

**AUDIT AND RISK COMMITTEE  
MINUTES OF THE MEETING  
Monday 16 November 2020 (WEBEX DIAL-IN)**

**Attendance:**

**Committee Members:** Helen Mackenzie (Chair) (HM)  
Ian Forbes (IF)  
Liz Holmes (LH)

**Internal Audit:** Iain Burns (IB)  
David Reay (DR)  
Pamela Wilkinson (PW)

**Audit Scotland:** Tom Reid (TR)  
Mark Roberts (MR)

**SPPA** Penelope Cooper (PC), Chief Executive  
Ian Waugh (IW), Chief Financial Officer  
Jane Murray (JM), Financial Controller  
Matt Valente (MV), Head of Business Management  
Stuart MacArthur (SMacA), Governance Manager  
Dev Dey (DD) Head of Customer Services  
Andre Morelli (AM) Head of Digital Transformation &  
IT Operations  
Deborah Sherlock (Minutes)

**1. Apologies and Introductions**

- 1.a The Chair, Helen Mackenzie welcomed all attendees to the meeting. Helen thanked Jane Murray for her work supporting the committee and wished Jane all the best for the future.
- 1.b Apologies were received from Lesley Fraser, DG Organisational Development & Operations. The Chair asked for confirmation of the Fraser figure for the committee, PC confirmed the interim Fraser Figure is Lesley Fraser.

1120.01	To issue invites to Lesley Fraser DGO/Fraser Figure for January meetings.
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**2. Declaration of Interests**

There were no changes to committee members' Register of Interests nor were there any declarations of interest in the business to be conducted.

### 3. Reports by Audit Scotland

#### 3.a IAS 260/580 Agency and Draft Annual Report on 2019/20 Audit

Mark Roberts expressed his thanks to the SPPA staff for providing the accounts under difficult circumstances this year. Noted within the Annual Audit Report is:

- the accounts were received 1 week after the deadline for submission; and
- the performance report section was received 3 months after the deadline for submission.

Whilst MR advised the Committee that improvement for next year is required, he acknowledged that the delay this year is as a result of Covid.

MR reported that an unqualified opinion has been made on the accounts with nothing specific to be raised.

TR highlighted Appendix 1 which contains recommendations, management responses, actions and timings. The following issues were discussed:

- Value for Money - The committee asked if Audit Scotland had considered whether business as usual services were delivering best value. MR advised that this had not been covered in 2019/20 and can be added to the planning process for 2020/21.
- Financial Management - The committee asked, in relation to the budget includes a contingency of £1.0 million being held as underspend (page 12, paragraph 33), whether this a reasonable amount and whether other agencies hold such a high level of contingency in their budgets. TR reported comparisons are difficult given other agencies differ in size for a comparable.
- Financial Strategy – The committee asked whether, in relation to the recommendations on the longer term financial stability, the date in the action plan is March 2021 was still achievable given the period of interim arrangements during the secondment of the Chief Executive Officer (CEO). PC recommended that the Senior Leadership Team (SLT) should propose a new date to Audit Scotland.
- Workforce Planning - The committee questioned whether the delivery date of March 2021 for the conclusion of workforce planning is realistic. MV confirmed that this is achievable as a Human Resources Manager and Business Intelligence Analyst have now been appointed.

1120.02	SLT to propose a new date with Audit Scotland for the action point relating to financial strategy, with the date to be decided by December 2020
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#### **4. Agency Annual Reports and Accounts**

4.a Penelope Cooper presented the CEO statement to the committee. She reported that it had been a difficult year that had necessitated new ways of working remotely and with other agencies to ensure delivery of the best service to the SPPA's customers. PC thanked Audit Scotland and all the agency partners in working with the SPPA to deliver the accounts.

4.b Ian Waugh presented SPPA's 2019-20 Annual Report and Accounts. He reiterated PC's comments on the difficulties the agency had faced with preparation of the accounts and lessons learned in a new way of remote working. He reported that there is a digital process in place for the accounts to be signed off this year. He advised that the annual report includes information to give the committee insight into the Agency's performance over the last 12 months. IW thanked committee members for providing comments and responses on the accounts before they were published. IW advised that there are additional amendments to some of the tables and narrative along with additions from this meeting and these would be actioned to ensure the accounts are signed off by PC and Audit Scotland this afternoon. IW welcomed any comments or questions.

#### **4.c Questions from the Committee**

The committee commented on the composite doc and the following points were raised:

- In relation to the risk management framework, should the term "approved by SLT and ARC"; this should read reviewed by ARC rather than approved?.
- Page 10 does not list the key risks, which were highlighted in last year's accounts.
- Clarity required on the compensation note (page 26) the underlying activity is not clear or if compensation had changed or remained the same, previously 367,000 was written back, additional explanation would be helpful to the committee.
- The committee noted on page 78 para 8.4 trade receivables and other current assets require additional narratives on the short-term trade debtors. Para 9.4 should read falling due after 1 year.
- The committee noted page 13 states the TOM is completed but the workforce plan is still outstanding, can this be split into two sections rather than being in one section.
- The committee raised again on page 13, concerns over ongoing single point of failure and asked DD to clarify the position. DD confirmed that a skill matrix is in place within CS which identifies shortages in skill sets with a plan in place to ensure by the end of the financial year priorities are made on typical points of failure. Leave will also be based on skill sets with team leaders ensuring cover is in place.

1120.03	Page 9 in the Agency Annual Report to clarify the relationship of Audit and Risk Committee (ARC) being a subcommittee of the Management Advisory Borad (MAB)
1120.04	Bullet points of the key risks to be added to the Agency Annual Report
1120.05	The workforce plan and Target Operating Model to be split into two sections within the Agency Annual Report

**4d. *The Audit and Risk Committee agree to inform the Management Advisory Board subject to typographic and minor amendments that they consider the Agency's Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Agency's performance and accountability and therefore recommend that the Chief Executive Officer signs the annual accounts for 2019/2020.***

**5. Audit Scotland**

5a ISA 260/580 (NHS and Teachers) and Draft Annual Report on the 2019/2020 Audit

Mark Roberts confirmed that they will be issuing an unqualified opinion on both the NHS and Teachers Schemes. Agreement was made with management for a one-month delay in conducting the audit reflecting the situation and remote working. He advised that he wished to highlight two issues which are the McCloud and Goodwin judgements, these have been reflected in the annual audit report. MR reported that the errors in annual benefit statements and the re-issue process are noted in the Report that includes a recommendation asking the agency to ensure lessons learned are identified to avoid reoccurrence next year. TR commented that a separate MAB report this year due to the timings and have included the work in the audit report, recommendations for improvements to the main financial systems and finally recommendations for the governance statement to reflect more clearly specific risks facing the schemes.

- The committee commented that the Governance statement in the agency and scheme accounts was different this year. They asked, going forward, whether a section called written assurance could be added at the end of the schemes Governance statement with note of the internal audit assurance added.
- The committee noted that a review of the pension boards specific risks was not been undertaken by ARC during the year. The question was therefore raised as to what alerts should there be in place for the two pension schemes for the ARC to monitor them. TR suggested a review of the minutes of both schemes with any issues highlighted within the governance statement going forward could be an appropriate approach. IW highlighted the Risk Governance Group had included these risks in their minutes for financial year 2019/20, however, with the new ways of

working now in place reporting would need to be factored into the new risk management framework.

- The committee noted that on page 20 of the Audit Scotland report on governance statement disclosures, a reword - the “agency’s corporate governance statement forms and should read “schemes”.

6. Schemes Annual Reports and Accounts

6a Statement from the CEO

Penelope Cooper provided a verbal report to the Committee on the financial year 2019/20 which included an update on the ABS errors and the impact of Covid 19. She expressed her disappointment that the mistake had occurred and advised that a review is taking place to understand what happened and to the lessons to be learned. She reported that this issue has had an impact on staff morale as resources within teams have diverted to recover from this error. She advised that the Pensions Regulator has been informed and is content with the agency’s recovery process.

6b. Minute from the CFO

Ian Waugh thanked the committee for reviewing the accounts before the meeting and providing comments and amendments. He also thanked the Government Actuarial Department and all the external parties for help in preparati onng the accounts and refered in particular to the changes occurring with the McCloud and Walker cases. He expressed his thanks to the finance team who have worked remotely to produce the accounts.

6c. 2019-20 Scottish Teachers Pension Scheme (STPS) and Scottish National Health Service Pension Scheme (SNHSPS) Annual Report and Accounts

The committee suggested that in the Teachers report, page 4 section 1.4, valuations refers to data based on 31 March 2016; this would be easier to read with the addition of implemented with effect from 19 April in the same sentence, rather than his being split over different paragraphs. Page 45 referring to assumptions reads “future improvements in mortality in line with the latest 2018 based project”

The committee noted that Covid had been mentioned earlier in the report and perhaps this could have been referenced in the paragraph of being aware of Covid impact.

6d. Recommendation for MAB

***The Audit and Risk Committee agree to inform the Management Advisory Board subject to typographic and minor amendments that they consider the Agency’s Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Agency’s performance and accountability and therefore recommend that the Chief Executive Officer signs the annual accounts for 2019/2020***

## 7. Dates for future meetings.

Monday 25 January 2021

### Action Points Arising from Previous Meetings to be discussed at the November Meeting.

Action points from meeting 16 November 2020	Date/Action	Action by	Status
To issue invites to Lesley Fraser DGO/Fraser Figure for January meetings.	1120.01	SMcA	Closed
SLT to propose a new date with Audit Scotland for the action point relating to financial strategy, with the date to be decided by December 2020	1120.02	SLT/SMcA	Open
Page 9 in the Agency Annual Report to clarify the relationship of Audit and Risk Committee (ARC) being a subcommittee of the Management Advisory Borad (	1120.03	IW	Closed
Bullet points of the key risks to be added to the Agency Annual Report	1120.04	MV	Closed
The workforce plan and Target Operating Model to be split into two sections within the Agency Annual Report	1120.05	MV	Closed