

**AUDIT AND RISK COMMITTEE
MINUTES OF THE MEETING HELD ON WEDNESDAY 22 JANUARY
2020 AT THE SPPA's OFFICES, TWEEDSIDE PARK, TWEEDBANK**

Attendance:

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| Committee Members: | Helen Mackenzie (Chair) (HMK) Ian Forbes (IF) Liz Holmes (LH) |
| Internal Audit Division: | David Reay (DR) Pamela Wilkinson (PW) |
| Audit Scotland: | Tom Reid (TR) Stephen Boyle (SB) Claire Weston (observer) |
| 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 Mark Fisher (MF), Temporary Head of People Services |

1. Apologies and Introductions

- 1.1 Helen Mackenzie welcomed attendees to the meeting. New members of the Committee introduced themselves.
- 1.2 Apologies were received from Tom Nash, SPPA Head of Business Affairs.
- 1.3 HMK thanked IW for his role in delivering risk management which had now moved to Business Management.
- 1.4 It was noted that committee members had held a private briefing session with Internal Audit and Audit Scotland immediately preceding the Audit and Risk Committee (ARC) meeting.

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 23 September 2019**

- 3.1 The minutes from the previous meeting were adopted without amendment.
- 3.2 Actions were reviewed and updated. MV confirmed that a Risk Management Workshop would be scheduled for March 2020 with further details to follow.

4. **Internal Audit**

Progress Report

- 4.1 PW provided an update on the main assignments for the current year. The overtime review draft report would be provided in the next few weeks. All final reports would be available by the end of March. A full update would be provided at the April 2020 meeting.
- 4.2 IF queried the lack of resources at SPPA as the reason given why Internal Audit had been unable to complete their planned follow up review for the meeting. PW was able to advise that the audit team felt suitably assured that SPPA would be able to deliver all the necessary information to complete the follow up. She confirmed there would be a need to agree the timing of the 2020/21 audit in relation to the SPPA's workload in order to facilitate the availability of information. She did not foresee an issue preventing delivery of future audits.
- 4.3 IW advised that the risk register had been amended to highlight that the Pension Regulator had issued notification that both the Police and Firefighter Schemes were subject to Relationship Supervision. SMacA advised that information had been requested and would be supplied to the Regulator by end January. An evaluation visit and action plan would follow. It was agreed that an update would be added as an agenda item for the next meeting.

Action: Governance Team to add a Pension Regulator Relationship Supervision update to the agenda for next meeting

5. **Audit Scotland**

2019-20 Annual Audit report

- 5.1 SB advised that he would be stepping down and would be replaced by Gemma Diamond and Mark Roberts. A formal handover would be undertaken. SB thanked the committee for their support. TR advised the Committee that the key part of the report was the Annual Accounts Timetable at Exhibit 4.
- 5.2 The Committee noted the report

Update on proceedings at meeting of Public Audit and Post Legislative Scrutiny (PAPLS) Committee on 26 September and 5 December 2019.

- 5.3 PC provided an update on the development of the business case for a new IT system. She advised that the external report from Sopra Steria Ltd had proved

valuable and their recommendations would form part of the next procurement process. Support for SLT would be sought from the Scottish Government (SG) Procurement and Legal Departments from the outset, and a Project Manager would be recruited. In addition, governance procedures would be tightened, with all decisions being recorded and minuted.

- 5.4 LH asked if there was any feedback from the second meeting of the PAPLS Committee in December 2019. GW confirmed that nothing further had been received.

Report by Chief Financial Officer

- 5.5 IW presented the Finance paper and highlighted that draft feedback had been provided on SG's Procurement Capability Review of the SPPA from which only two low level weaknesses were highlighted. HMK asked that once available that the final report be shared with the Committee.

Action: CFO to share the Final Procurement Capability Review Report with the ARC

- 5.6 IW advised that the information required from the Government Actuary had now been received which had allowed SPPA's submission to go to SG for inclusion in the SG's draft Budget announcement due in February. IW confirmed that the forecast for the 2019-20 schemes' budget and outturn is for both resource and cash expenditure to be within the adjusted budget.
- 5.7 LH commented that the Chair of the NHS Pension Board was noted as a member of the Altair Project Board and asked if this could be reviewed.

Action: Governance to review the role of 'critical friend' on the Altair Project Board

6. Risk Management and Governance

- 6.1 IW presented a paper for discussion which covered:

- Quarterly review minute
- Horizon scanning
- Corporate Risk Register

- 6.2 Separate Business Change papers were presented by other members of the SLT.

- 6.3 Following discussion, it was agreed that the SLT and the Risk Governance Group (RGG) should consider how financial risk is reported eg: should SPPA split out different financial risks?

Action: SLT and Risk Governance Group should consider how financial risk is reported

6.4 LH asked if the People Survey 2019 had been discussed at the Risk Governance Group. HMK noted that this would be also discussed by the Management Advisory Board meeting later in the day, but confirmed that this may also create a risk requiring consideration by the ARC as part of the risk register.

Action: MV to provide assurance that risk related to People Survey 2019 was adequately captured and covered

6.5 HMK referred to Annex A which showed that some risks had been designated as Pension Board risks. She asked that this distinction be reviewed to ensure the correct governance accountability was applied.

Action: MV to review Pension Board risk management remit and where risk ownership lies in the Governance process

6.6 IF asked if risk assessments and rankings are to be reviewed.

Action: Risk Governance Group to review risk ratings and update the risk register prior to the next meeting

6.7 LH asked if the Altair Project risk would be removed. PC advised that it would not be removed at the moment.

Action: MV to clarify the process to remove a strategic risk from the risk register and provide and update for the next meeting

6.8 AM provided an update regarding Business Change. HMK asked if the outstanding backlog of work had reduced. DD advised that customer contact centre backlog had reduced. Following discussion regarding the benefits derived from the Altair Project, IF asked if information could be provided to cover what aspects of the control environment had been improved.

Action: DD to provide an update on improvements to the Customer Services control environment for a future meeting

6.9 MV advised that a new structure is currently being developed for the Business Management team.

6.10 MV advised that SLT had completed a Risk Maturity Assessment. A Risk Management Improvement Plan would be developed and would be benchmarked with other Agencies. A Risk Workshop is being planned as the next step in the risk management review process.

6.11 HMK suggested that the risks and control systems relating to the employer data interface could be a topic for a deep dive at the next meeting. LH also suggested that a review of what deep dives had already been carried out would be beneficial.

Action: Committee members to forward recommendations for deep dive topics to the Chair for inclusion in a report to the next meeting.

DD to provide a deep dive review of the employer data interface for the April meeting of the Committee.

7. Audit Recommendations and Tracker

- 7.1 IW provided a paper covering Audit Recommendations which listed outstanding and cleared items as at 22 January 2020. The Audit Tracker was also discussed and it was noted that there were a number of actions on the tracker to be cleared by the end of quarter 4.
- 7.2 MF confirmed that there was not a Workforce Plan in place at present but that this would be provided at the next meeting.

Action: People Services to provide the Workforce Plan for the April 2020 meeting

8. Items for Information Only

- 8.1 Date of next meeting confirmed as 21 April 2020 at Tweedbank.
- 8.2 No other business was declared.
- 8.3 HMK thanked everyone for their attendance and closed the meeting.

Action Points Arising from the 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 |

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|--|------|-------------------|------|
| 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 |

| Previous Action points | Para no. | Action by | Status |
|---|-----------------|------------------------|--|
| 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 |