector Internal Audit Standards

37. SCTS's internal audit function is carried out by the Scottish Government Directorate for Internal Audit and Assurance. Our Scottish Government external audit team have completed a central review of the Scottish Government's Internal Audit function. This review concluded that they did not find any areas of non-compliance with Public Sector Internal Audit Standards (PSIAS).

38. The opinion provided by internal audit for SCTS in 2023/24 is that 'reasonable assurance' can be provided on risk management, control and governance arrangements. This is defined as 'Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and / or control procedures in place but not of a significant nature'.

39. We considered internal audit's reports and findings as part of our work to provide assurance over the wider audit dimensions covered in this report.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

40. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

41. SCTS has adequate arrangements in place to prevent and detect fraud or other irregularities.

3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

Effective budgeting arrangements are in place, but SCTS will again be reliant on additional funding in 2024/25 if spending levels are to be maintained.

A refreshed medium-term financial strategy will be presented to the Audit and Risk Committee in July and to the Board in August for approval.

42. [Exhibit 5](#) sets out the wider scope risks relating to financial sustainability identified in our 2023/24 Annual Audit Plan. It summarises the audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

Exhibit 5

Risks identified under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<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 contracts and pay awards, as well as an anticipated flat cash allocation from the Scottish Government until 2026/27,</p>	<ul style="list-style-type: none"> Review arrangements in place to manage the financial position. Review progress in developing a medium-term financial strategy. Review any forecasts/budgeting work for future years. 	<p>Budget monitoring arrangements were reviewed, and reports provided to the Board monitored during the year.</p> <p>Arrangements for the preparation of a medium-term financial strategy were discussed with officers and updates to the Audit and Risk</p>

Audit risk	Assurance procedure	Results and conclusions
represents a significant challenge for SCTS.		Committee monitored during the year. Conclusion: Satisfactory arrangements are in place for monitoring the budget. Work is ongoing to develop longer term financial plans.

SCTS will again be reliant on additional funding during the year if spending levels are to be maintained

43. The Scottish Government has confirmed that SCTS' 2024/25 budget is £165.9 million (2023/24 - £147.6 million). This represents an increase of £18.3 million against the original prior year budget approved by Parliament. The allocation includes £111.7 million fiscal resource, with £17.6 million for capital funding and £33.9 million to cover non-cash costs such as depreciation and accounting for IFRS 16.

44. Despite the increase against the original prior year budget, SCTS actual outturn in 2023/24 was £191.1 million, including resource expenditure of £140.0 million. There is consequently a risk that SCTS is unable to continue to deliver services to the same level in 2024/25 without additional allocations. In previous years additional funding has been provided in subsequent budget revisions.

45. SCTS Board scrutinised and approved the 2024/25 Business Plan and budget in March 2024. As in previous years, a number of assumptions have been used in preparing the budget, including:

- The pay budget will underspend by 6.49% due to vacancies arising in-year.
- The 2% Civil Fee Order is applied from 1 April 2024 with a new 10% Fee Order, currently being consulted on, in place from 1 October 2024 (which also includes a further 10% targeted uplift on certain Sheriff Court fees).
- in-year funding will total £43.9 million.

46. The budget includes £21.3 million relating to Recover, Renew and Transform (RRT) funding provided by the Scottish Government to support the justice sector in response to the Covid-19 pandemic.

47. The 2024/25 Business Plan outlines capital expenditure of £17.6 million. This spend will mostly relate to Dundee Justice Hub, Evidence by Commission (EbyC) suites, courtroom technology, digital transformation initiatives and built estate projects/enhancements including RAAC.

SCTS is preparing a medium-term financial strategy

48. SCTS has been working to prepare a medium-term financial strategy for its Board to approve in August 2024. The strategy covers the period 2024-28. An update on the high-level strategy was provided to the Audit and Risk Committee in April 2024. As part of the strategy, SCTS forecasts additional costs arising, largely as a result of inflation as well as other cost pressures.

49. The high-level strategy includes forecast budget increases required to maintain current service levels under three possible scenarios: realistic, pessimistic and optimistic. The cumulative budget increase required by 2027/28 is predicted to be £8.1 million in the realistic scenario, whilst it would be £14.6 million in the pessimistic scenario or £3.5 million in the optimistic scenario.

4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

SCTS has clear plans in place to implement its vision, strategy and priorities.

Effective and appropriate governance arrangements are in place to support delivery of plans.

Appropriate handover arrangements were in place for the new Chief Executive.

SCTS has a clear vision and strategy and has corporate and business plans to build and improve services

50. SCTS continues to have a clear vision supported by effective corporate and operational planning which is linked into the budgetary control process. The transformation process is also ongoing as demonstrated in its Corporate Plan and Business Plan. The updated Corporate Plan was published in April 2023 covering the period 2023-26, while the annual Business Plan for 2024/25 was issued in April 2024.

51. The Corporate Plan sets out SCTS's vision for reform. This vision is set around the four key areas of criminal justice reform; civil justice reform; tribunals and OPG reform; and corporate reform. The Corporate Plan details the key objectives within each of these areas, aligns each objective to the organisation's seven strategic priorities, and sets out how progress will be monitored for each objective.

52. The Business Plan aligns with the Corporate Plan and is framed around the same four key areas. It sets out the environment in which SCTS is operating and identifies shorter-term business outcomes that the organisation aims to achieve over the next year.

53. The Corporate Plan is supported by strategies such as the Estates Strategy, People Strategy and Digital Strategy. The existing People and Digital strategies covered the period 2018 – 2023 and revised strategies have been developed and are due to be approved later in 2024.

54. We will monitor progress against these plans throughout our audit appointment.

Governance arrangements are effective and appropriate

55. SCTS's governance arrangements have been set out in the Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are effective and appropriate.

56. Minutes for Board and Committee meetings, including financial and performance information and details of decisions made, are available on SCTS' website.

The Framework Agreement between SCTS and Scottish Ministers should be updated

57. SCTS has a Framework agreement with Scottish Ministers. The document sets out the terms of an agreement between SCTS and Scottish Ministers in relation to the governance, financing and operation of the functions of SCTS. The agreement is a statement of intent, agreed jointly.

58. The Framework document is required to be updated in consultation with Scottish Ministers at least every five years. The current version of the document is dated April 2015 and is therefore overdue for review and update. A recommendation was raised in our 2022/23 annual audit report for this to be progressed.

59. SCTS has advised that a revised Framework document has been produced and agreed with Scottish Government officers. It is due to be considered for approval by the SCTS Board at its August 2024 meeting before being submitted to Scottish Ministers for approval.

Chief Executive handover arrangements were appropriate

60. The Chief Executive of SCTS announced in January 2024 his intention to retire later in the year. Following a recruitment process, the new Chief Executive, Malcolm Graham, was announced in April 2024, starting his appointment from 29 July 2024. This allowed for a handover process to be arranged and implemented before the new Chief Executive began his role.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

Effective and appropriate arrangements are in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

SCTS has an appropriate performance management framework in place and were able to improve service performance levels during 2023/24. However, ongoing issues with the performance of the Scottish Courts Custody Prisoner Escorting Contract, managed by the Scottish Prison Service, are impacting on service delivery.

Audit work has addressed the wider scope risks identified in the Annual Audit Plan

61. [Exhibit 6](#) sets out the wider scope risks relating to the Use of Resources to Improve Outcomes identified in our 2023/24 Annual Audit Plan. It summarises the audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 6

Risks identified under the Code of Audit Practice

Audit risk	Audit Response	Conclusion
<p>Court Backlogs</p> <p>The Covid-19 pandemic exacerbated the strain on the criminal justice system in Scotland. This included a significant rise in the number</p>	<ul style="list-style-type: none"> Monitor performance reporting submitted to the SCTS board. Review planned activity in addressing courts backlog. 	<p>Performance reported during the year was reviewed on an ongoing basis during the year. There has been a rise of 28% in solemn cases and SCTS are no longer seeking</p>

Audit risk	Audit Response	Conclusion
<p>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 SCTS activity in supporting the SCCPES contract. 	<p>to clear the backlog but instead reduce case levels to a baseline slightly higher than pre-covid levels.</p> <p>SCTS provided evidence to the Public Audit Committee regarding performance under the SCCPES contract as part of the report on the audit of the Scottish Prison Service. See paragraph 71. for details.</p> <p>Conclusion: SCTS has continued to make progress towards addressing the courts backlog, but progress has slowed due to increase in level of cases.</p>

SCTS is delivering its duty of Best Value as demonstrated through its Best Value framework

62. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

63. As reported in our 2022/23 annual audit report, SCTS has an 'Assurance and Best Value Framework' in place that maps Best Value themes against each business process and sets out the sources of assurance. A lead is also identified for each area with the framework setting out proposals for development and key associated corporate risks.

64. The framework further incorporates a RAG (red/amber/green) scoring system. Of the 17 business processes / areas, all are marked green with the exception of Data Handling, FOI & Information Security, Finance & Procurement and Sustainability that are amber.

65. The development and use of this framework enables SCTS to demonstrate that it is delivering against its duty of Best Value. We consider this to be an example of good practice.

SCTS were able to improve service performance levels during 2023/24

66. SCTS continued to monitor key performance indicators throughout the year with performance reported to the Board on a quarterly basis. In 2023/24, 18 KPIs were monitored, compared with 19 in 2022/23. SCTS also reports its performance against KPIs in the Annual Report and Accounts and publishes an annual scorecard on their website.

67. SCTS's performance against its targets improved in 2023/24 when compared with the two previous years, as illustrated in [Exhibit 7](#). The number of KPIs in which SCTS consistently failed to meet its target across the year decreased to 5% from 16% in 2022/23, while the number of targets that it sometimes failed to meet dropped to 17% from 32% in 2022/23. Meanwhile, SCTS consistently met 78% of its targets in 2023/24, up from 57% in 2022/23.

68. The only KPI where SCTS consistently failed to meet its target in 2023/24 was 'Maintaining the Estate' due to funding constraints. This target was reporting as 'Red' on SCTS' Red/Amber/Green (RAG) scoring system for the first two quarters of the year, meaning that the funding available to SCTS was more than 5% below required expenditure. However, this KPI has been reporting as green for the subsequent two quarters of 2023/24 due to additional funding becoming available and the identification of key projects that can be taken forward at pace.

69. 'High Court Business Recovery' is the only KPI which continues to report as Amber on the RAG scoring system at the end of Q4, with all other KPIs reporting as Green in the final quarter of 2023/24. This is due to several complex and lengthy multi-accused trials taking place, which reduced the throughput of cases. Consequently, trial delays are currently 7% above modelling projections, while scheduled trials are 14% above modelling projections (based on the modelling projections published in December 2023).

Exhibit 7

Key performance indicators – trend analysis



Source: SCTS Annual Report and Accounts; SCTS Board Scorecard Q4 23/24

70. SCTS also developed an improvement plan, providing key milestones for the improvement of services during 2023/24 in line with its business plan. Of the 21 outcomes identified, 14 have been completed, with SCTS making progress towards the others. Planned activity in 2024/25 for uncompleted projects has been outlined. Only one outcome, 'Transfer of the Mental Health Tribunal for Scotland into the First-tier Tribunal for Scotland', was still reporting as 'Red' on SCTS' RAG scoring system at the end of 2023/24. This was due to ongoing delays in the Scottish Government finalising the necessary regulations.

Ongoing issues with the performance of the Scottish Courts Custody Prisoner Escorting Contract, managed by the Scottish Prison Service, are impacting on service delivery

71. In June 2024, the Public Audit Committee (PAC) issued a report on the 2022/23 audit of the Scottish Prison Service (SPS). While the report is focussed on SPS, it also considers the impact on SCTS of failings in the delivery of the Scottish Courts Custody Prisoner Escorting Services (SCCPES) contract.

72. SCTS provided evidence to PAC for the report stating that it continues to 'face significant impact upon trial and custody courts throughout Scotland due to the ongoing performance of the contractor'. In particular, SCTS highlighted the 'late arrival of custodies to court buildings, delays to bringing custodies from cell areas to court rooms and similar delays in bringing accused from prisons to court hearings'.

73. SCTS report that these issues are having ‘a direct impact on the efficient running of the courts, leading to delays, cancellation of hearings and late sitting courts’.

74. In its written submission to PAC, SCTS evidenced that from 1 October 2023 to 31 December 2023 the additional time delay in processing cases was 389 hours at Sheriff Courts and 49 hours at High Court. This impacted five Sheriff Court jury trials; 16 Sheriff Court summary trials; and two High Court jury trials. SCTS estimate the cost of these failures to be £1,741 per day for Sheriff Court Jury Trials; £1,548 per day for Sheriff Court Summary Trials; and £2,872 per day for High Court Trials.

75. The PAC report does note that since November 2023 performance has improved, with the percentage of court arrivals on time and the number of prisoners being returned from court on time both increasing.

76. We will continue to monitor the performance of the SCCPES contract and the impact that it is having on service delivery across SCTS.

Good practice

77. As noted in paragraph 63. SCTS have an ‘Assurance and Best Value Framework’ in place that maps Best Value themes against each business process and sets out the sources of assurance. We consider this an example of good practice.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>1. Accounts Direction</p> <p>SCTS does not have a copy of the Accounts Direction issued to it by the Scottish Ministers.</p> <p>Risk – There is a risk that the accounts are not prepared in line with the requirements set out by the Scottish Government.</p>	<p>SCTS should engage with the Scottish Government to obtain a copy of the Accounts Direction.</p>	<p>Partially accepted</p> <p>SCTS will seek confirmation from the Scottish Government that they have the up-to-date version of the Direction and agree with them a process for annual confirmation.</p> <p>Responsible officer: Interim Director of Finance & Procurement</p> <p>Agreed date: August 2024</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>b/f 1. Framework Document</p> <p>SCTS's Framework Document is required to be updated in consultation with Scottish Ministers at least every five years. The current version of the document is dated April 2015 and is therefore overdue for review and update.</p> <p>Risk – There is a risk that arrangements for the governance, financing and</p>	<p>SCTS should ensure that a review of the Framework Document is carried out to confirm that the content of the document is still relevant.</p> <p>SCTS will review the Framework Document and seek to agree a revised version with Scottish Ministers in the course of this financial year.</p>	<p>Work in progress</p> <p>A revised draft Framework Document was presented to the Scottish Government in February 2024, updating the current version and reflecting the revised model framework document produced by SG. This has now been approved at official level.</p> <p>Revised action: Present revised draft Framework Document to SCTS Board in</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>operation of the functions of SCTS lack clarity or are misunderstood.</p>	<p>Agreed date: February 2024</p>	<p>August 2024 for approval and then seek Ministerial approval to finalise and publish.</p> <p>Responsible officer: Corporate Secretary</p> <p>Revised date: Revised document agreed and published by October 2024.</p>
<p>b/f 2. Estates management plans</p> <p>Whilst SCTS undertake appropriate short-term estates planning, no further analysis has been undertaken to determine the level of investment required over the medium term to ensure that the backlog maintenance is address in a sustainable manner such that the estate remains fit for purpose.</p> <p>Risk – There is a risk that insufficient funding is allocated over the medium term to address critical maintenance.</p>	<p>Management should look to develop medium term maintenance and estates management plans to inform the development of the medium-term financial strategy.</p> <p>A full condition survey of the estate is underway and due to be completed later this year.</p> <p>Agreed date: December 2023</p>	<p>Work in progress</p> <p>The condition surveys of buildings were delayed due to RAAC surveys, however these have now commenced. The estates management plan is not yet complete. Revised date for end of surveys is now September 24 and management plan December 24.</p> <p>Responsible officer: Director – Property & Services Unit</p> <p>Revised date: December 2024</p>
<p>b/f 3. Manual journals</p> <p>The Manual Journal Policy states that journals should always be created by a separate individual, but allows for one individual to subsequently approve, upload and post the journal in some circumstances.</p> <p>With manual journals created out with the finance system, there are no systematic controls in place to prevent an individual from creating,</p>	<p>SCTS should explore a system solution to minimise the number of manual journals required, given their increased inherent risk of fraud and error.</p> <p>The reduction of manual journals will be achieved by the introduction of interfaces with key SCTS business systems ICMS. These will be introduced as part of the new ERP to replace SEAS and so action is not expected to be completed until the implementation of the new</p>	<p>Work in progress</p> <p>Revised action: As part of the implementation of Oracle cloud the SCTS will reduce the volume of manual journals and revise the existing policy.</p> <p>Responsible officer: Interim Director of Finance & Procurement</p> <p>Revised date: December 2024</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>approving and posting a journal, or to detect where this has occurred (e.g. system exception reporting).</p> <p>Risk – Given the lack of connectivity between finance and SCTS systems, there is a requirement for a high number of manual journals. There is an increased risk of fraudulent or erroneous journals being posted due to a lack of enforced segregation of duties between those creating and approving journals.</p>	<p>Oracle Fusion Cloud software. This has been delayed until April 2024.</p> <p>Revised date: April 2024</p>	
<p>b/f 4. Medium term financial strategy</p> <p>Whilst medium term operational planning is ongoing across the organisation, SCTS have not revised their medium-term financial strategy to reflect the impact of this.</p> <p>Risk – Failure to deliver operational plans in a financially sustainable way.</p>	<p>Management should review their medium-term financial plan to reflect the impact of operational planning across the organisation.</p> <p>The Medium-Term Financial Strategy (MTFS) will be complete by the end of September and approved by the Board later in 2023. We plan to update the MTFS quarterly.</p> <p>Revised date: September 2023</p>	<p>Work in progress</p> <p>A medium-term financial strategy has been prepared for approval by the SCTS Board in August 2024. See paragraph 48.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Revised date: August 2024</p>

Scottish Courts and Tribunals Service

Annual Audit Report 2023/24

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