

DRAFT MINUTES OF THE SCOTTISH PRISON SERVICE RISK MONITORING AND AUDIT COMMITTEE (RMAC) MEETING HELD IN DUMYAT BOARD ROOM, SPSC, ON WEDNESDAY 31 JULY 2024, AT 13:00-16:30

Present: Ian Harley, RMAC Chair and Non-Executive Director
Teresa Medhurst, Chief Executive, SPS
Linda Pollock, Deputy Chief Executive, SPS
Michael Beardmore, Head of Strategy Planning, SPS
Lynne Clow, Non-Executive Director
Gerry O'Donnell, Director of Finance, SPS
Michael Oliphant, Audit Scotland
Dougie Shepherd, Senior Internal Audit Manager, Scottish Government
Lisa Taylor, Head of OCE Branch and Acting Head of Strategy and Planning, SPS
Stephen Uphill, Non-Executive Director
Tommy Yule, Audit Scotland

Introduction and Welcome

1. The Chair welcomed all present to the meeting.

Declarations of Interest

2. There were no new declarations of interest.

Apologies for Absence

3. Apologies for absence were received from Rebecca Murray and William Wilkie.

Draft Minutes of the last RMAC Meeting Held on 28 June 2024

4. The draft minutes of the meeting held on 28 June 2024 were agreed as a true record.

Action Log following Last RMAC Meeting

5. The Chair and members reviewed the Action Log and agreed the current position.

RMAC(JUL) 01 A&B/24: External Audit Draft Annual Report to Board and ISA 260

6. This report provided summaries the findings from the 2023/24 audit of the Scottish Prison Service (SPS). The scope of the audit was set out in an Annual Audit Plan presented to the March 2024 meeting of the Risk Monitoring and Audit Committee (RMAC). SPS 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. SPS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

7. 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

8. The audit found a repeat issue with the management ex-gratia control framework with several recommendations made for improvement.

9. It was highlighted SPS has effective and appropriate arrangements to secure sound financial management. SPS reported an overspend of £21.6 million against its revised budget in 2023/24. Suitable financial control arrangements are in place, and standards of conduct and arrangements for the prevention

and detection of fraud and error are appropriate. SPS continues to manage significant risks in relation to its IT strategic planning and Cyber Security arrangements.

10. Members noted this paper with thanks and agreed that Ex-Gratia would be the subject of the RMAC September Deep Dive.

Deep Dive: Ex-Gratia

11. Mrs Medhurst informed the group that following discussions with the executive management group around ex gratia processes that a series of immediate actions had been drafted and an action plan will be put in place to collate immediate and mid-term actions which will be monitored through MPMG. Mrs Medhurst advised that she is satisfied that this will cover the actions required and would be keen to share with RMAC members.

Action: Mrs Medhurst

12. Ms Clow queried whether SPS felt the report provided by Audit Scotland reflected the scale of work undertaken alongside other challenges faced. Mrs Medhurst advised that while the report reflects on the progress made she felt that what could not be captured in such a report is the pressures faced by SPS which were, at times, very great during the period..

13. Mr O'Donnell informed the group that following challenges faced last year the team prioritised the Annual Report and Accounts, which they feel has made good progress. The group were made aware of recruitment progress which has mitigated some of the challenges previously faced.

14. Mr Harley noted the unresolved actions in the paper and queried if this was typical of Audit Scotland's experience with other agencies. It was advised that while the number is higher than the average they felt it reflects the number of concurrent risks and challenges that SPS are managing and that their expectation would be to see continual progress over 5 years. Mrs Medhurst added that she felt there are few organisations with similar complex challenges, however, recognises that more needs to be done in completing actions.

15. Mr Harley noted it would be beneficial to 're-baseline' to gain a clearer view of what actions should be prioritised and assess if previous actions are still valid or if they have been encapsulated by newer actions. Mrs Medhurst highlighted some actions are recorded in a way that doesn't reflect SPS, indicating that changing the narrative to some would aid progress.

Action: Linda Pollock

16. Members were content for this report to be approved.

RMAC(JUL) 02 A&B/24: Draft Annual Report and Accounts from Finance Director Finance

17. The draft Financial Statements were provided to Audit Scotland on 27 May 2024 in line with the timetable and the commencement of the external audit Field work. The draft Annual Report and Accounts 2023-24 were issued to Audit Scotland on 05 June 2024. During the audit of the financial statements, regular progress meetings took place between FP&S and Audit Scotland.

18. Total expenditure for the year was £543.7m against the Spring Budget position (SBR) of £522.1m. This is an overspend against budget of £21.6m

19. The DEL underspend of £1.2m is largely attributable to underspend in non-AME impairment including depreciation of £1.1m. ODEL overspend is a result of liability remeasurement as required by the changes in PFI accounting under IFRS16 (£3.4m). The overspend in AME largely relates to a downward valuation of HMP Stirling to the extent of £19.4m.

20. The net operating cost for the financial year is £487.8 million. This is an increase of £59.7m (13.9%) on the previous year and is largely attributed to finance expenses as result of IFRS 16 and impairment on assets. Staff costs increased by 7.6%.

21. Timescales for laying the Annual Report and Accounts before Parliament and subsequent publication is likely to be September, however timescales may differ. The legislative deadline remains at 31 December 2024.

22. Members noted this paper with thanks.

23. Ms Clow questioned the process involved in completing the valuation, noting the variables involved including increasing building costs. It was advised that SPS rely on the expertise of professional valuers.

24. Mrs Medhurst highlighted that there have been discussions on how to make this report more focused and reader friendly, in addition to highlighting good practices and how it can better reflect living and working in prisons. The group were made aware that this work has started for next year. Ms Pollock noted that information can, at times, be repetitive and that, going forward, SPS were keen to look at how other organisations produce their annual reports. The group were in agreement that this could be a positive move forward.

25. Members were content for the annual accounts and annual report to be recommended to the Accountable Officer and Advisory Board for adoption.

Review of Performance of External Auditors

26. Members were content with the performance of external auditors noting they have been very collaborative, engaged and involved in all relevant discussions.

Any Other Business

27. There was a private discussion between the RMAC members and internal audit (not minuted).

Date of Next Meeting

28. The next RMAC meeting will be held on 25 September 24 from 13:00-16:30.

RMAC Secretariat

31 July 2024