

| | |
|-------------------------|--------------------------|
| Meeting | Audit and Risk Committee |
| Meeting date | 29 July 2021 |
| Meeting time | 10:00 – 12:30 |
| Meeting location | MS Teams |

| | | |
|------------------------------|-------------------|--|
| Members in attendance | Helen Mackenzie | Chair |
| | Liz Holmes | Member |
| | Ian Forbes | Member |
| Other attendees | David Robb | Chief Executive, SPPA (Interim) |
| | Dev Dey | Head of Customer Service, SPPA |
| | Hannah Grout | Risk and Assurance Manager, SPPA |
| | Phil Heywood | Programme Manager, Pensions Platform Programme, SPPA (Item 12) |
| | Stuart MacArthur | Governance Manager, SPPA |
| | Rachel Miller | Head of Operational Excellence, SPPA (Interim) |
| | Karen Morley | Head of Finance, Procurement and Risk, SPPA |
| | Tom Nash | Head of Regulatory Affairs, SPPA |
| | Debbie Trafford | HR Manager, SPPA (Item 13) |
| | Iain Burns | Lead Senior Internal Audit Manager |
| | Lois MacFadyen | Head of Digital Assurance Office, SG |
| | David Reay | Internal Audit Manager, SG |
| | Dougie Shepherd | Senior Internal Audit Manager, SG |
| | Angus Brown | Audit Scotland |
| | Tom Reid | Audit Scotland |
| | Mark Roberts | Audit Scotland |
| Apologies | Lesley Fraser | Director General: Corporate, SG |
| Minute taker | Marnie Davis Wood | Governance Delivery Lead, SPPA |

1. Welcome and apologies

- 1.1 The Chair welcomed Dougie Shepherd (DS) to the meeting and noted that he has replaced Pamela Wilkinson (PW) as Senior Internal Audit Manager. The committee noted thanks to PW for her contribution and noted she has now moved on from Internal Audit.
- 1.2 Noting apologies from the Director General: Corporate, the committee expressed disappointment that there was no Fraser Figure in attendance.
- 1.3 Ian Forbes (IF) informed the committee that he has been asked to act as a Critical Friend on the McCloud Remedy Project and has attended his first meeting of the Project Board.

2. Declaration of interests

- 2.1 There were no changes required to the Register of Interests nor were there any declarations of interest in the business to be conducted.

3. Minutes of the previous meeting, 22 April 2021

- 3.1 The committee agreed that the minutes of the previous meeting were a true and correct record, pending the following change to be made to the minute and action point:

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

4. Actions

- ARC 0120.06: Close
 ARC 0120.07: Close
 ARC 1020.03: Close
 ARC 1020.10: Carried over to September 2021
 ARC 1020.14: Close

- ARC 0121.02: Close
ARC 0121.03: Carried over to September 2021
ARC 0121.06: Carried over to November 2021 – the committee wishes to understand the nature and possible implications of complaints.
ARC 0121.08: Close
ARC 0421.01: Close
ARC 0421.02: Close
ARC 0421.03: Close
ARC 0421.04: Close
ARC 0421.05: Close

Action ARC 0721.01

Employer Data Interface to be included in the 2022 agenda for Deep Dive sessions. (MDW)

5. Internal Audit Annual Assurance Report 2020/21

- 5.1 DS presented the draft Annual Assurance Report to the committee. The committee and leadership were aware of and in agreement with the issues raised.
- 5.2 Improvement recommendations related broadly to:
- Workforce planning;
 - Succession planning and knowledge management;
 - Clarity of roles and responsibilities;
 - Policies and procedures;
 - Learning and development;
 - Arrangements for taking forward lessons learned and implementing actions from internal and external reviews;
 - Quality and robustness of management information.
- 5.3 The committee discussed the following:
- Control environment;
 - The risks to the SPPA in relation to Scottish Government (SG) seconding key leadership staff to other areas of SG during the COVID-19 pandemic;
 - Succession planning and procedures for handover;
 - Improving data and management information;
 - Recent staff pulse survey results.
- 5.4 Rachel Miller (RM) reported that recruitment to key roles in Operational Excellence related to performance information is in progress and that a new software tool is in use that can assist in the production of monthly dashboards and that has been used to prepare tailored reports on areas of focus.

Action 0721.02

RM to deliver to ARC members a one-hour workshop to introduce the new data dashboard. (MDW/RM)

- 5.5 Internal Audit reported that the Capability and Capacity Review is commencing shortly and this will cover some of the key risk areas discussed.
- 5.6 The committee noted thanks to both the Internal Audit team and SPPA staff who have dealt with complex cases and challenging circumstances during a difficult time.

6. Internal Audit Progress Report

- 6.1 Internal Audit (IA) highlighted the following key points from the report, which were noted by the committee:
- The Corporate Governance Review fieldwork is complete and the Capacity and Capability Review planning is underway;

- The 2020-21 IA Plan is complete, with the final review completed in June 2021;
- IA has provided a limited annual assurance Opinion for 2020-21;
- IA has provided a reasonable annual assurance opinion for SG corporate systems in 2020-21;
- The outcome of the 2020-21 Internal Quality Assessment (IQA) is that IA 'Generally Conforms' to the Public Sector Internal Audit Standards (PSIAS). There have been a number of improvements since the last IQA in May 2020 and further opportunities for improvement have been identified.

6.2 David Reay informed the committee that the SPPA had commenced work on a refresh of the Fraud Policy and that central SG was providing advice on this.

6.3 The committee noted the limited assurance Opinion for 2020-21 and the circumstances that have led this opinion were understood, in particular limited progress on audit action points. Close monitoring of the position would be a priority for future meetings to ensure outstanding actions are cleared.

7. Internal Audit: Financial Governance Review – Final Report 2020/21

7.1 IA presented the report, providing an overall reasonable assurance opinion. It was noted that some improvements are required to enhance the adequacy and effectiveness of procedures and there are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature. The recommendations related to:

- Refresh of strategic documents and a review of the certificates and underlying processes for the governance statement;
- Update of key finance documents and review of the financial reporting timetable;
- Target Operating Model lessons learned exercise.

7.2 The following areas of good practice were reported:

- Finance Risk Register monthly review process;
- Formal lines of reporting from Finance, Procurement and Risk to Management Advisory Board and Audit and Risk Committee;
- Establishment of a Senior Leadership Team (SLT) and Extended Leadership Team (ELT), with Finance being represented on both.

7.3 SPPA reported to the committee that the Governance Framework Document has now been signed off.

7.4 The committee discussed the handover process between directors of finance. Also discussed was document control in the shared drive and whether this was confined to the Finance team or an organisation-wide information governance issue. Tom Nash provided an update on information governance work underway agency-wide, led by Regulatory Affairs.

7.5 It was noted that some of the target dates in the Review had passed, and members wished to know whether these had been met.

Action 0721.03:

Karen Morley (KM) to email ARC members an update on any outstanding actions from the Financial Governance Review where due dates have not been met, and reasons for this.

7.6 KM confirmed that there is a skills gap across SG in areas of financial forecasting, monitoring and reporting, and that work is underway to arrange for cross-agency support at peer level.

8. Internal Audit: Background papers

8.1 The committee received and noted the following background papers:

- Internal Audit Charter 2021-22
- Internal Audit Strategy 2021-22
- Annual Assurance Report – SG Corporate Systems
- Review of Internal Audit 2020-21
- Directorate for Internal Audit and Assurance Annual Report 2020-21.

9. Audit Scotland: External Audit Progress Report

9.1 Audit Scotland reported that the revised timetable for the External Audit sees the Agency Annual Report and Accounts sign-off planned for early September. NHS and Teachers Schemes Reports and Accounts will be received within coming days, with anticipated sign-off in October.

9.2 The committee confirmed with KM that there are no risks and implications arising from the audit being completed later than originally planned due to resourcing challenges, and that the timescale was no later than last year. Also discussed was the strength of evidence on the numbers and narrative in the accounts. KM reported that the new Finance team is reviewing SPPA practice around building auditable evidence to support all the numbers, disclosures and content requirements for the annual reports.

Action 0721.04:

KM to inform governance team of any further meetings that are required to facilitate sign-off of the Agency and Schemes Annual Reports and Accounts, in addition to the 29 September ARC meeting.

10. Agency Finance Report

10.1 KM presented the report, setting out the budget to 31 March 2022 and the year to date to 30 June 2021. This includes NHS and Teachers Pension Scheme Accounts and going forward will also include Firefighters and Police Scheme Accounts. The report noted that the capital allocation from the autumn capital spending review includes a specific allocation for the Pension Platform Programme, and having this specific allocation will be beneficial to the Agency, as it indicates full support of the programme from SG.

10.2 The committee discussed the following in relation to the report:

- Depreciation calculation is not completed in the first quarter due to the reporting system;
- A Premises and IT update will be presented at the next meeting;
- The timeline for the SG Spending Review;
- The capital allocation split between the Pension Platform Project and other agency work;
- The availability of data on headcount and vacancies.

11. Risk Management Update and Quarterly Review of Risk Register; Audit Recommendations Tracker

11.1 Hannah Grout (HG) reported that the Risk Register has been presented to the committee in its new format in line with the new SG templates and has been built up from divisional business plans. There has recently been a detailed discussion at SLT on risk appetites and tolerance and this is ongoing. The key risks noted are data controls and management information.

11.2 The committee also noted the Audit Recommendation Tracker. The committee discussed the following:

- The way the risks are expressed in this new version is effective;
- High, medium and low recommendations should all continue to be tracked;
- The process for target and appetite-setting, noting that the appetite definitions are prescribed by SG in the new templates;
- The heat map would benefit from additional 'key' labelling and tracking of direction of travel/trends to aid readability;

- The intentional bias of impact over likelihood in the new SG scoring template;
- Aggregation and escalation of risks to SG level.

11.3 Audit Scotland confirmed that 2015/16 audit recommendations from Audit Scotland have now been superseded.

Action 0721.05:

Include movement of risk ratings on the register in reporting to ARC. (HG)

Action 0721.06:

Include Audit Scotland recommendations in the audit recommendations tracker. (HG)

Action 0721.07:

Include all recommendations on the tracker, not just ones that have been set a date by Internal Audit for follow up. (HG)

Action 0721.08:

Include a legend on the heat map for the top 5 risks, with an abbreviated risk name to improve the readability of the document. (HG)

12. Pensions Platform Programme (PPP) Update

12.1 Phil Heywood (PH) confirmed the overall RAG status was now red and that his paper provides a status update. He confirmed the planned procurement is still scheduled to start in November. The challenging timeline that SPPA had set for itself contributed to the current RAG status.

12.2 The committee discussed the Gateway Zero report, the importance of launching the procurement exercise, and the in-built incremental approach to introducing and adopting the new technology across the SPPA.

12.3 The committee thanked PH for his work during this period to cover the unforeseen vacancy in the team.

13. Risk Deep Dive: Workforce

13.1 Debbie Trafford (DT) was welcomed to the meeting to present a report and contribute to a discussion on Workforce Planning. The paper presented the background, trajectory, and future plans for the SPPA workforce. The committee discussed the following:

- Resource planning and the impact on culture and resilience;
- The workforce needs of the PPP;
- The resourcing plan recently agreed by SLT;
- A refreshed structure of the HR team, aligning to business areas to more proactively support recruiting managers;
- The challenging nature of the external recruitment market;
- The capacity of the Scottish Government's HR team to support SPPA recruitment in a timely manner;
- Prioritisation of filling workforce gaps;
- Short to medium term succession planning to improve resilience;
- Facilitating a culture of workforce planning.

13.2 The committee thanked DT for a useful paper and discussion, and requested an update in September.

Action 0721.09:

Circulate new HR structure diagram to ARC members (DT).

Action 0721.10:

Provide an update on workforce planning to the next ARC meeting. (DT)

14. ARC Annual Self-Assessment Exercise

14.1 Stuart MacArthur (SM) presented the paper to the committee for noting, highlighting that:

- Most actions relate to MAB rather than ARC
- There is an appetite for more ‘deep dive’ discussions, and it may be best to schedule additional slots outwith the meetings for these.
- Improvement to the consistency and use of the cover sheets/report templates is needed.

14.2 The committee requested feedback from Internal Audit, and DS commended the committee on the healthy and robust process that had been undertaken to complete the self-assessment, and the useful actions stemming from it, which indicate a culture of continuous improvement.

14.3 The committee noted that self-assessment by committee members themselves was good practice and thanked SM for putting the process in place.

14.4 The Chair noted that it had been interesting and a challenge for the committee to work remotely for the entire 2020-21 year.

15. Any other business

15.1 IF requested an update on remote working/return to office issues. The Interim Chief Executive confirmed that there will be a 12 month trial period of hybrid working patterns across SG. The discussion focused on building capacity issues across SG, and SPPA preparations for a Tweedbank office reopening later in September.

15.2 The Interim Chief Executive and committee paid tribute to the team within the Agency co-ordinating this complex work.

16. Date of next meeting

16.1 The next meeting will be held on 29 September 2021 at 10:00.

| Version Control | | |
|----------------------------------|----------------|----------------|
| | | Version number |
| Date draft completed | 6 August 2021 | 0.3 |
| Date minutes sent to chair | 10 August 2021 | 1.0 |
| Date approved by chair | 16 August 2021 | 1.1 |
| Date approved by board/committee | 25 August 2021 | 1.2 |
| Date of publication | 26 August 2021 | 1.2 |