

Meeting	Audit and Risk Committee
Meeting date	26 March 2024
Meeting time	10:00 – 13:00
Meeting location	MS Teams

Members in attendance	Helen Mackenzie	Chair
	Clare Scott	Member
	Ian Forbes	Member
Other attendees	David Robb	Chief Executive Officer, SPPA
	John Burns	Chief Financial Officer, SPPA
	Calum Finlayson-Crawshaw	Auditor, Audit Scotland
	Gary Gibb	Internal Audit Manager
	Frances Graham	Chief Operating Officer, SPPA
	Carole Grant	Audit Director, Audit Scotland
	Hannah Grout	Risk and Assurance Manager, SPPA
	David Gunner	Programme Director, SPPA
	Clare Moffat	Corporate Governance Manager, SPPA
	Stuart Nugent	Senior Audit Manager, Audit Scotland
	Laura Pacey	Head of Strategy and Communications, SPPA
	Dougie Shepherd	Senior Internal Audit Manager, DIAA
	Debbie Trafford	Head of People, SPPA
Minute taker	Marnie Davis Wood	Governance Delivery Lead, SPPA

1. Welcome and introductions

- 1.1 Apologies were received from Alan Paterson and Jonathan Sharp.
- 1.2 The Chair noted that this was Ian Forbes' last meeting as a member of the committee and thanked him for his excellent contribution during his time as a non-executive board member for the SPPA. She particularly noted his contributions in the areas of risk management and financial governance and reporting and through his membership of the Remedy Project Board.

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 the previous meeting

- 3.1 The committee agreed that the minutes of the 16 January 2024 meeting were a true and correct record and gave the feedback that the minutes should capture the tone of committee's discussions.

4. Actions

- 4.1 The following actions were closed:

ARC 0623.05
ARC 0923.02
0923.10
1023.01
1023.02
1023.03
1223.02
0124.01
0124.02
0124.03
0124.04
0124.05

0124.06

- 4.2 Updates were noted on the remaining actions in progress, which remain open.
- 1223.01 (Risks relating to Oracle Fusion implementation): Debbie Trafford provided an update, and it was agreed that this action would be covered in the Risk Management paper at the July meeting.

Action 0324.01

Consider at the next meeting how the committee can best monitor risk in the Pensions Platform Programme.

Owner: Clare Moffat/Alan Paterson

Deadline: 18 July 2024

5. External Audit

- 5.1 Carole Grant presented the Annual Audit Plan to the committee, noting:
- There have been no significant changes to the materiality parameters that have been applied this year
 - Previously for Scottish public bodies there had been a cap on the reporting threshold of £250 000; this has now been removed and Audit Scotland has applied a cap of £500 000, but reassured members that this doesn't mean that Audit Scotland wouldn't report on materiality below this threshold
 - The recognised risks for all accounts
 - The scope of the audits
 - The reporting timetable, which is still in discussion. It was noted that the plan is to present all three accounts and reports to the committee meeting on 9 October.
 - Fees have been set at the baseline level that was centrally set by Audit Scotland.
- 5.2 The committee discussed:
- The impact of inflation fluctuations on the articulation of stresses
 - Whether there will be a fee reduction if the three annual reports and accounts are combined in 2024-25
 - How recommendations in the last audit report are being progressed

6. Annual Report and Accounts update

- 6.1 Laura Pacey reported to the committee on the current status, noting that:
- Project plan is in place, with accountabilities clearly defined
 - Lessons learned exercise has been conducted
 - Writing will commence at the start of April.
- 6.2 The committee discussed:
- Contingency planning in case a financial accountant is not successfully appointed to the current vacancy and the need for this to be monitored
 - A request for an updated timeline with attention to the requirements for committee review
 - The need to brief committee members sufficiently ahead of time to allow them to engage in a useful way with the documents at points where they are able to provide valuable feedback. This was particularly important in light of the new committee members who will be joining in coming months
 - Committee members having access to the documents before Management Advisory Board members, to provide a different level of feedback
 - The importance of using change control mechanisms to give assurances to board and committee members in the drafting process

Action ARC 0424.02

Laura Pacey to share an updated timetable with the committee and to update the committee via email if there are any changes to the timetable that affect the deadlines throughout the process.

Deadline: 18 July 2024

7. Internal Audit

- 7.1 Dougie Shepherd presented a progress report to the committee, noting:
- The impact of short-notice staff changes on the audit programme and the team's efforts in bringing the work back on track for completion of the annual plan
 - Continuing pressure on budgets across Scottish Government
 - Oracle Fusion implementation
- 7.2 The committee discussed:
- Technical Assurance Framework reviews, receiving assurance from Department of Internal Audit and Assurance that these would be scheduled with consideration given to other reviews and assurance activities and in consultation with the Pensions Platform Programme team.

Action ARC 0424.03

Dougie Shepherd to email the committee with

- further details on the comment about the quality of the McCloud project management
- further information about the scheduling of the Technical Assurance Framework review

Deadline: 18 July 2024

- 7.3 The committee received the report on the Transfers In and Out Review, noting
- Reasonable assurance
 - Good operational risk management in place in this area
 - Ongoing work on performance reporting
 - Reliance of single points of failure in the Transfers team
 - Process maps under review
 - Some delays to the receipt of evidence that will be picked up in future through DIAA engagement with staff in the operations governance forum.
- 7.4 The committee discussed
- The quantum and regularity of transfers in
 - Whether the process needs an overhaul
 - The difficulty of evidencing processes where they are not mapped out end to end, noting that this process mapping is underway
 - The need for recommendations to have clear dates for completion so progress can be tracked and evidenced.
- 8. Annual audit planning process**
- 8.1 Dougie Shepherd reported to the committee on steps taken since November as part of the annual planning round, noting
- Strong engagement with key SPPA stakeholders
 - 100 days of assurance work are included in the plan, with two assurance reviews, two advisory reviews and the follow-ups from this year's audits.

9. Data Quality Report

- 9.1 The Chair introduced this item, noting that data quality had been assessed by management as a significant strategic risk to the SPPA and asked that the committee be provided with

written updates in advance of the meeting for future discussions.

- 9.2 Dave Gunner outlined progress and next steps in the Data Quality Improvement and Assurance project, sharing the 18-month roadmap and highlighting next steps as:
- Common data verification (NHS and Teachers' schemes)
 - Undertake conditional/scheme specific data for all four schemes as per The Pensions Regulator requirements
 - Complete data readiness assessment for 'Pension Dashboard'
 - Commence i-Connect implementation for NHS and Teachers' schemes
 - Implement validation improvements for EDM
 - Assess old/out-of-date information and rectify

- 9.3 The committee discussed:
- The need to focus discussions at this committee on the risks and mitigations for key areas of the project and how the risk scoring is anticipated to change in the risk register
 - Current risks around the delivery of Annual Benefit Statements for the 2023/24 financial year

Action ARC 0424.03

Dave Gunner to send the slides presented to the committee to the Corporate Governance team for recording with the committee papers.

Deadline: 31 May 2024

Finance Report

- 9.4 John Burns presented a financial report, noting that the format was under development following recent discussions with Ian Forbes and the CEO. The report highlighted:
- An underspend of the additional budgetary resource allocation provided by the Scottish Government in December 2023
 - A risk associated with the full recovery of Government Actuary's Department actuarial costs
 - The briefing from the CEO to the Minister on the 2024-25 budget plan and assumptions
 - There has been a deficiency in reporting to the committee on financial position and this will be rectified in future meetings.
- 9.5 The committee raised the following discussion points:
- The plans for turning the budgetary challenges into cost improvement plans in the next year and the development of the budgets
 - How the significant change in the discount rate might impact the financial statements
 - Staffing assumptions for the 2024-24 budget, including a turnover savings rate and reduction in overtime
 - How key assumptions will be monitored and reported to Executive Team throughout the year

10. McCloud Remedy Update

- 10.1 Dave Gunner reported that the programme is focussing on building resilience to deal with

unexpected challenges. The committee discussed:

- The current focus on contract governance and advised the SPPA to revise and strengthen supplier management arrangements
- The potential need for redefining controls and re-scoring in the strategic risk register for this project, given the risk appeared to be increasing

11. Risk Management

11.1 Laura Pacey introduced the Risk Management report and the following was highlighted in relation to actions that could be closed:

- The actions taken to address the National Fraud Initiative matches
- Work underway on developing an automated in-house overseas mortality check process

11.2 The committee noted that the SPPA may have a 'red' rating in the upcoming National Fraud Initiative audit report due to data submission issues.

11.3 The committee discussed

- An instance of potential fraud under investigation in relation to employer contributions that had been identified by the SPPA. The committee recommended the adoption of a process that would result in an earlier escalation of similar issues in the future.
- Progress on addressing Risk ET 12 (Revisions), to be revisited at a future meeting

12. Non-executive recruitment

12.1 The committee noted an update on the recruitment of at least two new committee members and a committee chair, that there had been delays to the process centrally and that it was planned for the recruitment to be completed before the CEO's retirement in June.

13. Counter Fraud

13.1 The committee received the Counter Fraud report and noted that there was more work to do on the 'managers' responsibility for systems' section of the draft Counter Fraud Policy. The committee discussed:

- A preference that the committee had been consulted on the development of the policy
- The need to discuss the policy and provide feedback at the counter-fraud deep dive, to be scheduled for May.

14. Date of next meeting: 18 July 2024

Version Control		
		Version number
Date minutes sent to chair	27.04.2024	0.1
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