

Meeting	Audit and Risk Committee
Meeting date	28 October 2021
Meeting time	10:00 – 13:00
Meeting location	MS Teams

Members in attendance	Helen Mackenzie	Chair
	Liz Holmes	Member
	Ian Forbes	Member
Other attendees	David Robb	Chief Executive, SPPA (Interim)
	Calum Elliot	Head of Collaborative Procurement, SG
	Iain Coltman	Head of Regulatory Affairs, SPPA (Interim)
	Garry Cossar	Head of Colleague Experience, 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 13)
	Stuart MacArthur	Governance Manager, SPPA
	Rachel Miller	Head of Operational Excellence, SPPA (Interim)
	Karen Morley	Head of Finance, Procurement and Risk, SPPA
	Jonathan Sharp	Information Governance Manager, SPPA
	David Reay	Internal Audit Manager, SG
	Angus Brown	Audit Scotland
	Gemma Diamond	Audit Scotland
	Tom Reid	Audit Scotland
Apologies	Lesley Fraser	Director General: Corporate, SG
	Dougie Shepherd	Senior Internal Audit Manager, SG
Minute taker	Marnie Davis Wood	Governance Delivery Lead, SPPA
Observing	Demi Ditchburn	Governance Officer, SPPA
	Mark Gregory	Senior Finance Manager, SPPA

1. Welcome and apologies

- 1.1 The Chair welcomed Calum Eliot to the meeting, attending on behalf of Lesley Fraser. The Chair also welcomed two observers from SPPA: Mark Gregory, the Senior Finance Manager and Demi Ditchburn, the Governance Officer, attending as part of her induction.
- 1.2 The Committee noted apologies from Lesley Fraser and Dougie Shepherd.

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, 29 July 2021

- 3.1 The committee agreed that the minutes of the previous meeting were a true and correct record, pending the following change being made:

Paragraph 11 to differentiate between discussion relating to the audit recommendations tracker and general discussion about the approach to Internal Audit.

4. Actions

- 4.1 The following actions were closed:

ARC 1020.10

ARC 0421.05
ARC 0721.01
ARC 0721.04
ARC 0721.07
ARC 0721.08
ARC 0721.09
ARC 0721.10
ARC 0721.11

4.2 The Committee noted updates to the remaining actions.

5. Agency Finance Update

5.1 Karen Morley (KM) presented the report, highlighting the following points:

- Scottish Government is conducting a deep dive into agency spending, with a focus on regulatory and legislative commitments.
- Reconsideration of provisions for bad and doubtful debts.
- Stabilisation of the budget is underway, including the reduction of the immediate in-year pressure within the administrative budget from £4m to £1.6m.
- Discussions underway with the pensions platform contractor to drive out better value from the contract.

5.2 The Committee discussed the following in relation to the report:

- Prior comparatives, including trends and charts would be helpful in understanding the budget.
- Ongoing consideration of how to report workforce and headcount issues in the budget, particularly given the trend across Scottish Government where digital investment capital will need to be changed to resource.
- Remedial action taken to address the overspend.
- The management of fiscal risks flowing through the Fire and Rescue Service and Teachers' overpayment, and workload impact of these.

Action 1021.01: Finance to add prior comparatives to budget reporting in future.

Action 1021.02: KM to discuss appropriate workforce cost reporting for the board finance report with Ian Forbes prior to the next meeting.

6. Agency Annual Report and Accounts

6.1 KM presented the Agency Annual Report and Accounts, noting that the audit has taken several months and is now concluded. The quality of the audit and the amount the Agency has learnt will stand the team in very good stead for 2022. There will be one change to note 10 of the accounts, where a calculation was incorrect; this will be corrected before sign-off and publication. The Parliament accountability was also to be changed and this was reflected in Audit Scotland's letter. KM commended the Annual Report and Accounts to the Committee and moved that the Committee should recommend to the Accountable Officer that he should sign the accounts.

6.2 The Committee noted the good progress that has been made and recorded the following comments for consideration by the Accountable Officer:

- Corrections to timing/tense on some statements, for example 'are expected to be in place by Summer 2021' to reflect the current position.
- It was sometimes difficult to determine which of the risks and outcomes were related to Covid-19 and which were related to the transition of leadership.
- The absence of the risks raised in the Committee's Annual Report to the Management Advisory Board, specifically the impact of the leadership transition/succession risk.

Action 1021.03 The Agency will consider how to update the Annual Report in light of these comments and inform Committee members of the decisions made in this regard (KM/David Robb (DR))

7. Audit Scotland: External Audit

7.1 Gemma Diamond tabled an unqualified opinion on the accounts, as highlighted in Audit Scotland's letter, and informed the Committee that signed certificates of assurance have now been provided.

7.2 The Committee thanked Audit Scotland and the Finance Department for their work. The Committee commended the Annual Report and Accounts to the Management Advisory Board and recommended that the Board recommend to the Accountable Officer that he sign the Accounts.

8. Internal Audit Progress Report

8.1 David Reay presented the report and highlighted that good progress was being made against the plan. There are still a number of follow-up actions incomplete. The Committee noted the position and that an in-depth discussion on outstanding actions would take place at agenda item 12.

9. Internal Audit: Corporate Governance Review – Final Report 2020/21

9.1 David Reay presented the report, providing an overall limited assurance opinion. It was noted that most actions where completion was scheduled for the end of October 2021 are on track. As per the Audit Report, improvements are required in relation to the following:

- Agreement and communication of a permanent leadership structure
- Alignment of the suite of strategic documents
- Regular meetings of the Risk Governance Group (now the more formal structure of the Risk Champions' Network).

9.2 The following areas of good practice were reported:

- Refresh of the Agency's risk management processes
- Agreement of strategic aims and objectives
- Processes established for monitoring of The Pension Regulator's incoming Code of Practice
- Management of Pension Boards, Audit and Risk Committee and Management Advisory Board.

9.3 The Committee received updates on actions relating to the recommendations contained in the report.

10. Internal Audit: Background papers

10.1 The Committee received and noted the following background papers:

- Cross-Government Insights – Cyber Security
- SG Corporate Governance Manual

11. Risk Deep Dive: Cyber Security

11.1 Jonathan Sharp (JS) presented a report and the Committee discussed:

- The extent of the Agency's remit in contrast to that of Scottish Government
- A focus on fraud
- Staff training
- Information and records management

Action 1021.04: An update on Cyber Security to be provided to the next meeting of the Committee. (JS)

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

12.1 Hannah Grout (HG) presented the above items to the Committee and discussion focused on:

- Implementation of a revised incident management process
- The risk of fraud and the lack of maturity in the risk approach to online systems
- The need for increased consistency and clarity on controls
- The need to document leadership transition as an SLT risk

12.2 The Committee noted that a previous version of the covering report had been included with the meeting papers in error, and that the correct version would be circulated after the meeting.

Action 1021.05: HG to circulate the correct version of the covering report immediately after the meeting.

Action 1021.06: Risk team to work with individuals across the Agency to ensure consistency and clarity in the reporting of controls (HG)

12.3 The Committee also discussed the Audit Recommendation Tracker. The Committee discussed the Agency's efforts to address all of the actions, despite progress being slow.

12.4 The Committee reviewed the risk register that had been provided in the papers.

12.5 The structure of the Risk Management update document was discussed and changes agreed.

Action 1021.07: HG to move the heat map into the risk register section, followed by audit recommendations, then the summary listing.

13. Pensions Platform Programme (PPP) Update

13.1 Phil Heywood (PH) presented the report and the Committee discussed:

- Slight changes to the schedule, with the procurement being launched in December.
- Business readiness as a key risk, and the importance of change management in successful implementation.
- The need for flexibility in the technology and a tenderer that acts as a partner to the Agency.
- Collaboration with other pension scheme administrators.

14. ABS 2020 Incident Report Update

14.1 The Committee received a report on the implementation of recommendations in the 2020 ABS Incident Report and discussed delays caused by late submissions from employers in the Scottish Teachers' Pension Scheme.

15. Workforce Planning Update

15.1 Debbie Trafford was not able to attend to present the paper, however the Committee received an update on workforce planning as a follow-up to the deep dive conducted at the previous meeting.

Action 1021.08: The Workforce Planning Update paper to be provided to MAB; Marnie Davis Wood to speak to DR to ascertain whether it should be circulated or added to the agenda for the November MAB meeting.

16. Any other business

16.1 N/A

17. Date of next meeting

17.1 The next meeting will be held on Thursday 20 January, 2022.

Version Control		
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