![SPPA Scottish Public Pensions Agency - Buidheann Peinnseanan Poblach na h-Alba]

Minute number ARC 4M/23

Meeting	Audit and Risk Committee
Meeting date	27 June 2023
Meeting time	10:00 – 13:00
Meeting location	Hybrid: Tweedbank/MS Teams

Members in attendance	Helen Mackenzie	Chair
	Clare Scott	Member (part of meeting only)
	Ian Forbes	Member
Other attendees	David Robb	Chief Executive Officer, SPPA
	Garry Cossar	Head of People, Strategy and Communications, SPPA
	Carole Grant	Audit Director, Audit Scotland
	Hannah Grout	Risk and Assurance Manager, SPPA
	Frances Graham	Chief Operating Officer, SPPA
	David Gunner	Programme Director, SPPA (items 6 and 7 only)
	Josh McCreary	Internal Audit Manager, DIAA
	Karen Morley	Head of Finance, Procurement and Risk, SPPA
	Stuart Nugent	Senior Audit Manager, Audit Scotland
	Dougie Shepherd	Senior Internal Audit Manager, DIAA
	Philip McKibben	Financial Controller
Minute taker	Marnie Davis Wood	Governance Delivery Lead, SPPA

1. Welcome and apologies

1.1 No apologies were received for the full meeting; Clare Scott had sent apologies for the first hour of the meeting.
The Chair and committee paid tribute to Karen Morley and Stuart MacArthur, thanking them for their significant contributions to the work and progress of the SPPA during their respective times in the roles of Head of Finance, Procurement and Risk and Corporate Governance Manager. The Chair and committee wished them well in their new roles.

2. Declaration of interests

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

3. Minutes of previous meetings

3.1 The committee agreed that the minutes of the March 2023 meetings (ARC 2M/23 and ARC 3M/23) were a true and correct record.

4. Actions

4.1 Actions 1222.01 (Annual Report and Accounts lessons learned) and 0323.05 were merged.

4.2 The following actions were closed:
ARC 0123.03 (Documentation of controls discussion)
ARC 0123.05 (Risk ET4 – data – revision)
ARC 0123.06 (Board self-assessment)
ARC 0323.01 (wording of Audit Scotland report)
ARC 0323.02 (circulate audit timetable)
ARC 0323.03 (employer data flows assurance)
ARC 0323.04 (complete lessons learned workshop)
ARC 0323.06 (circulate internal audit plan)
ARC 0323.07 (new agenda item on McCloud Remedy)

4.3 Updates were noted on the remaining actions in progress, which remain open.

| **Action ARC 0623.01** |
| Phil McKibben to circulate to the committee the current version of the Audit timetable for the 2022-23 accounts. |

Deadline: 31 July 2023

5. Annual Report and Accounts 2021-22

5.1 A lessons learned workshop had been held on 26 June with committee members and stakeholders contributing to the discussion. The Chair apologised that she had not been able to attend. David Robb (DR) reported that many of the improvements proposed have been included in the process for 2022-23.

6. 2015 Remedy Report

6.1 Dave Gunner (DG) presented a report on the 2015 Remedy project, noting that at the time of the report being written the RAG status was amber. The report noted:
- Current focus on providing operational instructions
- Recruitment through secondments to the team
- Work underway on contingency plans that need to be put in place
- An overall aim to work towards minimal manual calculations.

6.2 The committee discussed:
- The risk to the delivery of Remedy of workforce pinch-points in Autumn.
- The need for audit trails to support the delivery of up to date information to inform the calculators on which delivery relies.
- The tension between delivering BAU and Remedy, noting that from the SPPA perspective we are progressing towards a new BAU that is Remedy-informed.

6.3 The committee recommended that careful planning will be carried out to mitigate the risks relating to workforce capacity. It also noted the risks related to manual calculations which were then to be input into the system and the checks that management would put in place relating to this process.

6.4 SPPA reported that a business readiness committee had been established and training blueprint and plan developed for building capacity during the implementation stage. New methods of workflow management and overtime functionality had been developed. It was noted that Operations is now better placed to deal with emerging changes and challenges in real time. There are contingencies being planned to address the risk that Police and Fire schemes may require some additional manual work.

7. Pensions Platform Programme Report

7.1 DG presented a report on the programme, noting the following:
- Contract had been signed on 1 June
- Current focus is cloud migration
- Following the contract signature, the RAG status is green.

8. Internal audit

8.1 The committee noted the Internal Audit Plan 2023-24 that had been agreed between Department of Internal Audit and Assurance (DIAA) and the SPPA.

8.2 On reviewing the audit areas proposed, the committee queried whether it made sense to audit contract management at a time when the Head of Finance, Procurement and Risk post is vacant and the PPP contract had only recently commenced. The SPPA and DIAA consider it to be an appropriate time for this audit as it will have a significantly wider scope than PPP and will review contract management throughout the Agency.

8.3   DIAA reported that the Annual Assurance Report for 2022-23 had delivered an annual assurance rating of Limited, observing that the SPPA was on an improvement trajectory.

8.4   The Committee noted its disappointment with this rating and recommended that a key objective for 2023-24 should be to increase the assurance rating and to ensure that audit actions will be implemented and followed up in the agreed timescales.

8.5   DIAA reported the following in relation to current and upcoming assurance and advisory work:
- Financial/Operational Transactional Controls review is ready to commence;
- Performance Reporting advisory work is underway and will assist with a meaningful transition to new key performance indicators (KPIs);
- Long-standing cultural issues in relation to ways of working in the member data space;
- An issue in relation to the Oracle data migration exercise, noting the need for engagement and support from the senior team;
- The change process and engagement of middle management.

8.6   The Committee discussed the Internal Audit report on Employers; Data Review and the recommendations that had been made. Frances Graham (FG) reported on the significant change programme in Operations that was addressing issues in relation to member data with a focus on reducing the requirements for and practise of manual calculations.

8.7   The Committee requested that, in order to effectively monitor progress and any risks that may arise, SPPA provide updates through the year in relation to the implementation of the system effectiveness and manual calculations recommendation that was contained within the Employers' Data Review report which is due for completion in March 2024.

> **Action ARC 0623.02**
> Hannah Grout to report on progress with the implementation of the system effectiveness and manual calculations recommendation (recommendation 1) from the Members' Data review within the Risk Management Report at the September 2023 and January 2024 Audit and Risk Committee meetings.
>
> Deadline: September 2023 - January 2024

8.8   The Committee recommended that Executive Team (ET) include the Oracle migration issue in the issues section of the Risk Register report to provide ongoing visibility on status.

> **Action ARC 0623.03**
> ET to include Oracle Migration in the issues section of the Risk Register. (Hannah Grout)
> Deadline: 26 September 2023

9.   Fraud

9.1   There were no cases of fraud to report. The National Fraud Initiative (NFI) data upload was delivered on 20 June. There will be a Scottish Government-wide annual reporting process for the results of the NFI.

10.   External audit

10.1   Carole Grant (CG) and Stuart Nugent (SN) reported to the committee on the following:
- Work underway on the materiality assessments and significant risks and assurances for the audit.

- A wider scope for this year's audit, to include Climate Change.
- Timetable for the delivery of the audit being the end of September for Agency accounts and end of October for scheme accounts.
- Audit fees being consistent with the previous year.
- Working with the SPPA in relation to flexibility and capacity to mitigate the impact of any delays.

10.2   DR asked whether there was potential for a reduced fee given that Audit Scotland was completing three separate audits for the same Agency. Audit Scotland confirmed that the SPPA was being charged the floor fee and that the 10% discretionary increased fee had not been charged. No further discount was possible within the Audit Scotland pricing model.

11.   Annual Report and Accounts 2022-23 Update

11.1   Rachel Miller (RM) and Karen Morley (KM) reported that the Annual Report and Accounts project delivery was currently reporting green. The committee noted that Management Advisory Board members had reviewed the draft of the Agency report. Further updates were provided to the committee and included:
- Formal land and building valuations had been undertaken;
- Significant work has been undertaken on Police and Fire schemes balances;
- Remuneration report would be prepared once outstanding reports were received from MyCSP and the audit would go ahead without that information should it not be provided in time for inclusion in the draft accounts;
- A notable improvement in quality of supporting documentation and processes compared to 2021-22;
- Regular communications with Audit Scotland had taken place and were ongoing.

11.2   The committee noted that the report did not mention the risk associated with the imminent vacancy in the role of Head of Finance, Procurement and Risk and queried whether associated risks were being identified and addressed.

12.   Governance Update

12.1   The committee approved the Audit and Risk Committee Annual Report to the Management Advisory Board, pending the addition of a sentence about the internal audit assurance outcome.

> **Action ARC 0623.04**
> Helen Mackenzie to add a sentence summarising the internal audit assurance opinion to the ARC Annual Report and send to Corporate Governance team for inclusion in the Management Advisory Board papers.
> Deadline: 12 July 2023

12.2   The committee reviewed the results of the recent self-assessment exercise. The following actions will be taken forward:
- A finance report to be reintroduced to the standing agenda for the committee. This should be postponed until the new Head of Finance, Procurement and Risk is in post. The first step would be the development of a proforma for the report for the committee to review.
- A stand-alone fraud report to be included in the annual agenda programme.
- The committee should plan for one meeting a year to be entirely face-to-face.
- Include statements about the committee's view or opinion as expressed at the meeting in the minutes
- Committee to focus more intentionally on the high-risk areas for the agency.

> **Action ARC 0623.05**

New Head of Finance, Procurement and Risk to bring to the committee a proforma draft of a new finance report, aligned with ARC's financial remit. (New head of FPR)
Deadline: January 2024

Action ARC 0623.06
Corporate Governance Team to include in the annual agenda programme a stand-alone Fraud Report. (Marnie Davis Wood)
Deadline: January 2024

Action ARC 0623.07
All members and attendees, where possible, to attend Tweedbank in person for the January 2024 meeting.
Deadline: January 2024

Action ARC 0623.08
Corporate Governance Team to include statements about the committee's view or opinion as expressed at the meeting in the minutes. (Marnie Davis Wood)
Deadline: (embedded) January 2024

Action ARC 0623.09
Committee members to discuss how to approach focusing more intentionally on high-risk areas and implement this at future committee meetings. (Helen Mackenzie)
Deadline: (embedded) January 2024

12.3   The committee reviewed its Terms of Reference and there were no recommendations for change to take forward to Management Advisory Board or the Chief Executive Officer.

12.4   The committee considered the proposed topics for Deep Dives for the remainder of 2022-23 and requested some changes. The following topics were agreed:

- September 2023: Cyber Security / Cyber Incident Response Plan
- December 2023: Data Quality
- March 2024: Counter Fraud

13.   Risk Management Report
13.1   Hannah Grout (HG) presented the Risk Management report, highlighting:
- She had met with committee members to discuss the further development of controls;
- Additional capacity in the Risk Management team;
- Improving the format and information provided in the audit recommendations tracker continues to be progressed.

13.2   The committee discussed:
- The continued improvements to the clarity and content of the risk register
- Quantifying pensions under and overpayment risks in terms of the financial consequences and also in relation to fraud.
- Clarification of ET 17 – committee was concerned this was too internally focused - management clarified that the intention of this entry in the risk register to capture the impact on staff
- Whether the likelihood score for ET 5 (cyber) was in line with Scottish Government norms.

14.   Any other business

14.1   The committee wishes to hold the January 2024 fully in person.

15.   Date of next meeting

15.1   The next meeting date (September 2023) needs to be changed due to a change in availability and will be confirmed as soon as possible.

Version Control		
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Date minutes sent to chair	11 July 2023	0.1
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