

**AUDIT AND RISK COMMITTEE
DRAFT MINUTES OF THE MEETING
Thursday 8 October 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)

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

Amanda Dowse Head of Finance (AiB) Observer

SPPA

Penelope Cooper (PC), Chief Executive
Ian Waugh (IW), Chief Financial Officer
Jane Murray (JM), Financial Controller
Phil Heywood(AM), Interim IT Programme Director, Item 8
Matt Valente (MV), Head of Business Management
Stuart MacArthur (SMacA), Governance Manager
Andre Morelli (AM), Head of Digital Transformation
& IT Operations
Deborah Sherlock (Minutes)

1. Apologies and Introductions

- 1.a A private meeting was held with Internal Audit and Audit Scotland immediately preceding the ARC meeting. Helen Mackenzie welcomed all the other attendees to the meeting with Amanda Dowse as an observer from AiB. Responding to the news of Ian Waugh, Chief Financial Officer, retiring from SPPA, the Chair thanked Ian for his help and contribution to the committee and wished him all the best in his new ventures.
- 1.b Apologies were received from Lesley Fraser, DG Organisational Development & Operations, Dev Dey, Head of Customer Services

Declaration of Interests

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

2. Minutes and Action Points of Meeting held on 20 July 2020

- 2.a The minutes were agreed subject to some minor textual changes.

2.b Outstanding Actions

It was agreed that all actions marked as closed could now be removed from the Outstanding Actions report. SMcA agreed to create a separate action tracker for issue at future meetings that would include the date of proposed completion. HM suggested a pre meet with SMcA to go through the Action Tracker before the next Committee meeting.

IF proposed that future Financial Reporting be expanded to include detail on vacancies and contractor spending. It was agreed that this improvement would be actioned from the next series of meetings.

No further points were raised on the remaining open actions. The Committee agreed to re-start the deep dive process at the next meeting and the first area to consider would be ABS process.

Action 1	Date column to be added to the Action Point Table
Action 2	HM and SMcA to meet prior the next ARC meeting to discuss Action Planner
Action 3	Future Financial Report to contain number of vacancies and contractor.
Action 4	Internal Audit to send the Teachers Retirals Report to be circulated to the Committee with a deadline for comments.
Action 5	Include Annual Benefits Statement process deep dive as an item on the next ARC agenda.

3. Reports by Internal Audit

Iain Burns advised that he wanted to link the progress report to the other papers to be presented and split it in to 2 sections. Section 1 is to give a brief of the current work for the agency and Section 2 will be on more strategic elements of the papers.

IB reported that he will remain as head of Internal Audit for the agency until the end of the year for continuity, David Reay has returned and is attending this meeting.

The 2 reports that were presented is the Overtime Report and part 2 of the Accounts Payable. IB apologised to the committee on the lateness of the Teachers Retirals Report and will ensure that it is circulated to the committee.

IB advised that the only reporting outstanding is the Data Quality and Management Information which is finalised and waiting on Management response. 2019/20 work is now complete. Follow up work has been carried out in the last quarter on the 2021 plan for Customer Complaints Review and discussions have started with the accountable officer. Discussions have started on how Internal Audit's assurance role for the Pensions Platform Programme will be carried out.

3.a Q2 Progress Report

IB reported on the key points with an update of the draft 2019/2020 plan which the finalisation has been impacted due to the Covid disruption this year.

LH referred to item 7.2 and welcomed and supported the revised approach to follow up to coincide with the action due date, giving a better view of the recommendations being implemented with the partially implemented showing a balance between high, medium and low to be shown separately, the Committee agreed on the updated table to be put in place. DR agreed to factor this in the next progress report

Action 6	Internal Audit to update the format of report to ensure high, medium and low are shown
-----------------	----------------------------------------------------------------------------------------

3.b Overtime – Final Report

The Committee noted the limited opinion given in this report. IF raised the issue of proportionality of this report having a limited opinion given the amount of budget involved. He also comment on the opportunity to assess the workflow and demand management in a wider context. IB responded that the proportionality was there and while there was a limited assurance in the actual annual assurance report the opinion provide overall reasonable and having a less likely impact elsewhere.

The Committee asked management to comment on the position in relation to improving the demand for overtime and people management. PC responded that using an agreed process and financial information gives the management ability to assess where the overtime budget will be needed for example teachers retirals which happen at the same time every year, this will help to understand where the demands on overtime for the next financial year will be.

Action 7	The Internal Audit action tracker to continue to monitor all recommendations, regardless of rating, until they are marked as complete
-----------------	---------------------------------------------------------------------------------------------------------------------------------------

3.c SG Core Shared Services Review – Final Report

The Committee considered the review of SG Core Shared Services. It was noted that the satisfaction with and performance of the Recruitment HR section across the board was similar to that of the SPPA. The impact this had on the implementation of the Target Operating Model was noted.

PC responded that the agency has suffered due to the lack of recruitment during the pandemic, however, a corner has been turned after discussions with HR in SG to proceed with recruitment internally and externally.

IB reported that Internal Audit undertook a questionnaire with clients who use the shared services to gather information. There is a long term programme to improve the services which is linked into the development of improvement of the corporate systems within SG. The Committee welcomed the plans for improvement.

3.d Audit Scotland – Overview of SG Internal Audit 2019-2020

The Committee welcomed the positive review contained in the report. HM commented on Appendix 1 and the action point in concerning Internal Audit's contribution to DG assurance meetings and encouraged Internal Audit to be more challenging.

3.e SG Internal Audit - Internal Quality Assessment 2019-2021

The Committee noted that Internal Audit had declared their Conflict of Interest register had not been kept up to date.

3.f Additional Paper – Accounts Payable Phase Two – Final Report

IF asked for detail on the interim measures are in place to ensure that duplicate payments are not repeated. JM responded that Customer Services have the lead role and advised that reviews on regular pension payment for duplicates are being undertaken and processes strengthened. She reported that meetings with Customer Services are taking place on a regular basis with follow up actions being taken.

JM advised the Committee that lump Sum payments have controls in place, further controls on CHAPS payments are in place with cross checks through Customer Services.

The Committee asked if IA have acknowledged that there have been controls and vigilance implemented. DR responded that this has been reviewed in the best practice section.

The Committee raised concerns relating to debt recovery and amounts outstanding and asked for detail of the policy. JM reported that there is a period of time that a debtor has to respond and further action is then taken to recover the amount. For the particular case noted in the report JM advised that this is work in progress and is under review.. PC confirmed that the £273k overpayment had been repaid

4. **Audit Recommendations and Audit Tracker**

The Committee considered the audit recommendations and audit tracker.

LH commented on the Audit Scotland tracker and asked with the digital strategy having been cleared, is the workforce plan still outstanding which is stopping the action being cleared? HM confirmed that workforce plan is still outstanding.

5. Chief Financial Officer's Report

IW introduced the report and highlighted the underspend that is being forecast. He advised, however, that there are a number of substantial pressures that could impact on this position, the biggest being the financial consequences of a contract extension with Heywood.

IW reported that a team is also being put together for the McCloud project. This team would include a project manager and a business analyst. A project manager is also required for the GP over and underfunding project. These additional posts would add additional pressure on the salaries budget. IW advised that no provision for GMP has been included in the budget, which could add additional pressure to resources.

IF commented on the capital spend/budget and asked what has actually been spent and what is available for the next stage. IW reported that expenditure with Heywood on finding a remedy for the cloud 2015 care solution with work being carried out on the system will be enhancing the assets. IW advised that further reports at the next meeting will be available on expenditure.

LH asked for clarification on Table 3 in the report on Covid 19 having an impact on income derived from Pension sharing on divorce. IW responded on the drop of income from that source which is unusual and presumed this was the effects from lockdown with an effect on social behaviour and are keeping track of understanding of the rationale.

HM asked if the agency should anticipate any clawback of underspends by the Scottish Government. PC explained that the agency is expected to offer money back, however, she was reporting to the Minister that there are ongoing costs with projects and there possibly will not be a lot to offer back.

6. Procurement Report – Pension Platform Programme

AM presented the report to the Committee. He highlighted page 2 of the report to the Committee, and the amber rating which relates to ongoing discussions with Heywood relating to the contract extension. AM reported that the delivery plan has been successful in resourcing requirements to support the programme director. The final page of the report gives a high level view of the project.

The Committee asked why the status was reported as amber when there was a significant financial risk reported in relating to the current contract extension.. PH commented that is shown as a risk at the moment, negotiations are taking place. The status will continue to be shown as amber while contract negotiations are taking place and managed by the team. The current supplier is aware of the ongoing process to going to the market to source a solution and put a new contract in place.

The Chair reported that ARC members discussed assurance arrangements with Audit Scotland and Internal Audit at the pre-meeting. IB advised that IA are considering a plan on a consultancy advisory basis to bring the papers through the progress report with the update report from the programme director, discussions at future meeting on how the assurance will be detailed.

The Committee agreed that future agenda items would comprise:

- a. programme update report and
- b. governance and assurance

Action 8	A sub item relating to governance and assurance to be included in future ARC agenda
-----------------	-------------------------------------------------------------------------------------

7. Strategic Risk Register/Risk Profiles

MV presented the risk register to the Committee. He apologised for the omission of the risk profile cards. ML advised that two SLT discussions have taken place concerning operational risks and horizon scanning which can be shared with the Committee after the meeting.

The Committee raised concerns relating to the transition risks where significant staff changes take place. In particular it was noted that there is a significant change with the Chief Financial officer retiring and further changes within the Finance team a transition risk should be in place. What migration measures would be available, for example would there be any resources to support the transitions within the agency from SG? PC reported that some of the posts within the agency have not been actual transitions more of new posts, but is happy to include the transitional posts on the risk register.

The Committee asked if there has been any significant movement in the key risks. MV reported that there were no significant change, Cyber Security, Business Intelligence and Data Quality are still the top 3 risks. Corporate governance is still a significant change dropping to limited risk due to recruitment and vacancies still existing.

Action 9	Transition risk to be added to the risk register
-----------------	--------------------------------------------------

Action 10	Operational risk papers to be circulated to the Committee with a deadline for comment.
------------------	----------------------------------------------------------------------------------------

8. Covid Internal Controls Questionnaire

The Chair thanked MV for collating the detailed responses on the range of topics and areas on the report.

LH asked MV if the questionnaire is yearly or is just relating to Covid? MV this is the agency internal control questionnaire in draft form, there is a separate Internal controls questionnaire which will be issued to the committee after the meeting.

Action 11	The Internal Controls Questionnaire to be issued to the Committee with a deadline for comments.
------------------	-------------------------------------------------------------------------------------------------

9. 2019-20 Annual Benefit Statement Incident

AM introduced the interim report on the incident. He advised that ABS project ran from June 2020 to delivery at 30 August 2020. He reported the delivery for Police and Fire using the integrated and self-service platform was successful. AM advised that the incident occurred for the larger delivery of Teachers and NHS ABS which are partially on Altair . Investigation of why the failure happened is in progress.

AM reported that the recovery phase is in progress. AM reflected on the fact that this is the first project which has happened remotely and that delivery had been successful for fire and police. IF commented that it was disappointing to note that the detective control in this process appeared to be only the customer and asked if there was a gap in the project control? AM responded that it had been whilst it had been successful for police and fire the gap for Teachers and NHS was being investigated, presently the recovery team are working on resolving the issue by late October.

The Committee asked if the incident has been reported. PC advised that it has been reported to the Pensions Regulator and the Minister MR advised that the incident and recovery plan had been reported to AS which it will be disclosed within the Annual Report for this year and will possibly be reflected in next year's work too. LH asked if any response had been received from the Pension Regulator? SMcA replied the response from the Regulator was that they will not be taking any enforcement or follow up action due to our recovery plan and our updates to the pension boards.

HM commented that staff morale would be impacted given all the work that was undertaken to deliver ABS by the required deadline. PC reported that the SG People Survey is happening and this incident will have an impact on the results.

Action 12	ABS Incident for SLT to capture on the risk register
Action 13	Further report on the ABS incident be tabled at the next committee

10. Self-Assessment Exercise and Actions

SMcA thanked the committee for the return of the self-assessment questionnaires, the fuller document has been uploaded on to Knowledge Hub the responses have been amalgamated to the summary of this paper and the actions that have formulated from this, which the Committee can agree and comment on. The governance team will progress the action and report back regularly to the Committee.

Action 14	Provide updates on the implementation of the action plan to future of the committee
------------------	-------------------------------------------------------------------------------------

12. AOB

LH responded to the outline questionnaire received from Internal Audit on how managers and departments were handling Covid 19 and are other public bodies using these questionnaires? IB responded this questionnaire was designed as a tool to help, however there has not been further discussions at other audit committee on the questionnaire. LH agreed to look at the questionnaire and circulate it to HM and IB for discussion.

Action 15	Liz Holmes to undertake questionnaire received from Internal Audit and circulate between Committee before the next meeting.
------------------	-----------------------------------------------------------------------------------------------------------------------------

The Chair thanked the Committee for their attendance and colleagues for the contribution of papers.

13. Dates for future meetings.

16 November 2020 – Extraordinary meeting.

Summary of Action Points Arising to be discussed at the January Meeting:

Action points from meeting 8 October 2020	Date/Action	Action by	Status
Date to be added to the Action Table	1020.01	SMcA	Complete
HM and SMcA to pre-meet to discuss Action Planner	1020.02	HM/SMcA	Open
Include contractual spend/staff costs in financial reports	1020.03	IW	Open
Internal Audit to send the Teachers Retirals Report to be circulated to the Committee with a deadline for comments	1020.04	SMcA	Open
Include Annual Benefits Statement process deep dive as an item on the next ARC agenda	1020.05	ARC	Open
Internal Audit to update the format of the report to ensure high, medium and low are shown	1020.06	ARC/IA	Open
The Internal Audit action tracker to continue to monitor all recommendations, regardless of rating, until they are marked as complete	1020.07	ARC	Open
A sub item relating to governance and assurance to be included in future ARC agenda	1020.08	S McA	Open

Transition risk to be added to the risk register	1020.09	MV	Open
Operational risk papers to be circulated to the Committee a deadline for comment.	1020.10	MV	Open
The Internal Controls Questionnaire to be issued to the Committee with a deadline for comments.	1020.11	MV	Open
ABS Incident for SLT to capture on the risk register	1020.12	AM	Open
Further report on the ABS incident be tabled at the next committee	1020.13	AM	Open
Provide updates on the implementation of the action plan to future of the committee	1020.14	SMcA	Open
Liz Holmes to undertake questionnaire received from Internal Audit and circulate between Committee before the next meeting	1020.15	LH	Open