

Meeting	Audit and Risk Committee
Meeting date	20 January 2022
Meeting time	10:00 am – 1:00 pm
Meeting location	MS Teams

Members in attendance	Helen Mackenzie	Chair
	Liz Holmes	Member
	Ian Forbes	Member
Other attendees	Iain Coltman	Head of Regulatory Affairs, SPPA (interim)
	Garry Cossar	Head of Colleague Experience, SPPA
	Dev Dey	Head of Customer Service, SPPA
	Hannah Grout	Risk and Assurance Manager, SPPA
	Phil Heywood	Interim IT Programme Director, SPPA (item 11)
	Ian Howie	Deputy Director for Collaborative and SG Procurement
	Mark Humble	Senior Project Manager, SPPA
	Stuart MacArthur	Governance Manager, SPPA
	Josh McCreary	Internal Audit Manager, DIAA
	Karen Morley	Head of Finance, Procurement and Risk, SPPA
	David Reay	Internal Audit Manager, DIAA
	Tom Reid	Audit Scotland
	David Robb	Chief Executive, SPPA
	Jonathan Sharp	Data Protection and Information Governance Manager, SPPA (item 8)
	Dougie Shepherd	Senior Internal Audit Manager, DIAA
Apologies	Angus Brown	Senior Auditor, Audit Scotland
	Iain Burns	Lead Senior Internal Audit Manager
	Gemma Diamond	Audit Scotland
	Lesley Fraser	Director-General: Corporate
	Rachel Miller	Head of Operational Excellence, SPPA (interim)
Minute taker	Marnie Davis Wood	Governance Delivery Lead, SPPA

1. Welcome and apologies

1.1 The committee noted apologies from Lesley Fraser, Angus Brown, Iain Burns, Gemma Diamond and Rachel Miller. The committee noted that Ian Howie was in attendance representing the Fraser Figure.

2. Declaration of interests

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

3. Minutes of the previous meeting

3.1 The committee **agreed** that the minutes of the previous meeting were a true and correct record.

3.2 The Chair noted that committee members had met with Customer Services colleagues on 29 November 2021 for the Risk Deep Dive on Customer Complaints and thanked those in attendance at that meeting for a useful and informative discussion.

4. Actions

4.1 The following actions were closed:

- ARC 0121.03
- ARC 0121.06
- ARC 0721.05
- ARC 0721.06

ARC 1021.03
ARC 1021.01
ARC 1021.02
ARC 1021.04
ARC 1021.05
ARC 1021.07
ARC 1021.08
ARC 1221.01

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:

- The published budget settlement for 2022-23 has now been incorporated into the current figures
- The overspend in the administration budget has been addressed and it is expected that this will land on-budget
- There has been an overall fiscal cut to the budget, despite the non-cash and capital increase which makes it appear as though there is an increased operating settlement. These cuts pose a challenge.

5.2 The committee discussed:

- Reporting becoming increasingly more informative
- Expansion in the budget in areas that support the development activity running alongside business as usual
- Benefits realisation track would be a useful addition to the report
- Confidence in the new metrics that can be relied on to inform leadership about the issues
- The need for understanding the as-is efficiency cost to enable comparisons
- Issues relating to how cloud-based infrastructure is accounted for across Scottish Government and in relation to the Pension Platform Programme tender
- Implications of a forecast overspend in pension funds and the benefits of improvements underway to forecasting
- Questions relating to the pension schemes environment and regulatory horizon and the importance of including these in the strategic planning process.

Action 0122.01: Committee to hold a Risk Deep Dive forecasting of pension funds towards the end of the year (Marnie Davis Wood (MDW)).

5.3 The Chief Executive requested support from non-executive members in developing the medium-term financial strategy to support the strategic plan.

Action 0122.02: Non-executive committee members to meet with KM to discuss how they can support the development of the medium-term financial plan (KM).

6. Audit Scotland

6.1 Tom Reid updated members on Audit Scotland's work, noting that

- NHS and Teachers Scheme Account were signed off after the last meeting (20 December) and laid before Parliament as planned
- 2021-22 will be the last audit year for the current Audit Scotland team, with a tendering process taking place this year
- Delivery plan for the audit to the Audit and Risk Committee is scheduled for the end of March, including an indicative timetable.

6.2 The committee noted the outstanding audit recommendations and the fact that Audit Scotland is working to rationalise and update any superseded recommendations. The following was also noted:

- Time scale for the draft longer-term financial strategy is end of March
- Incorrect version of the Audit Recommendations list was included in the papers for this meeting; the correct version was tabled at the December 2021 meeting.

Action 0121.03: When minutes are distributed, SPPA to share the management response to the 2020-21 Agency and Schemes Audit completed in December (MDW).

Action 0121.04: Include consideration of the management response to the December 2021 External Audit on the agenda for the March committee meeting (MDW).

Action 0121.05: Refresh the Audit Recommendations table ahead of the next committee meeting, based on the December 2021 Audit Scotland Report (Hannah Grout).

7. Internal audit

7.1 Dave Reay (DR) updated the committee on the following:

- DIAA is on track to deliver the Internal Audit Plan
- DIAA has communicated concerns to the Chief Executive and to Core Scottish Government regarding outstanding audit actions and the need for additional support to be put in place
- Capability and Capacity Review will be completed imminently
- Handover of Internal Audit Manager role from DR to Josh McCreary.

7.2 The committee discussed the change point that SPPA has now reached, and the willingness of non-executive members, DIAA and Audit Scotland to support the Agency in the work ahead and to identify the support that is needed and can be offered by Core SG and externally. It was noted that the Internal Audit Plan for 2022-23 should focus on improving the control environment within the Agency.

7.3 The committee noted the concern expressed by Internal Audit at the pre-committee briefing meeting relating to the limited progress being made to implement audit recommendations. A number of recommendations had been superseded and it would be helpful if the SPPA and Internal Audit could agree instances where these could be combined.

7.4 The committee noted that the absence of robust strategic planning and performance tracking has impacted the Agency in recent years and the Agency has been slow in addressing these concerns. The Chief Executive assured the committee that change is underway, with key new posts having been filled, leadership development and a strategic planning process commencing. Alongside this, a sustainable performance plan is being developed from the short-term plans that are in place to improve performance. The Agency's leadership structure is also under review and a newly clarified structure will be in place from next month.

7.5 The committee addressed concerns about the availability of funds to bring in the support that is being discussed, noting the importance of networking both within Core SG and externally to harness support in addition to formal support requiring funding.

7.6 The committee noted the slide pack about the Accountable Officer Role provided by DIAA.

8. Cyber Security Action Plan Update

8.1 Jonathan Sharp introduced a paper, highlighting the following key points:

- The Agency's response to the Log4j vulnerability
- Participation in the SG-wide phishing email test
- Preparations for an agency-wide business continuity test
- Resourcing in the Information Governance team.

9. Audit and Risk Committee Terms of Reference

9.1 The committee considered proposed minor changes to the Terms of Reference related to:

- Membership tenure and appointment of members
- Reporting to Management Advisory Board
- Annual agenda plan
- Some minor cosmetic/clarity changes.

9.2 The committee discussed the timetable for the delivery of the Annual Report and Accounts and the need to keep this under review.

9.3 The committee recommended that the revised Terms of Reference be submitted to the Management Advisory Board and be approved by the Chief Executive, subject to the change below.

Action: 0121.06: Clarify in the Terms of Reference that if a quorum is not reached at an Audit and Risk Committee meeting, the meeting will be cancelled and rescheduled to the earliest possible date (MDW).

10. Risk Management Report

Action 0121.07: For future meetings, audit recommendation tables (internal and external audit) should be provided immediately following the External Audit and Internal Audit agenda items, with a covering paper outlining key changes since previous meeting (HG/MDW).

10.1 Hannah Grout introduced the paper, noting:

- Internal control environment remains a key risk that is being addressed in current work
- The work of the Risk Champions Network and culture change across the Agency
- The need to restructure the Risk Management Report paper to make it more concise
- A current focus on counter-fraud
- Work underway with Pension Boards to rebuild scheme-specific risk registers.

10.2 The committee noted the significant development that has been achieved in the Risk Management area over the last twelve months and commended HG for her work on this. The committee discussed the balance of providing sufficient detail but ensuring there is a focus in the paper and the discussion on key areas, for example through looking at the top ten risks or where scores have changed from previous quarters. The question of whether there was an alignment of the top-down analysis of risks with the bottom-up risk management process was raised and discussed.

Action 0121.08: Include counter-fraud as a topic for a future deep dive (MDW/HG).

10.3 The committee raised the risk of receiving limited assurance from Internal Audit and requested that SLT incorporate this into the risk register.

Action 0121.09: SLT to consider how to incorporate into the risk register the risk of receiving limited assurance from Internal Audit (David Robb).

- 10.4 The risk of employers paying incorrect contributions was discussed and Dev Dey advised that a change of project manager had contributed to an increased score.

Action 0121.10: Committee to review the risk of employers paying incorrect contributions at the next meeting as part of the Risk Management Report (Chair/HG).

11. Pension Platform Programme

- 11.1 Phil Heywood introduced the paper, highlighting the following:
- Procurement has been successfully launched, following a final read-through with SG legal advisers and the procurement status is now green
 - Planning for the evaluation and moderation is underway
 - The assurance timeline for business readiness
 - The new interim Transformation Director in post.
- 11.2 The committee emphasised to the Agency the importance of ensuring that the documentation and controls within the procurement process are robust enough to withstand any scrutiny they might receive or potential legal challenge.

12. Business Information Data Sample

- 12.1 Mark Humble presented the current set of metrics, noting that they are still a work in progress but provide a useful insight into Agency performance, tracking change over time. Points discussed included:
- A balanced scorecard approach being considered
 - Need for an iterative process, with the management team considering how these metrics contribute to an understanding of how the Agency is operating
 - Which performance indicators are early warning triggers for key strategic risks
 - The Quality Assurance indicator.

13. Any other business

N/A

14. Date of next meeting

- 14.1 The next meeting will be held on Thursday 24 March, 2022.

Version Control		
		Version number
Date minutes sent to chair	2 February 2022	0.4
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