

**AUDIT AND RISK COMMITTEE  
DRAFT MINUTES OF THE MEETING  
Monday 25 January 2021 (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)  
Angus Brown (AB)  
Gemma Diamond (GD)

Lois McFadyen Head of Digital Assurance Office (DAO)  
Observer

**SPPA**

Matt Valente (MV), Interim Chief Executive  
Ian Waugh (IW), Chief Financial Officer  
Phil Heywood (PH), Interim IT Programme Director, Item 8  
Hannah Grout – Risk and Assurance Manager  
Dev Dey (DD) – Head of Customer Services  
Stuart MacArthur (SMacA), Governance Manager  
Deborah Sherlock (Minutes)

**1. Apologies and Introductions**

- 1.a The Chair, Helen Mackenzie welcomed all attendees to the meeting, in particular Hannah Grout, SPPA's Risk and Assurance Manager who was attending her first Audit and Risk Committee (ARC) meeting.
- 1.b Matt Valente passed on apologies from Lesley Fraser, DG Organisational Development & Operations, (Fraser Figure) and confirmed that Lesley would be attending the April meetings. The Committee expressed concern that a Fraser figure from Scottish Government had not been in attendance for 12 months.

**0121.01 Given a Scottish Government (SG) Fraser figure has been absent from the meetings over a 12-month period, a Fraser figure or a representative is to be present for the April 2021 meeting as a matter of priority.**

## **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 8 October 2020**

2.a The minutes were agreed subject to the following textual changes.

The wording relating to the CFO report to be corrected to contractor (from contracted) expenses with staff costs and variances underlining the vacancy information within the agency.

Correction to Action of Liz Holmes to **review** the internal audit paper and discuss with the committee.

It was agreed that, in future, action points would be worded in such a way they would be clear if read without reference to minutes.

The committee also agreed that if a committee member is assigned to an action point that a SPPA member of staff would also be included.

**0121.02 Information supporting budgeting and forecasting on vacancies/headcount to be presented to future meetings alongside the CFO's report.**

## **2.b Minutes and Actions Pointes of Meeting held on 16 November 2020**

The minutes were agreed with no changes.

## **2.c Outstanding Actions**

012.03 Review of Pension board risks with scheme versus agency risk, an operational risk register will be provided for the schemes. Any Operational or tactical risks will be highlighted to the committee going forward. It was agreed that the action point would remain open

01.20.6.11 Structural changes in SLT, have meant that temporary roles have been implemented with a new estimated date for the Senior partnership role permanent position  
It was agreed that the action point would remain Open

1020.09 Key role transition risk, rather than transition risk.  
It was agreed that the action point would remain open

1020.05 MV informed members that he had requested further work be undertaken on the ABS report  
It was agreed that the action point would remain Open

It was agreed that all action points marked as proposed to close, with the exception of the above, would be closed.

### **3. Reports by Internal Audit**

#### **3.a Q3 Progress Report**

Pamela Wilkinson confirmed that she has returned to her role as the assigned Senior Manager for SPPA following her secondment. She advised that Ian Burns will continue to be involved in the SPPA Internal Audit work for continuity and completeness for the remainder of 2021.

PW gave a brief overview of the papers. She advised that:

- A new format of the papers is being used that includes an integrated assurance report which captures more from the SG digital assurance teams and directorate.
- The 2020/21 work plan will be completed by the end of this financial year with the remaining reports to be presented at the next committee meeting.
- The review of customer complaints has been completed and the report is included on the agenda of this committee meeting Two remaining reviews are to be carried out, one being on procurement focusing on contract management.
- The financial governance work is being incorporated with Audit Scotland to prevent any duplications.
- An action plan from digital assurance office for technology assurance health check has been produced and is included on the agenda of this committee meeting.

PW stressed the importance of management tracking outstanding recommendations and ensuring implementation in a timely manner. She advised that progress relating to the implementation of recommendations is taken into account and reviewed when forming the annual opinion. PW highlighted the role of the Committee in this tracking process.

The Committee raised questions on the hot topics which had been included in the report. Cyber security is a hot topic and regular communications between Senior Leadership Team (SLT) and the Committee is recommended. Any specific issues will be highlighted in future Internal Audit reports.

The committee had noted an increase in outstanding recommendations and the delays in actioning due to the difficulties due to Covid. Time would be made available as part of the next meeting of the Committee to review in detail any outstanding recommendations that remain open.

#### **3.b Review of Data Quality and Management**

PW introduced the report which was included in the papers for the meeting. She advised that there were six recommendations in total that have been identified, She advised that data quality, in particular would need to be to be kept under the spotlight.

The Committee questioned the use of SAS (Business Intelligence Tool) for reporting management information (MI) and the dependency on a key person causing concern of a single point of failure.

MV reported that the use of SAS has historically been a preferred tool. He advised that this would change due to the recruitment of a new business intelligence analyst. The new post holder is focusing requirements gathering and data capture to understand what software and platform should be adopted. Linking departments is also being explored. MV reported that conversations have been held with public pensions administrators in England on the systems that they use.

MV advised that actions to alleviate the single point of failure include recruitment for the vacant post of Performance Manager and data science training for two existing members of staff via Heriot Watt University. He reported that progress is therefore being made to reduce this risk.

The committee has asked management to share an example of the MI Pack. It was proposed that a summarised version be presented to the committee for review.

The committee enquired if the deadline of 31 March 2021 was attainable for the action points to be closed. MV advised the committee that it is achievable with the resources now in place.

**0121.03 An example of the MI Pack produced by the Customer Services Team to be circulated to the Committee.**

**0121.04 Include a high level summary of Management Information on the agenda at the next Audit and Risk Committee meeting.**

The committee agreed that it would be useful to seek feedback on the ARC Terms of Reference

**0121.06 Circulate the ARC Terms of Reference to Internal Audit**

### 3.c Review of Customer Complaints

PW highlighted the reasonable assurance opinion included in this report with five recommendations of medium and low having been identified and agreed with management with an implementation date of June 2021. Recommendations included actions to ensure all procedures are updated and allocated to the teams to ensure errors or issues are not repeated and improvements are actioned.

The committee discussed the report and referred in particular to customer complaints. It was asked whether there is any MI available and noted the Agency has not been part of the wider SG best practice group. DD advised that a report is produced for each scheme on the type of complaint and what the resolution was with lessons learned. A summary can be provided to the committee going forward.

The Committee agreed that a deep dive into the complaints procedure would be a suitable topic for a future meeting.

**0121.06 Customer Services to provide a summary of customer complaints to the committee**

## **0121.07 Include a deep dive on the complaints procedure on the agenda of a future ARC meeting**

### 3.d Directorate for Internal Audit and Assurance Quarterly Bulletin

The Committee agreed that the paper and hot topics had been covered in the discussion on earlier agenda items and they were satisfied with the outcomes.

## **4. Audit Scotland Update**

GD gave the committee a verbal update on the audit and planning for 2020/21 which has started later than it would normally. She advised that discussions were underway with management in terms of timings and commitments especially with the challenge of the Finance team changing and remote working of what is achievable.

The committee thanked GD for the update.

## **5. Chief Financial Officer's Report**

IW presented the report to the committee and highlighted that there are still funds available within the Agency with SG Finance also being available. He highlighted:

- An increase of £75k to the Agency's budget this year.
- Due to exceptional circumstances of 2020, staff holiday allowance of carrying 10 days over was increasing to 20 days would impacting on the budget, however, an allowance from SG has been made to cover this and there is not a significant number of staff with balances of in excess of 20 days.
- More temporary staff are required to support the procurement and implementation Pensions system. This will be monitored and reported through the procurement process quarterly going forward.
- Negotiations with Heywood are in the final stages and there are significant financial implications arising from this process.
- 60 Laptops are still required to be purchased to support home working.

The committee asked about the staffing and turnover within the Finance team. IW advised that the new CFO will start on 1 February 2021 and interviews are taking place in February for the Finance Manager. A temporary Finance Manager is in place and will remain until an appointment is made.

The committee asked about the financial risks arising from the MacLeod remedy phase. IW advised that a business case will be submitted to the ministers and full costs will be given, with a positive outlook on terms of budgets coming to the agency.

## **6. Procurement Report – Pension Platform Programme**

PH introduced the report which was included in the agenda papers for the meeting. He highlighted:

- Heywood contract extension is expected to be finalised between both parties by the end of January 2021
- There are no fundamental issues with the business case removing potential risk for the Agency and the programme.
- The strategic outline case was approved in December 2020, this can be distributed to the committee.
- A health check has been completed focusing with outcome of 15 actions included, general governance, procurement approach and the development of the business case, 4 actions are complete with the remainder to be completed by the end of March 2021.
- One of the big risk areas is calculations and pension calculations. A piece of work relating to proof of concept is being undertaken with Government Actuary Department (GAD) who have an understanding of the pension calculations and the technical expertise required to develop a standalone calculations engine. This process would use existing data held by the Agency allowing flexibility of an external calculations engine.
- Ministerial approval is scheduled to will take place in July 2021 for the platform programme

The committee thanked PH for the report which had given a helpful understanding of the project.

The committee asked whether the programme team have enough resources going forward? PH advised that resource will remain small for the remainder of the current financial year, after April the use of the SG digital transformation service to establish what requirements and resource will be needed. A budget is allocated for approx. 18 or 19 specialised staff from SG, the agency and recruitment. Staff in Customer Services will be involved in training and preparing teams in the automation of the programme.

## **7. Risk Management Update**

The chair welcome HG to her first meeting to present the two reports.

HG advised that the risk priorities were as follows:

- Updating the risk registers, to ensure an understanding of the current risk culture with staff understanding responsibilities, development of reporting and working with teams.
- Working on the strategic risk register and audit tracker
- Creating a new operational risk register, looking at historical issues.
- Working with the Communications team weekly to feed an understanding of risk and where it fits into the agency and individual roles.
- Reviewing the risk maturity with measuring progress in embedding risk at operational level with a template to update the committee going forward.

The committee welcomed implementations proposed all of which were positive.

The committee discussed the risk appetite and how that will be fed into the agency along with getting the balance between the top down and the bottom up

risks within the organisation. It also considered clarification the high's to low's on the risk register were discussed which are on the appetite tab on the circulated spreadsheet.

The committee highlighted the particular risk relating to people and asked that management consider this in the context of weakness that could arise from staff shortages due to sickness, working remotely and turnover. It was noted that this would be captured in operational risk. MV assured the committee that this is being monitored by the management and the appropriate actions have been taken.

The committee proposed that the risk concerning annual benefits statements (ABS) should be highlighted for this year.

There was further discussion on risk grading and operational risk by the committee and a request for HG to assess and define how this will be applied going forward.

The committee was updated that the risk relating to absences within the SLT has been resolved with an interim structure in place and working well.

The final question raised by the committee was on cyber security and the impact on SPPA. HG informed the committee this is in discussion including any likelihood of impact.

**0121.08 HG to assess how scoring will be applied and defined for risks and then present operational risk registers for the committee to review.**

### **7.c Levels of escalation – Risk of Deep Dive**

HG highlighted to the committee a new proposed process for levels of escalation within a new Incident Management Process being trialled. She advised that, in time, the expectations required from all members of staff will be built into best practice.

The committee had no comments of note with regards to the proposed escalation levels.

The committee enquired about the whistleblowing policy and whether staff understand the processes involved, particularly with escalating fraud. HG informed the committee there is an SG policy and staff will have a training package within teams with an understanding of both procedures.

### **8. Audit Recommendation Tracker**

The committee asked that the summary cover sheet that had previously accompanied the tracker be provided for future meetings. In line with the earlier discussion the committee again stressed that progress on outstanding actions need to be prioritised with realistic dates and deadlines being met. MV assured the committee that the due dates will be implemented and updated going forward.

**0121.09 The Audit Recommendations Tracker to be placed higher on the agenda after Internal Audit and Audit Scotland going forward for the committee to monitor. HG also to produce a summary note for the committee going forward on progress of the actions.**

**9. ARC Terms of Reference**

The committee formally approve of the revised Terms of Reference for the Audit and Risk Committee.

SMcA thanked the committee for their input into the changes.

**10. Dates for future meetings.**

**Tuesday 20 April 2021**

**Summary of New Action Points Arising to be discussed at the April Meeting:**

Action points from meeting 25 January 2021	Date/Action	Action by	Status
Given a Scottish Government (SG) Fraser figure has been absent from the meetings over a 12-month period, a Fraser figure or a representative is to be present for the April 2021 meeting as a matter of priority.	0121.01	MV	Open
Information supporting budgeting and forecasting on vacancies/headcount to be presented to future meetings alongside the CFO's report.	0121.02	IW/DT	Open
An example of the MI Pack produced by the Customer Services Team to be circulated to the Committee.	0121.03	DD	Open
Include a high level summary of Management Information on the agenda at the next Audit and Risk Committee meeting.	0121.04	DD	Open
Circulate the ARC Terms of Reference to Internal Audit	0121.05	SMcA	Closed
Customer Services to provide a summary of customer complaints to the committee	0121.06	DD	Open
Include a deep dive on the complaints procedure on the agenda of a future ARC meeting	0121.07	DD	Open



HG to assess how scoring will be applied and defined for risks and then present operational risk registers for the committee to review	0121.08	HG	Open
The Audit Recommendations Tracker to be placed higher on the agenda after Internal Audit and Audit Scotland going forward for the committee to monitor. HG also to produce a summary note for the committee going forward on progress of the actions.	0121.09	HG	Open