

AUDIT AND RISK COMMITTEE (ARC)

MINUTES OF THE MEETING HELD AT TWEEDBANK

24 January 2019

Attendance:

Committee Members: Stuart Smith (Chair)
Liz Holmes
Ian Forbes

Internal Audit Division: Iain Burns

Audit Scotland: Stephen Boyle
Tom Reid

Other Attendees:	Penelope Cooper	Chief Executive
	Ian Waugh	SPPA Chief Financial Officer
	Lorimer Mackenzie	Interim Director of Policy and Corporate Services
	Gerry McGarry	Deputy Head of Customer Services
	Jane Murray	Financial Controller
	Gillian Thomson	Observer
	Janet MacDougal	Altair Improvement Programme
	Mark Cockburn	Minutes

1. Apologies and Introductions

1.1 Having held a private meeting with Audit Scotland immediately preceding the beginning of the ARC meeting, Stuart Smith welcomed all other attendees. There were apologies from Carole Johnston, David Reay and Fiona Ivison.

2. Declaration of Interests

2.1 Stuart Smith asked if there were any declarations of interest from members. No interests were declared.

3. Minutes and Action Points of Meeting held on 21 September 2018

3.1 Liz Holmes asked that the action points and their reference numbers be reviewed. Subject to these amendments, the minutes of the meeting on 21 September 2018 were agreed as a true record.

3.2 Stuart Smith suggested amendments to the Action Point List (including previous action points) and these were agreed by members.

Action: Mark Cockburn and Ian Waugh to review and update action points.

Action Points

3.3 Ian Forbes asked who takes the roll of the secretariat and was advised this is Penelope Cooper but day to day administration is provided by the SPPA Finance team.

3.4 Ian Forbes noted that while Internal Audits paper on Annual Benefit Statements (ABS) had been issued in December, it would have been helpful if it had been included in the papers for the ARC. It was agreed to ensure that all Internal Audit reports issued going forward would be included in ARC papers.

3.5 Penelope Cooper advised that the Pensions Regulator were pleased with the progress made with the issuing of ABSs. The committee commended her and the staff involved in their work in issuing statements to members.

3.5 Penelope Cooper advised that the contractor taken on to work on the SPPA website project had extra capacity which would be used to work on the business case for procurement of a new pensions administration system. Progress on this business case would be reported to the next ARC. The business case for the Altair Improvement Programme would also be shared with the ARC.

Action: Penelope Cooper to advise 1. on progress on the business case for procurement of a new pensions administration system and 2. share the business case for the Altair Improvement Programme.

3.6 It was agreed that Ian Waugh and Mark Cockburn would discuss the development of a decisions matrix and report back to the next ARC.

Action: Ian Waugh and Mark Cockburn to discuss the development of a decisions matrix.

4. Internal Audit – Progress Report 2018-19

4.1 Iain Burns explained that he was acting as the Internal Audit Lead for SPPA until a recruitment exercise provided a replacement for Stuart Dickson. He presented the Internal Audit Progress report, advising that audit reviews of ABS and Data Quality and records Management were complete. Both of these were given a reasonable assurance rating. The audit work on Workforce Planning and Culture was being planned and follow up audits on Ability to Deliver Business As Usual and Pension Board Governance were complete.

4.2 Ian Forbes asked if exit from the EU would have an impact on the audit work and was advised that Internal Audit had enough resources to complete the work in their plan.

4.3 Liz Holmes noted that there was no commentary on the outcomes of the follow up audits. It was agreed to include these in future. Stuart Smith asked for an update on the Ability to Deliver Business As Usual review. Jane Murray was able to advise that the recommendations had been included on the audit tracker and were all implemented.

Action: Iain Burns to include commentary on the outcomes of the follow up audits in future.

4.4 Iain Burns advised that the cross cutting review on Workforce Planning had been deferred to 2019-20 but this would have no impact on SPPA. Stuart Smith asked if any testing would be done at SPPA for the cross cutting reviews. Ian Burns agreed to take this away and find out.

Action: Iain Burns to confirm if any crosscutting review testing will take place at SPPA.

4.5 Iain Burns advised that a new Directorate encompassing Internal Audit, Programme and Project Management Centre of Expertise (PPM-CoE), Office of the Chief Information Officer (OCIO), and the Scottish Government's Data Protection Officer (DPO) would be created and headed up by the Director of Internal Audit.

4.6 Planning for 2019-20 audits had started. The plan would be circulated prior to meeting with the SMT. It was confirmed that the ARC would be involved in the planning process.

5. Internal Audit – Data Quality and Records Management

5.1 Iain Burns presented the Internal Audit review on Data Quality and Records Management. He advised the level of assurance provided was Reasonable.

5.2 Liz Holmes asked for an update on the DPO roll and was advised that the Target Operating Model exercise would have an impact on the job description. Clarity was also required from Scottish Government as they may have responsibilities in this area and therefore the job description would need to reflect this. At present the SPPA DPO position is filled by Jonathan Sharpe. Ian Burns agreed to clarify the Scottish Government responsibilities.

Action: Iain Burns agreed to clarify the Scottish Government responsibilities for the DPO.

5.3 Stuart Smith asked if SPPA would be able to introduce the Scottish Government Electronic Record and Document Management (ERDM) system. Penelope Cooper advised that a clean-up exercise for the member data was underway, but there was insufficient resources to introduce ERDM at this time.

6. Report by Audit Scotland

6.1 Tom Reid presented Audit Scotland's Annual Audit plan for the SPPA, NHS Pension Scheme (Scotland) and Scottish Teachers' Pension Scheme. He asked the ARC to note they planned to issue separate reports for SPPA in July and for the pension schemes in September. This would provide an earlier opportunity to consider points which come out of the SPPA audit. He advised that the fees were notional and had been discussed with SPPA.

6.2 He advised the Auditor General would provide an update to the section 22 report on the PS Pensions project and that their work would support this. He agreed to come back to the committee to advise when the section 22 would be issued.

Action: Tom Reid to advise when the section 22 report would be issued.

6.3 Ian Forbes asked if the benchmarking of the Agencies performance through the use of KPIs was in scope of the audit. He was advised the focus from Audit Scotland had been on PS Pensions and this would continue. Stephen Boyle asked the ARC to note that for all central government bodies there was a duty on the Accountable Officer to provide value for money

6.4 The difficulties the Agency faced due to the number of posts filled by temporary staff and manager vacancies in the Agency was discussed. Penelope Cooper was able to advise that Scottish Government had given permission to start a recruitment exercise for some of these posts.

7. Chief Financial Officers Stewardship Report

7.1 Ian Waugh presented his report. He asked the ARC to note the changes to the framework document, the Agencies budget position and forecast outturn as well as cost savings and efficiencies reported. Ian Forbes asked if more detail could be provided on expenditure in the report and was advised that a more detailed breakdown would be provided to the Management Advisory Board (MAB). Ian Forbes asked if we have a value measure for procurement performance. Ian Waugh advised that a report on procurement would be available at the next ARC.

Action: Ian Waugh to present report on procurement at the April ARC

7.2 Liz Holmes asked for an update in securing funding from other portfolios for actuarial costs. Ian Waugh advised that progress was being made and these bodies would be included in the upcoming procurement process which was taking place over the next few months.

7.3 Ian Forbes commented that other management metrics may be useful in the report. Ian Waugh advised that proposals for management metrics were due to be presented to the MAB as a precursor for discussion at the strategy planning day.

8. Risk Management and Governance

8.1 Ian Waugh presented the minute of the last Risk Governance Group meeting which served to lay out the risk governance activity in the period prior to the ARC. The layout of the heat map was discussed. The committee noted the low residual risks on the Fraud Risk Register, primarily a consequence of the low probability of fraud taking place. Ian Waugh pointed out that as we move to delivering services digitally this may increase some risks.

8.2 Ian Forbes asked if a database was maintained of fraud events. Ian Waugh was able to advise that, while the Agency was not complacent, fraud was very rare

and there were no fraud cases to pursue in recent years. Ian Burns advised that Internal Audit were planning a pan-Scottish Government counter fraud initiative.

9. Horizon Scanning (Verbal)

9.1 Liz Holmes asked if there was a risk to supplier chains arising as a result of Brexit and was advised that the Agency were discussing this with suppliers. How the Agency would be impacted locally had also been considered. Heywood had advised that they have low reliance on EU nationals.

9.2 Lorimer Mackenzie advised on the possible impact on scheme valuation work of a recent appeal court judgement on the Judicial Pension Scheme and Firefighters Pension Scheme. He agreed to report on this to the next ARC.

Action: Lorimer Mackenzie to report on the possible impact of the Judicial Pension Scheme and Firefighters Pension Scheme court case.

10. Annual Allowance and Life Time Allowance Impact Report

10.1 Ian Forbes asked what responsibilities fell to SPPA around pension Annual Allowance and Life Time Allowance given how complex this area is. He was advised that SPPA had responsibility to provide information to members but not to advise them.

11. Altair Improvement Programme

11.1 Janet McDougall joined the meeting to report on the Altair Improvement Programme. Stuart Smith asked for an update on the OCIO report. Penelope Cooper advised that the report showed the risk to completion of the project is measured as amber and provided necessary actions to be taken. It was agreed that a copy of the OCIO report would be submitted to the next ARC.

Action: Penelope Cooper to bring the OCIO report to the next ARC.

11.2 Liz Holmes asked if the IT issue of providing online employer and member services issue was resolvable. She was advised that plans were in place for a solution to the issue. There was a question around whether this could be achieved within the cost envelope. Further discussion was planned with Heywood.

11.3 Ian Forbes asked if the Agency would be able to measure and track the benefits of the improvements. He was advised that there was a record of each time the corrected version of the software was used. This provided a measure of the effectiveness of the changes made. Work was ongoing to develop metrics. Janet McDougall was able to report that the Payroll project was progressing well.

12. Duplicate Payments

12.1 Jane Murray presented her paper on duplicate payments. She advised that an exercise had been completed where payments over the last five years plus current year had been investigated. Five overpayments had been identified, the members had been written to and recovery action was now being attempted. Controls had been put in place in Customer Services to prevent further duplicate overpayments.

13. AOB

13.1 An update was provided on the recruitment exercise for the Chairman of the ARC and a member for the MAB. Applications had been received and candidates had been invited for interview.

13.2 It was noted that Gillian Thomson was standing down as chairman of the MAB. In line with Scottish Government protocol, as Accountable Officer, Penelope Cooper would take up this roll.

14. Date of Next Meeting

14.1 The next scheduled meeting would be held on Monday, 29 April 2019.

Action Points Arising from the Meeting

Action points	Para no.	Action by	Status
Review and update action points.	3.2	Mark Cockburn/ Ian Waugh	To close
Advise on 1) progress on the business case for procurement of a new pensions administration system; and, 2) share the business case for the Altair Improvement Programme.	3.5	Penelope Cooper	Open
Consider development of a decisions matrix.	3.6	Ian Waugh	Open
Include commentary on the outcomes of the follow up audits in future.	4.3	Iain Burns	Open
Confirm if any crosscutting review testing will take place at SPPA.	4.4	Iain Burns	Open
Clarify the Scottish Government responsibilities for the DPO.	5.2	Iain Burns	Open
Advise when the section 22 report would be issued.	6.2	Tom Reid	Open
Present report on procurement at the April ARC.	7.1	Ian Waugh	Open
Report on the possible impact of the Judicial Pension Scheme and Firefighters Pension Scheme court case.	9.2	Lorimer Mackenzie	Open
Bring the OCIO report to the next ARC.	11.1	Penelope Cooper	Open

Previous Action Points			
To keep MAB informed regarding progress on the Agency's strategic response to the section 22 Report to Parliament.	8.6 21/09/2018	Penelope Cooper	Open
To consider the inclusion of the most up to date ABS data in the draft Audit Scotland report on the schemes.	6.4 21/09/2018	Audit Scotland	Open: Verbal update
To move the 'Scope of responsibility' and 'Purpose of the governance framework' sections to the front on the 2018-19 Annual Report and Accounts.	7.2 21/09/2018	Ian Waugh	Open: Next accounts July 2019