

Scottish Courts and Tribunals Service

2022/23 Annual Audit Report



 AUDIT SCOTLAND

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

August 2023

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Key messages

2022/23 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 a number of prior year recommendations remain ongoing.

Financial management and sustainability

- 3 SCTS operated within its revised budget of £186.5 million in 2022/23, reporting an underspend of £3.3 million. Appropriate financial management arrangements are in place as well as adequate arrangements to prevent and detect fraud or other irregularities.
- 4 SCTS faces a challenging financial position and this is likely to continue for the foreseeable future. Plans are in place to deliver services in the medium to longer term, but a medium-term financial strategy to support corporate and business planning needs to be updated.

Vision, leadership and governance

- 5 SCTS has a clear vision and strategy and has appropriate governance arrangements in place. Corporate and business plans are in place that aim to build and improve services.
- 6 SCTS responded quickly and effectively to the challenges presented during the Covid-19 pandemic.

Use of resources to improve outcomes

- 7 Despite the challenging environment for public services, SCTS were able to maintain service performance levels during 2022/23.
- 8 SCTS has developed an Assurance and Best Value framework that we consider to be an example of good practice.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of the Scottish Courts and Tribunals Service (“SCTS”). The scope of the audit was set out in an annual audit plan presented to the April 2023 meeting of the Audit and Risk Committee. This 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. The 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 account’s direction from the Scottish Ministers. SCTS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

4. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

5. Weaknesses or risks identified are only those which have come to our attention 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 we raise 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 we 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 2022/23 audit fee of £93,500 as set out in our 2022/23 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 members, executive directors and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the remainder of the five-year appointment.

1. Audit of 2022/23 annual report and accounts

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

Main judgements

Audit opinions on the annual report and accounts are unmodified.

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

Actions to address a number of 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 2023 on 14 August 2023. 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 financial reporting framework
- the performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Overall materiality was assessed as £3.18 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 and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£3.18 million
Performance materiality	£2.07 million
Reporting threshold	£95,000

Source: Audit Scotland

12. The overall materiality threshold was set with reference to gross expenditure, which we 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 65 per cent of overall materiality, reflecting our assessment of the risk profile of the organisation and that this is year one of our audit appointment.

14. It is our responsibility to request that all misstatements are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

15. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

16. The Code of Audit Practice also requires auditors to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

17. While there have been some minor presentational issues that have been corrected, there are no significant issues to report from the audit of the financial statements.

18. A key audit consideration related to SCTS's interpretation of FReM guidance under IFRS 16. This was identified as an area of audit focus in our Annual Audit Plan due to the risk that disclosures included in the financial statements may be incorrect.

19. On the transition of existing operating leases SCTS recognised right of use assets at cost, and under transitional arrangements any provision for dilapidations relating to these assets has not been included in the valuation.

20. We are satisfied that SCTS's treatment of right of use assets under IFRS 16 is appropriate and in line with FReM guidelines. It is also in line with Scottish Government guidance to central government bodies.

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

21. We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 2](#) sets out the risks we identified in our 2022/23 Annual Audit Plan. It also summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>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"> 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. 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. 	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>Focussed 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 identified was satisfactory.</p> <p>Conclusion: We did not identify any incidents of</p>

Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> 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. 	management override of controls
<p>New non-current assets register implementation</p> <p>SCTS owns a significant amount of land and buildings with a net book value of £530 million as at 31 March 2022. A new non-current asset register (NCAR) is being introduced for land and buildings during 2022/23. As part of the introduction of this system, SCTS have identified issues with the accuracy of items previously identified as non-current assets.</p> <p>There is a risk that information is not correctly transferred to the new system and that land and buildings details in the financial statements are incorrect.</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over the non-current assets system. Make enquiries of management about the work carried out to ensure that all relevant assets have been identified. Review reconciliations between the new NCAR and previous year non-current asset records. Carry out asset verification work to substantively test the existence of assets in the NCAR. 	<p>We reviewed the controls in place over the new non-current assets register as part of interim testing and confirmed that these were appropriate.</p> <p>The work done to restate prior year figures was reviewed and confirmed as being appropriate.</p> <p>Substantive testing of non-current assets at the year end was satisfactory.</p> <p>Conclusion: We did not identify any issues with the accounting for assets transferred to the new non-current assets register for the 2022/23 accounts.</p>

22. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **IFRS 16 implementation** – as detailed at [paragraph 18](#).
- **Valuations of land & buildings** – at 31 March 2022, SCTS held land and buildings with a net book value of £530 million. 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. This level of estimation means there is a risk of material misstatement to the financial statements relating to asset valuations.

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

There were no identified misstatements

24. Our audit identified no misstatements above our reporting threshold.

25. We did highlight one minor point relating to the use of segmental reporting when providing financial information to the Board. This has been discussed with management who have agreed to consider using segmental reporting in line with IFRS 8 in future years.

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

26. The unaudited annual report and accounts were received in line with our agreed audit timetable on 9 June 2023. The unaudited accounts package, including working papers, were of a high standard and enabled the audit to progress smoothly.

Limited progress was made on prior year recommendations

27. SCTS has made limited progress in implementing the audit recommendations identified by Azets, SCTS’ previous external auditor. For actions ongoing or not yet implemented, revised responses and timescales have been agreed with management as 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

SCTS has appropriate financial management arrangements in place.

SCTS operated within its revised budget in 2022/23, reporting an underspend of £3.3 million.

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

SCTS operated within its revised budget in 2022/23

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

29. In 2022/23, SCTS reported an outturn of £183.2 million against its overall budget of £186.5 million - an underspend of £3.3 million. The financial performance against budget is shown in [Exhibit 3](#).

Exhibit 3

Performance against budget in 2022/23

Performance	Initial budget £ 000	Final budget £ 000	Outturn £ 000	Over/(under) spend £ 000
Resource	125,543	138,231	134,627	(3,604)
Resource ring-fenced		33,552	30,845	(2,707)
Capital	8,000	14,505	17,430	2,925
DEL Total	133,543	186,288	182,902	(3,386)
AME	0	205	285	80
Total	133,543	186,493	183,187	(3,306)

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

Additional funding was provided in-year to support the work of SCTS.

30. SCTS's revenue budget was increased as part of the autumn and spring Budget revisions. The major areas of additional expenditure included:

- £30.2 million to support the Justice 'Recover, Renew, Transform' programme (autumn / spring).
- £3 million to cover operational costs for the Private Rented Sector jurisdiction incurred by SCTS and the First-tier Tribunal Housing and Property Chamber (autumn).
- £1.7 million to support the costs of unfilled judicial vacancies being covered by temporary judges and sheriffs (spring).
- £1.6 million to support an increased pay settlement (spring).

31. SCTS underspent against its increased revenue resource budget by £6.3 million. This was driven by lower than budgeted revenue spend on the 'Recover, Renew, Transform' programme and on non-domestic rates due to the successful challenge of rateable values on a number of properties.

32. SCTS's capital budget was also increased in the spring budget revision. This included additional funding of:

- £3.4 million to support the cost of the Edinburgh Justice Campus (EJC) programme (spring).
- £1.1 million to fund the development of a suitable digital platform to manage Social Security appeals demand and deliver a modern and accessible system to all tribunal users, stakeholders and judiciary (spring)

33. SCTS overspent its Capital DEL budget in 2022/23 by £2.9 million. This relates to in-year IFRS 16 lease modifications and higher than projected capital spend on the Recover, Renew, Transform (RRT) programme. The overspend was partially offset due to slippage associated with the Edinburgh Justice Campus.

34. In terms of resource ring-fenced funding on non-cash transactions, for example depreciation and amortisation, SCTS was £2.7 million under budget. This was largely attributed to a prior year capital adjustment.

SCTS has appropriate financial control arrangements in place

35. 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.

36. During our interim audit work in February and March 2023 we reviewed key financial systems. We carried out walkthroughs of key controls and concluded that they are suitably designed to detect and/or prevent risk of material misstatement. As part of our testing of journals we identified some issues with four journals where the users had combinations of responsibilities that were not allowed under the journals policies, as well as two journals where the uploader/poster had not been recorded. As part of the controls work we noted that SCTS rely on the use of a large number of manual journals which have an increased risk of fraud or error. This issue was also reported in previous years. See follow up of previous year recommendations in [Appendix 1](#).

37. No significant internal control weaknesses were identified during the audit and 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.

38. SCTS use Scottish Government (SG) financial systems including the Scottish Executive Accounting System (SEAS) and PECOS. Some controls are therefore managed centrally by the SG. Our SG 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 2022/23.

39. The SEAS general ledger is due to be updated by the SG, with a move to Oracle Fusion Cloud software planned. This is a significant project and was originally scheduled for completion in October 2023 but is now delayed to April 2024. As part of this work, regular meetings between the SG 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) at each of its meetings as part of the update from Finance and Procurement. The report to the April ARC meeting identified key risks relating to the project, including increased funding being required and key SG roles being vacant.

40. The move to the new ledger software is a major change and requires effective and regular dialogue between SCTS and SG to ensure that adequate arrangements are in place for the new system being implemented at the start of 2024/25.

Cyber security arrangements are appropriate but could be improved

41. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we considered SCTS's arrangements for managing and mitigating cyber security risks.

42. Cyber Essentials is a government-backed, industry-supported scheme that helps organisations protect themselves against common online threats. The base certification is a self-assessment that ensures protection against a variety of the most common cyber attacks. Cyber Essentials Plus includes an independent technical verification of an organisations cyber security arrangements. SCTS achieved Cyber Essentials Plus accreditation in November 2022.

43. Internal Audit carried out a review of SCTS's Cyber Security arrangements in 2021/22 and followed up this report during 2022/23. The 2021/22 report found that reasonable assurance could be provided on the arrangements in place, and that SCTS had an effective and solid framework around Cyber Security processes. The report made one high-priority recommendation along with two medium-priority recommendations. The follow up report in 2022/23 found that the high-priority recommendation has been implemented and two medium recommendations have been partially implemented.

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

44. 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.

45. We have reviewed SCTS's arrangements, including its Fraud Strategy and Whistleblowing Policy and concluded that SCTS has adequate arrangements in place to prevent and detect fraud or other irregularities. Updates on any frauds, thefts or losses are reported to the Audit and Risk Committee at each of its meetings during the year.

National Fraud Initiative

46. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. SCTS took part in the current exercise which identified no 'very high risk' matches in relation to 'payroll to payroll' and 'payroll to pension' for the organisation.

Internal audit operates in line with Public Sector Internal Audit Standards

47. 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 significant non-compliance with Public Sector Internal Audit Standards (PSIAS).

48. The opinion provided by internal audit for SCTS in 2022/23 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*'.

49. 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.

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

SCTS has plans in place to deliver services in the medium to longer term, but strategies to support corporate and business planning need to be updated.

SCTS faces a challenging financial position and this is likely to continue for the foreseeable future.

50. [Exhibit 4](#) sets out the wider scope risks relating to financial sustainability that we identified in our 2022/23 audit. It summarises the audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 4

Risks identified from the auditor's wider responsibilities under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
SCTS faces a challenging financial position and this is likely to continue for the foreseeable future. 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, represents a significant challenge for SCTS.	<ul style="list-style-type: none"> 2023-24 budget timetable and process Medium Term Financial Strategy preparation SG monitoring returns 	<p>The budget for 2023/24 was agreed in March 2023 and includes £147.6 million of funding from the Scottish Government (SG).</p> <p>Work on the updated medium-term financial strategy is still ongoing and is expected to be approved later in 2023. Agreement of the strategy was delayed following the publication of the SG's medium-term financial strategy in May 2023.</p> <p>We reviewed the budget monitoring controls in place at SCTS, including monitoring returns submitted to the SG. We concluded that</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>arrangements were satisfactory.</p> <p>Conclusion: SCTS has appropriate budgeting processes in place but needs to complete its medium and longer term strategies. See appendix 1.</p>

The 2023/24 budget of £209 million was agreed in March 2023

51. SCTS Board scrutinised and approved the 2023/24 Business Plan and budget in March 2023.

52. The Scottish Government's budget for SCTS has been set at £147.6 million, including non-cash charges of £29.6 million and capital of £12.7 million. This is an increase of 10.6 per cent compared to the 2022/23 budget (£133.5 million). When income and depreciation are taken into account, SCTS will have £209.3m with which to fund its activities for the year.

53. As in previous years, a number of assumptions have been used in preparing the budget, including:

- The pay budget will underspend by 8.5% due to vacancies arising in-year
- Utility costs for electricity and gas have increased by 78% and 53% respectively
- £2 million of business costs directly attributable to Covid-19, such as enhanced cleaning and ventilation regimes, has been guaranteed by SG.
- SCTS is assuming that in-year funding will total £46.4 million

54. The budget includes £22.5 million relating to the Recover, Renew and Transform (RRT) funding provided by the Scottish Government to support the justice sector in response to the Covid-19 pandemic.

55. The 2023/24 Business Plan outlines capital expenditure of £14.2 million, including £1.5 million of anticipated in-year funding from the Scottish Government. This spend will mostly relate to development of a new case management system for the Office of the Public Guardian (OPG) and for completion of the Glasgow Sheriff Court atrium roof project. Anticipated in-year funding of £1.5 million will support the Edinburgh Justice Campus project and ongoing tribunal digitisation.

Work is ongoing to develop a medium-term financial strategy

56. The previous auditors recommended that management should review the medium-term financial plan to reflect the impact of operational planning across the organisation. In 2021/22 management advised that this was delayed due to the Scottish Government Resource Spending Review 2022-23 to 2026-27 and medium-term financial strategy which was not published until May 2022.

57. Management did commit to updating its own medium-term financial strategy to align with the development of the next three-year Corporate Plan. The Corporate Plan was issued in April 2023. The strategy was then delayed further to take consideration of the Scottish Government's refreshed medium-term financial strategy which was issued in May 2023. Our understanding is that SCTS now aim to issue the medium-term financial strategy in September 2023.

58. SCTS's corporate and business plans also support the delivery of services in the medium to longer term.

4. Vision, leadership and governance

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

Conclusion

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

SCTS governance arrangements are appropriate.

SCTS responded quickly and effectively to the challenges presented during the Covid-19 pandemic.

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

59. SCTS has a clear vision supported by effective corporate and operational planning which is linked into the budgetary control process. The organisation has continued its transformation process 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 2023/24 was issued in May 2023.

60. 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.

61. 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.

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

SCTS governance arrangements are appropriate

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

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

SCTS responded quickly and effectively to the challenges presented during the Covid-19 pandemic

65. Our 'Criminal courts backlog' performance audit report was published in May 2023. The report assessed the scale of criminal court system delays as a result of the backlog caused by the Covid-19 pandemic and examined the actions taken to address these delays. More details on the report can be found at [paragraph 83](#).

66. The Scottish Government established the Criminal Justice Board to manage its response to the pandemic and put in place the Recover, Renew, Transform (RRT) programme. Our report found that throughout the pandemic, SCTS made 'very effective use of modelling data to inform decision-making about the effects of the backlog and identify solutions'.

67. The report also concluded that partners (including SCTS) worked well together and made good progress through innovative solutions and that significant progress was made in reducing the trial backlog.

The Framework Agreement between SCTS and Scottish Ministers should be reviewed

68. 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.

69. 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. We understand that the scheduled review was delayed due to the impact of the Covid-19 pandemic.

Recommendation 1

SCTS should ensure that a review of the Framework Document is carried out to confirm that the content of the document is still relevant.

Climate change arrangements

70. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

71. Internal Audit issued its 'Climate Change and Decarbonisation' report in November 2022. The report identified that operationally, SCTS has 'effective and solid climate change and decarbonisation arrangements, with a strong tone from the top and clear leadership, direction and engagement from a senior management level'.

72. The report identified one area requiring urgent attention and recommended that SCTS review and refresh its carbon reduction and climate change targets. We will continue to monitor SCTS's progress against this and other recommendations in Internal Audit's report.

73. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

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

SCTS has developed an Assurance and Best Value framework that we consider to be an example of good practice.

SCTS were able to maintain service performance levels during 2022/23.

Equalities and diversity arrangements are reasonable.

SCTS has developed an Assurance and Best Value framework

74. [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.

75. SCTS has an 'Assurance and Best Value Framework' in place. The framework 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.

76. 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 finance & procurement and sustainability which are both amber.

77. The development of a framework to demonstrate that SCTS is delivering against its duty of Best Value is considered an example of good practice.

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

78. [Exhibit 5](#) sets out the wider scope risks relating to Vision, Leadership and Governance we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 5

Risks identified from the auditor's wider responsibilities 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 of outstanding cases waiting to go through the court system. Current modelling suggests that SCTS should return to pre-pandemic levels by March 2024 for summary activity, and by March 2026 for high court and solemn activity</p>	<ul style="list-style-type: none"> Monitor performance reporting submitted to the SCTS board. Our performance audit on Criminal Courts Backlog was published in May 2023. 	<p>SCTS and partners responded quickly and effectively to the Covid-19 pandemic.</p> <p>SCTS made 'very effective use of modelling data to inform decision-making about the effects of the backlog and identify solutions'.</p>

Source: Audit Scotland

SCTS were able to maintain service performance levels during 2022/23

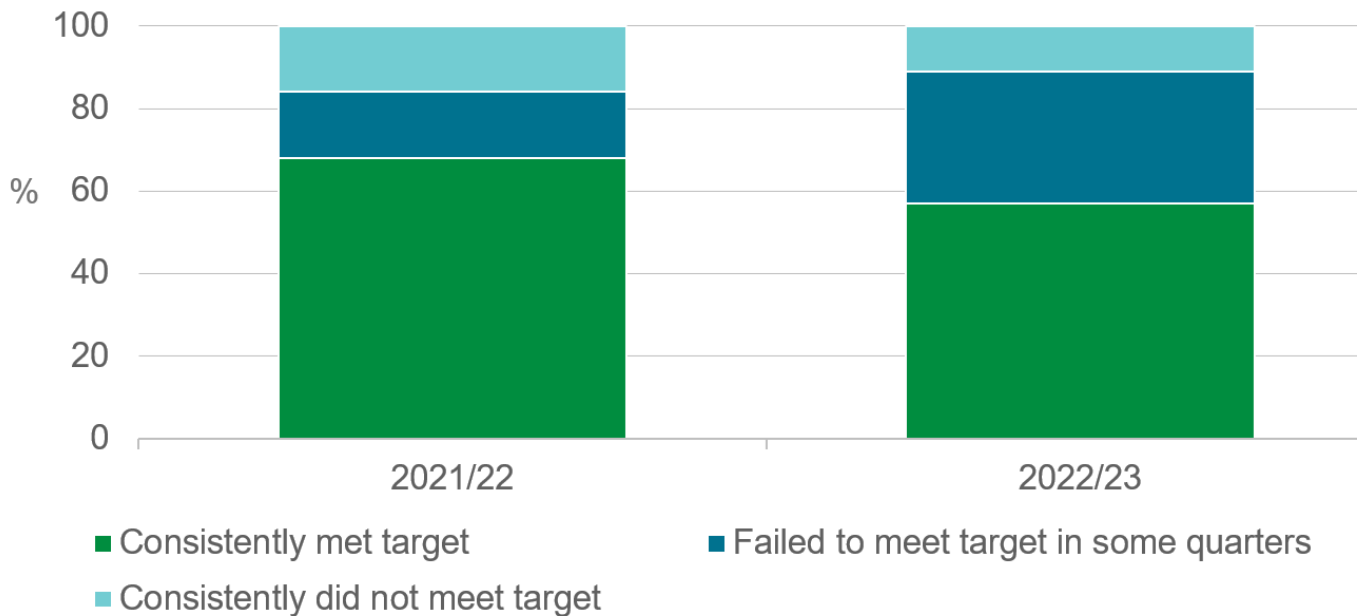
79. SCTS monitors performance against key performance indicators created with reference to the strategic priorities in the Corporate Plan, and progress against the annual outcomes which are driven by the business plan. This is aligned to the overall strategic objectives but is focused at a more operational level for the current year.

80. The SCTS Board receives quarterly reports which outline performance against its 19 key performance indicators. SCTS also reports its performance against KPI's in the Annual Report and Accounts and publishes an annual scorecard on their website.

81. As can be seen in [Exhibit 6](#), the number of KPI's in which SCTS consistently failed to meet the target across the year decreased from 16 per cent in 2021/22 to 11 per cent in 2022/23. The number of targets that SCTS consistently met, however, also decreased from 68 per cent in 2021/22 to 57 per cent in 2022/23.

Exhibit 6

Key performance indicators – trend analysis



Source: SCTS Annual Report and Accounts

82. The KPI's where SCTS failed to meet the target across the year were Disposal of summary criminal cases within 26 weeks and Fines and fee income. SCTS report that the criminal cases KPI is currently under review by SG Justice Analytical Services, in recognition that it may not be a meaningful measure during pandemic recovery.

Criminal courts backlog

83. Audit Scotland published a report on the Criminal Courts Backlog in May 2023. The report assessed the scale of criminal court system delays as a result of the backlog caused by the Covid-19 pandemic, the actions taken to address these delays, and the impact on victims, witnesses and the accused.

84. The report found that:

- The Scottish Government, the Scottish Courts and Tribunals Service and partners responded quickly and effectively to the Covid-19 pandemic
- Significant progress has been made in reducing the trial backlog that accrued during the pandemic

- Victims, witnesses and the accused are experiencing significant waits for their cases to be heard and for the most serious cases the backlog will not be cleared until March 2026
- The Scottish Government published its Vision for Justice in Scotland in February 2022 but the supporting three-year delivery plan has been delayed
- Key risks, such as staffing pressures in the legal profession, threaten progress on reducing the backlog and reforming the criminal justice system

85. The report also made seven recommendations, two of which related to SCTS. It recommended that the Scottish Government and SCTS should:

- carry out evaluations of projects within the criminal justice transformational change programmes. These should be carried out at key stages as deemed appropriate by the CJB and should incorporate qualitative and quantitative information and include feedback from all relevant stakeholders
- work with Criminal Justice Board partners, the third sector, victim support organisations, organisations representing the accused's interests and other relevant stakeholders to develop equality impact assessments for all projects being taken forward through transformational change programmes

86. The report concluded that SCTS has been transparent about its progress against backlogs, providing key information to the public. It has published data on outstanding scheduled trials and waiting times on a monthly basis as well as publishing its modelling data and subsequent updates.

87. As a result of the significantly increasing number of solemn cases coming through the system, the original target baselines in SCTS modelling work have been adjusted. The new target is to return to an increased normal operating capacity of 567 outstanding scheduled trials in the High Court and 1,892 in sheriff solemn courts. The most recent SCTS modelling projects that reaching these target levels will take until March 2025 for the High Courts and March 2026 for sheriff solemn courts.

Equalities and diversity arrangements are reasonable

88. Internal Audit carried out a review of Equalities and Diversity arrangements at SCTS during 2022/23 and reported their findings to the ARC in April 2023. Their report concluded that reasonable assurance could be provided for the arrangements in place meaning 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.

89. Internal Audit found that SCTS has a strong commitment to the principles of equality and diversity and is in broad compliance with the requirements of the 2010 Equalities Act. It reported that there is clear leadership, direction and engagement at a senior management level, but identified two areas requiring urgent attention.

90. For the first area Internal Audit recommended a review of the roles and responsibilities aligned to equality and diversity arrangements and the wider accountability structure. This was with a view to developing a framework to ensure equality and diversity principles are sufficiently supported and embedded across the organisation.

91. The second area recommended that SCTS set out in more detail the wider vision for equality and diversity in the corporate plan and annual business plan. The recommendation included developing and agreeing an equality and diversity strategy, and reviewing the existing equality outcome objectives to ensure these are realistic, pragmatic and achievable.

92. SCTS accepted the recommendations made by Internal Audit and agreed actions are scheduled to be implemented by the end of 2023.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>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 operation of the functions of SCTS lack clarity or are misunderstood.</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>Paragraph 68</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>Corporate Secretary</p> <p>February 2024</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Journal authorisation</p> <p>We identified six journals where the individual authorising them was not of an appropriate level as outlined in the Manual Journal Policy.</p> <p>Risk – Non-compliance with the policy may increase the risk of fraud or error in manual journals.</p>	<p>Management should ensure that the Manual Journal Policy remains fit for purpose and reinforce compliance with the policy across the team.</p>	<p>Update: As documented in paragraph 36 we identified some issues with compliance with the journal policy during the year.</p> <p>In Progress</p> <p>Update: The Manual Journal Policy was revised and published in October 2022 however, given FPU staff turnover, we will revisit and</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>review quarterly, distributing to all staff.</p> <p>The Policy controls a manual process and not a system controlled process. The new Oracle Fusion system will have in-built workflows to control and prevent actions outwith the Policy.</p> <p>Interim Director of Finance & Procurement</p> <p>October 2023</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>Update: A full condition survey of the estate is underway and due to be completed later this year.</p> <p>In Progress</p> <p>Responsible officer: Director – Property & Services Unit</p> <p>Agreed date: December 2023</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 outwith the finance system, there are no systematic controls in place to prevent an individual from creating, approving and posting a</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>Update: 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 Oracle Fusion Cloud software. As noted in paragraph 39 this has been delayed until April 2024.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>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>Outstanding</p> <p>Responsible officer: Interim Director of Finance & Procurement</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>Update: the medium-term financial strategy has been delayed in order to reflect the SG’s medium term strategy which was published in May 2023. SCTS’s medium term financial strategy is being reviewed and will be finalised later in 2023.</p> <p>In Progress</p> <p>Update: 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>Chief Finance Officer</p> <p>Revised date: September 2023</p>

Scottish Courts and Tribunals Service

2022/23 Annual Audit Report

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