

**AUDIT AND RISK COMMITTEE
DRAFT MINUTES OF THE EXTRAORDINARY MEETING HELD ON
MONDAY 11 MAY 2020 BY WEBBEX DIAL IN**

Attendance:

Committee Members:	Helen Mackenzie (Chair) (HMK) Ian Forbes (IF) Liz Holmes (LH) Norman McNeal (NMcN) Observer Mark Adderley (MA) Observer Jane Malcolm (JM) Observer
Internal Audit Division:	Iain Burns (IB)
Audit Scotland:	Tom Reid (TR) Gemma Diamond (GD) Mark Roberts (MR)
Scottish Government	Gordon Wales (GW), Scottish Government Chief Financial Officer
SPPA	Penelope Cooper (PC), Chief Executive Ian Waugh (IW), Chief Financial Officer Jane Murray (JM), Financial Controller Dev Dey (DD), Head of Customer Services Andre Morelli (AM), Head of Digital Transformation and IT Operations Matt Valente (MV), Head of Business Management Stuart MacArthur (SMacA), Governance Manger

1. Apologies and Introductions

- 1.1 Helen Mackenzie welcomed attendees to the meeting, new members Gemma Diamond and Mark Roberts who have taken over from Steven Boyle. Iain Burns is representing Pamela Wilkinson. The Management Advisory Board have been invited to the meeting as observers.
- 1.2 Apologies were received from Tom Nash, SPPA Head of Business Affairs.

2. Declaration of Interests

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

3. Minutes and Action Points of Meeting held on 22 January 2020.

3.1 The minutes were agreed subject to some minor textual changes.

3.2 **Outstanding Actions**

HMK agreed for any verbal updates on the actions and appreciated that the Management Team are working with different circumstances presently. IF recommended that the actions to be taken on in the July meeting. SMcA reported that the Relationship Supervision with the TPR is on hold during the Covid-19 pandemic.

4. **Recommendations for the Procurement (Sopra Steria)**

Based on consideration of the Soprasteria Report by the SLT at their April meeting, Ian Waugh presented a summary of recommendations made in section 5 of his paper to the Committee.. A copy of the Soprasteria Report was issued to the members of ARC and MAB on 11 February 2020 for comment and those of Norman McNeil were incorporated into Ian Waugh's paper on the proposed way forward and proposed governance arrangements. His paper was tabled for the Committee's consideration in order to advise MAB on whether the Accountable Officer should seek ministerial approval for the proposed way forward.

4.1 **Procurement Considerations**

HMK felt that the relationship with Heywood and keeping the merge of the ongoing improvement programme with transparency around the relationship with Heywood but to also to test the market .

IF queried if there would be any financial implications keeping the relationship with Heywood. LH queried if this would be an add on.

PC commented that this would be very much the same and holding Heywood to account. The uncertainty of the McLeod case Heywood are willing to listen and understand the changes needed to be and updates required. An affordability and procurement transparency is possible for a contract extension.

IW advised on the need for preparation of a business case commencing with a strategic business case. The Business Case needs to draw upon the Agency's digital and business strategy in order to inform a long list of options. Negotiations on an extension of the existing contract are in progress and these have been designed to ensure that the Agency can continue to move forward with achieving its aims and objectives in advance of a new full procurement.

LH enquired if the agency can go for a rolling 3 year or fixed extension with Heywood.

In reply, it was advised that the length of the contract extension is a balance between staying with the letter and the spirit of the procurement regulations; understanding the scope and scale of the case management to satisfy the ruling in the McCoud case; being aware of the state of the pension software market; and, the timing of the procurements taking place in the rest of the UK.

The current contract extension expires in March 2024 and the Agency is working on the basis that it would take 3 years to implement a new system after contract award. The disruption caused by covid-19 has made the original plan involving awarding a new contract in spring 2021 impossible if the recommended route to market is a competitive procedure with negotiation. HMK asked about what were the next steps in signing of the contract extension. Assistance is being provided from SG's Procurement and Commercial Department before agreeing final terms. IF asked if the finances are in place to achieve what is being proposed. IW advised that Ministers are being regularly advised on progress in bi-monthly briefings. Resource and capital budgets are in place for 2020-21 and what is being negotiated is budget constrained but affordable. With regard to the longer term procurement the finances will need to be agreed as part of the business case approval process. As this is a priority project SG HR are granting permission to recruit or deploy people from SG to identifying roles that need to be filled. Interviews for a Programme Director have taken place and two candidates are forward for second interviews.

4.2 Programme Plan

HMK advised that during Covid-19 the private sector are encouraging people to act faster, is this accounted for in the 18 months for a procurement exercise. AM advised that advice from SG on how to reduce timeframes, to incorporate diligence and build a business case at speed but not taking short cuts. HMK commented that more effort in planning at the procurement stage, with implementation stage having been done previously. Modular proposals will implement in sequence and progression. LH agreed that having the resources and capacity for the next 18 months is paramount. PC advised that impressing on HR for recruitment is essential to progress with the project and contractors will cost more. LH commented on investing in permanent skill for SPPA is a strong case. IF enquired how others are facing the challenges. AM Benchmarking, SLT have had conversations with other suppliers. IF commented on benchmarking, Sopra Steria have a huge portfolio with other organisations including the MOD on pensions, they have the resources. Gartna also have a big data base of information. Approaches on the potential of benchmarking taking opportunities forward.

4.3 Resourcing Requirements

IF enquired about the risks of post holders leaving and the consistency of project traction etc. AM reported that services running are robust with training and a better business case with knowledge throughout the teams with key skills to carry the project forward. PC advised that Governance arrangements from Internal Audit will help and look into more detail and assurance. Comments invited from SG audit and external audit on governance arrangements of the project.

LH commented on the importance to have independent assurance from audit and to review in a timely way and receive updates from them.

HMK advised to have a risk assessment and controls in place.

MR advised to have clarity of the responsibilities and overlaps from different groups.

PC commented that these were valid comments on a division of responsibilities and clarity within the project.

IF enquired if outsourcing had been considered.

NMN commented on wider outsources.

PC commented that taking on SPPA strategic plan complies with SG and within the next 5 years schemes may change and flexibility is required. Specific details will not be constant, awareness of this is for the whole of the project. AM reported that Sopra Steria presented the report with the criteria of various options, analysis of the discussion presented on a positive and negative of reports. HMK asked AM to present more evidence at the MAB meeting on Wednesday with supporting information. LH commented that evidence would be helpful at this stage. IF asked for an understanding of flexibility around being rigid to the approach. AM advised that going out to market with requirements, having responses from the market and Heywood, enable upgrade of modules individually and not having the rigidity from one provider.

4.4 **Summary of Recommendations**

LH commented with the digital change being overstretched the report offered by Sopra Steria rated this as medium risk, should this not be High risk. A scope for tracking points raised as certain points need to be of projects that are essential or compulsory has to be the main focus.

ACTION: Benchmarking feedback required to the Committee.

5. **Risk Register**

MV reported that due to the outbreak of Covid-19 this has delayed the formation of the risk group. A new risk register will be presented to the board in July for the committee approval.

Risk Management Framework Draft

IF comments from the board are for the draft framework document to be circulated prior to the July board meeting for review.

Corporate Risk Register – January 2020

LH asked for clarity on the risk structure and on internal forums/groups. The corporate risk register as in January requires changes and assessment with the importance of Covid-19 analysis and keys risks arising from the pandemic. IF commented on the fluid state creating improved structure of the risk register with current Covid related risks resulting in a more focused discussion at the July meeting. PC advised that normal process are still in place.

6. **Bereavements Process changes and risk update**

PC advised on the background of the review on the bereavement process in response to the Covid-19 pandemic to maintain a service delivery an urgent review of the process surrounding the notification of deaths and claims of dependant benefits needed to be undertaken. Documents are being issued by Registers Scotland, the documents are checked by experienced operators and it is recognising that checks are made by competent staff. IF enquired in reality is the new system working and will the new process continue.

MA commented that it was good to have a reassessment of the service level and the process.

PC reported that the biggest changes were families being able to process in line with a different format of documentation.

HMK commented that it was encouraging to see more on digital.

7. Covid 19 Employer Contributions Holidays

IW reported that Covid related expenditure could result in bad debt, with two schools asking for a contribution holiday, a promissory note to be issued for the debt to be paid back when normality returns. A regular dialogue will need to be in place with these schools for the sums to be paid back. SPPA have consulted with the Legal Department for advice on bad debt. After a 3 month holiday if schools do not pay the debt this could lead to 1 million outstanding debt.

HMK commented on the recovery action, schools being asset rich and cash poor. LH commented that promissory note is acceptable rather than an invoice. IW advised that dummy invoices can be sent each month.

8. Annual Report

IW reported that deadlines are being met, there are difficulties with staff not being able to work remotely and pressures of vacancies with the Finance department to provide figures to Audit Scotland. Some areas may have to be deferred until a later date, some figures will be available.

HMK enquired if other agencies are experiencing difficulties during Covid.

TR reported that and understanding and longer timescales will be across all agencies. LH enquired if there is a rough idea of a timetable for the accounts to be signed off and will there be a draft version at the July meeting. IW thanked the board for their contribution and extra work with the accounts and the version will be shorter this year.

9 Items for Information Only

9.1 Date of next meeting confirmed as 20 July 2020 via Webex link.

9.2 AOB – LH enquired on the Internal Audit report and IB advised that the report was in draft, the practical part is complete and will be brought to the July meeting.

9.3 HMK thanked everyone for their attendance and closed the meeting.

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

Action points from meeting 22 January 2020	Para no.	Action by	Status
Governance Team to add a Pension Regulator Relationship Supervision update to the agenda for next meeting	4.3	S MacArthur	Open
CFO to share the Final Procurement Capability Review Report with ARC	5.5	I Waugh	Open
Governance to review the role of 'critical friend' on the Altair Project Board	5.7	S MacArthur	Open
SLT and Risk Governance Group to review risk	6.3	M Valente	Open
MV to provide assurance that risk related to People Survey 2019 was adequately captured and covered	6.4	M Valente	Open
MV to review Pension Board risk management remit and where risk ownership lies in the Governance process	6.5	M Valente	Open
Risk Governance Group to review risk ratings and update the risk register prior to the next meeting	6.6	M Valente	Open
MV to clarify the process to remove a strategic risk from the risk register and provide an update for the next meeting	6.7	M Valente	Open
DD to provide an update on improvements to the Customer Services control environment for a future meeting	6.8	D Dey	Open
Committee members to forward recommendations for deep dive topics to the Chair for inclusion in a report to the next meeting	6.11	Committee members	Open
DD to provide a deep dive review of the employer data interface for the April meeting of the Committee.	6.11	D Dey	Open
People Services to provide a Workforce Plan for April 2020 meeting	7.2	TBC	Open

Previous Action points	Para no.	Action by	Status
To ensure that the minutes reflect the fact that some documents, which are circulated in the agenda papers, are marked as 'for information only'	3.5	ARC Secretariat	Closed
To schedule a risk management workshop for the Management Advisory Board as soon as practicable.	3.5	Head of Business Management	Open- date to be advised
To advise the Management Advisory Board that the Audit and Risk Committee are able to provide relevant and sufficient assurance to support the Accountable Officer's statutory duty to sign the financial statements.	6.3	Helen Mackenzie	closed
To change the reporting format to report contingencies held as a separate line.	8.3	Ian Waugh	closed
To discuss the merits of removing risk CE/1 (TOM related risk) from the Risk Register at its next meeting.	9.2	Members	closed
To review the risk MC/1 (Effective management of major procurements related risk) in light of the section 23 report.	9.2	Risk Governance Group	closed
To bring the Annual Benefit Statement plan for 2020 for the Committee's consideration.	10.1	Dev Dey	Open – April meeting
To provide an alternative categorisation of Audit Tracker recommendations for committee members' consideration at the next meeting.	11.1	Helen Mackenzie	Closed
Circulate Altair Improvement Programme reports to the Management Advisory Board as they become available (to review action at April 2020 meeting)	12.2 22/7/19	Governance Secretariat	Open – until next Altair Board meeting
To continue to develop assurance mapping for internal audit recommendations	5.2 29/4/19	Ian Waugh	Open – to April 2020 meeting