



**AUDIT AND RISK COMMITTEE  
DRAFT MINUTES OF THE MEETING  
Tuesday 20 April 2021 (Teams Meeting)**

**Attendance:**

<b>Committee Members:</b>	Helen Mackenzie (Chair) (HM) Ian Forbes (IF) Liz Holmes (LH)
<b>Internal Audit:</b>	Iain Burns (IB) David Reay (DR) Pamela Wilkinson (PW)
<b>Audit Scotland:</b>	Tom Reid (TR) Angus Brown (AB) Mark Roberts (MR) Lesley Fraser – Director General, Organisational Development and Operations (Fraser Figure)
<b>SPPA</b>	Tom Nash (TN), Head of Regulatory Affairs Karen Morley (KM), Head of Finance, Risk and Procurement Phil Heywood (PH), Interim IT Programme Director Hannah Grout (HG), Risk and Assurance Manager Dev Dey (DD), Head of Customer Services Jonathan Sharp (JS), – Data Protection and Information Governance Manager Stuart MacArthur (SMacA), Governance Manager Marnie Davis Wood – Governance Delivery Lead - Agency Deborah Sherlock (Minutes)

**1. Apologies and Introductions**

1.a The Chair, welcomed all attendees to the meeting, in particular Lesley Fraser, who was attending her first Audit and Risk Committee (ARC) meeting as the Fraser Figure.

1.b There were no apologies given.

**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 25 January 2021**

2.a The minutes were approved by the committee without any amendments.

### **2.c Outstanding Actions**

0120.04 Close

0120.06 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.

1020.03 Remain Open

1020.09 Propose to Close

1020.05 Propose to Close

1020.10 Remain Open

1020.12 Propose to Close

1020.13 Propose to Close

1020.14 The self-assessment will be issued with a return date in May, finding will be presented at the end of May

0121.01 Propose to Close

0121.02 Remain Open

0121.03 Remain Open

0121.06 Amend with a revised date for presentation for deep dive.

0121.08 Remain open due to not fully covered in April's Meeting.

0121.09 Remain Open.

It was agreed that all action points marked as proposed to close, would be closed with the remainder updated on the Action Point Tracker.

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

#### **3.a Combined Directorate for Internal Audit and Assurance, Q4 Progress Report**

Pamela Wilkinson (PW) highlighted the papers which had been previously read by the Committee and advised that:-

- The 2020/21 work plan is now complete with recommendations to be given at the next Committee meeting.
- The Financial Governance Review is now completed with recommendations.
- An action plan is in place for recommendations arising from the Digital Assurance Office (DAO) health check framework of the Pension Platform Programme.
- The 2021-22 Internal Audit Plan has been agreed.
- Recommendations and progress from the action plan on the DAO work programme is now in progress.
- The Scottish Government (SG) has developed and published a risk guidance which can help SPPA develop the risk management report.

The Committee expressed concern that there had been limited progress on the completion of internal audit action points. PW reported that Hannah Grout (HG) is currently working through the list within the agency with the larger projects being on track to be completed. Karen Morley (KM) also reported that from the Senior Leadership Team (SLT) perspective, frequent one to one meetings were being held with HG to establish an updated risk register. KM advised that the focus is also on a business plan which is in its draft stage with the delivery of objectives and actions, including a better delivery of good governance and a review of lessons learned to include stricter deadlines.

KM advised the committee that work with Lesley Fraser (LF) is ongoing, guiding SPPA to a more settled leadership during this stage in which the Agency has an interim Chief Executive. LF advised the committee she has appointed David Robb to support the SLT for the short term and that hopefully an announcement of a new interim CE appointment would happen soon. LF thanked SLT for the work being carried out.

The committee thanked LF for the clarity on the agency's leadership and the support it was receiving. Thanks also went to HG for the progress of the risk management work carried out so far.

### 3b. Contract Management Review – Final Report.

Dave Reay introduced the report which has been previously read by the Committee. He advised that reasonable assurance had been given on the review of contract management. Some improvements are needed to clarify roles and development of staff internally, improvements to information on the list of live contracts to show the different types of commercial undertakings and to reconcile with the Contracts Register.

KM advised that an updated version will be distributed to the committee. The Committee asked for more information on the management of the high-risk/high-value contracts. KM advised the committee that the Pension Platform Programme contract is being supported by Michelle Lee, Procurement Manager with a plan being discussed with Audit Scotland going forward. PW advised that there may be an opportunity to be clearer on the risk approach to contracts.

### 3c. Internal Audit Plan Q4

PW highlighted that Internal Audit had consulted with Audit Scotland and had held discussions with KM to develop the audit plan. Positive updates from SLT on two main assurances had been noted; one on risk management and best practice, with a review of controls to retain and develop talented colleagues retaining corporate knowledge to avoid risk around resilience. The survey results reflected the impact of staff absences which had resulted in increased workloads for remaining staff. Remote working was highlighted as a factor and has been taken into consideration. PW thanked the team for the assistance they had provided with the report.

The Committee welcomed the inclusion of capacity and capability as this has been a risk the ARC have focused on over the last 2 years. The Committee

thanked PW for the opportunity to review and comment on the report prior to the meeting.

The Committee asked whether the report had been updated given it had been agreed with the Interim Chief Executive at a meeting held on 25 January 2021. The Committee also highlighted for future focus was the review of agency Management Information versus performance management to ensure the right and correct environment is built around the risk process. PW confirmed that management information being reviewed is very much centred around building up information on staff stability for the Agency. DR confirmed that outstanding recommendations on risk management will have an assurance review and will be covered in discussions with KM and HG. These will be factored into future reports.

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**

TR gave the Committee a verbal update on the audit and planning for 2020/21. with which the Committee are familiar. The plan is the same as previous years which also sets out the wider audit risk. The report covers all of the schemes together rather than two separate reports. The first three risks are common risks with numbers 5 and 6 being wider risks. Risk 6 details workforce planning. Exhibit 4, Annual accounts timetable of the report to be discussed further at future meetings with the dates stated on the timetable.

The Committee thanked TR for the update and asked about future financial planning. KM advised the Committee the risk highlighted is from a review on a rolling 5 year plan, business as usual core needs has its challenges on saving on a day to day basis. The agreement from last year with the Pension Platform Programme will set a pressure on finance and a clear plan with more detail to finalise finance will be required. A £9 million pressure from bigger projects the Agency has planned will require clarity for finance of where the money will be spent, the risks involved have been highlighted to the Scottish Government (SG) who are involved in the discussions outlining the benefits expected to be delivered at the end of the project. MR highlighted to the committee a requirement for greater focus on financial planning and plan development within the Agency is needed.

The Committee asked how benefits realisation was being tracked and transparency in this regard, How could this be tested going forward with assurances in place? MR confirmed that focusing within the audit plan with a review on the deliverables will give transparency.

#### **5. Report by Head of Finance, Procurement and Risk**

The Chair thanked KM for her first report and invited her to present the key messages to the Committee.

The highlights of the report included:

- An underspend on employee costs due to recruitment freeze during pandemic; going forward estimates would be the subject of a detailed plan within the expected forecast outturn being projected.
- The report does not include the pensions schemes due to work still being underway to produce the required financial information. The Committee was advised that this will feed through into future reports.
- Budgeting in the new financial year will be more visible to the SLT and financial monitoring will prioritise management accounting with Heads of Department reviewing financial costings for their department.
- There are plans for a financial dashboard which is being created with help from Mark Gregory the Senior Finance Manager within the Agency.

The Committee welcomed the planned move to a more focused report and the inclusion of information on what is driving the financial outcomes will be helpful..

The committee also welcomed the agreement reached with COSLA to fund actuarial costs in relation to the local government schemes. KM reported that the finance business partners are on track for delivery by the end of year.

## **6. Risk Management Update and Quarterly Review of Risk Register**

HG introduced the report and highlighted:

- The Governance Statement captures the risks of 2020-21 showing the development of the risk maturity.
- SLT will have open discussions with their teams on the Internal Control Checklist shown in the Governance statement.
- The risk register is being built from the business plan, which is not yet ready to be shared with committee. A workshop will be held for SLT prior to sharing.
- Notes from previous meetings are helping to develop the risk controls.
- Support for HG from the Chief Executive and Karen Morley will be needed to deliver the risk register.

The Committee thanked HG for the report which had given a helpful understanding of the review of the risk management.

### **AP 0421.01 Ian Forbes to liaise with Hannah Grout regarding improving and focussing the controls checklist.**

#### **Risk Registers**

The Committee welcomed the new format of the risk register and the work being carried out on transition risk.

PW commented on the review of risk management being undertaken with SG core and she advised that she would be happy to share the lessons learnt with SPPA. KM highlighted that HG has established the pension board risk registers aligned with strategic risk with customer services, some having established

registers and escalation tiers. A sight risk register will be formulated which may not go into the strategic risk register, but for SLT to have sight of any posing risks

The Committee asked for more information in relation to how risks are recorded and brought in to line with the strategic risk register. In particular, the Committee commented on the operational risk and strategic risks being cross referenced. It was important that the Agency did not lose sight of significant risks and a risk dashboard bringing together both registers for oversight would be a useful way to track this.

HG highlighted that work with customer services is giving a historic overview to the committee. SMcA informed the committee that if any breaches arise they may not require reporting but they are recorded. The NHS contributions breach has been reported and so far no response from The Pensions Regulator.

### Annual Benefit Statement (ABS) Incident Report

HG presented the report to the Committee with the results of the incident review. The main points from the review were as follows:

The size and scale of the ABS delivery was underestimated and the delivery timescale unrealistic. Covid-19 meant that the ABS project had to be delivered remotely away from the Agency, the complexity of co-ordinating within the expected timescales added difficulties and pressure on the project. Lessons learned from previous years had not been embedded into a robust operating procedure.

The Committee noted the findings in relation to the lack of engagement with of colleagues who had previously been involved in the process and asked whether this remained a risk following the implementation of the the Target Operating Model (TOM) TN highlighted to the Committee that SLT are dealing with the outcome of the TOM with colleague engagement identifying the strategic aims. DD added that the ABS project not going to plan, it showed the strength of colleague collaboration to deliver the remainder of the statements. This year it is anticipated delivery will be more effective and in a much better place

The Committee enquired about ABS resources given the recruitment challenges noted earlier and whether management was assured that the teams involved are adequately resourced or whether there were mitigating actions in place to address any gaps. IF commented if organisational design is no longer an issue, more needs to be done to be efficient on delivery with adequate resources.

The committee congratulated Customer Services for getting the remainder of the statements out and asked whether the recommendations were being tracked. HG confirmed that a lot of the actions are in the process of being updated.

## 7. Pension Platform Programme

PH highlighted from the report the impact of decision making due to the lack of an Interim Chief Executive to authorise decisions on the project, as well as the following:

- Procurement strategy aiming for approval in the following weeks.
- Extension with Aquila Heywood is now in place until March 2025 with flexibility to March 2026.
- Progress on the programme business case for ministerial approval in July 2021
- The programme business case is on amber due to the absence of the programme Senior Responsible Officer, however with the anticipated appointment of a new interim Chief Executive, this will be resolved soon.
- Integrated assurance completion is continuing on the recommendations from the action plan.

The Committee thanked PH for the update with no further comments.

The Committee discussed the risk appetite and how that will be fed into the process along with getting the balance between the top down and the bottom up risks within the organisation.

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.

## 8. Draft Governance Statement

SMcA thanked the committee for their contribution to the statement, with anticipated completion for ministerial approval by mid-May.

The Committee asked if there had been any significant changes. SMcA advised that KM had highlighted what need to be included into the statement. The statement could be shared with the committee for comment with a deadline for comments of 10 days from this meeting.

IF noted that risk appetite is missing from the statement. This was noted by SMcA and he will take this forward for inclusion.

SMcA thanked the committee for their input into the changes.

**0421.04 Draft Governance report to be circulated to the committee for comment with a deadline of 10 days for comments.**

## 9. Head of Security and Business Continuity Update

Jonathan Sharp (JS) highlighted to the Committee the Scottish Government's Cyber Resilience plan on Security against which the Agency is creating its Cyber Action Plan. Cyber is a broader topic and includes security, with fraud being a key part of the issue.

The Committee noted the proposal from Tom Nash on the tightening of information on the G drive with security being at the forefront of this process.

The Committee raised the question of data breaches and the potential impact of working from home. JS acknowledged that there had been a decrease in paper breaches but not a noticeable difference in human error breaches. Education on cyber has been issued on the intranet with the aim of developing a culture of openness and encouraging colleagues to discuss with the Data Protection Officer any breaches with their team leader or by email.

**0421.05 Action plan on each topic of cyber security to be presented to the Committee for a deep dive at a future meeting.**

## 10. Dates for future meetings.

**Thursday 29 July 2021**

### Summary of New Action Points Arising to be discussed at the July Meeting:

Action points from meeting 20 April 2021	Date/Action	Action by	Status
Ian Forbes to liaise with Hannah Grout potentially abbreviating the controls checklist.	0421.01	HG	Open
A key for the heat map to be added for a better understanding of key risks.	0421.02	KM/HG	Open
Management to consider adding another colour to the tracker for a better understanding of the status on the tracker.	0421.03	KM/HG	Open



<b>Draft Governance report to be circulated to the committee for comment with a deadline of 10 days for comments</b>	0421.04	SMcA	Proposed to Close - Comments have been received.
<b>Action plan on each topic of cyber security to be presented to the committee for a deep dive at a future meeting.</b>	0421.05		Closed

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