

Meeting	Audit and Risk Committee
Meeting date	18 July 2024
Meeting time	10:00 – 13:00
Meeting location	MS Teams

Members in attendance	Helen Mackenzie	Chair
	Clare Scott	Member
	Mark Tarry	Member
	Kevin McLeod	Member
Other attendees	Chief Executive Officer, SPPA	
	Chief Financial Officer, SPPA	
	Audit Manager, Audit Scotland	
	Internal Audit Manager	
	Chief Operating Officer, SPPA	
	Programme Director, SPPA	
	Corporate Governance Manager, SPPA	
	Senior Audit Manager, Audit Scotland	
	Risk and Control Officer, SPPA	
	Senior Internal Audit Manager, DIAA	
	Head of People, SPPA	
	Deputy Director, DIAA	
	Independent Director, Management Advisory Board	
Minute taker	Corporate Governance Officer, SPPA	

1. Welcome and introductions

- 1.1 Apologies were received from Laura Pacey, Michael Oliphant and Carole Grant.
- 1.2 Newly appointed members, Kevin MacLeod and Mark Tarry were welcomed to the Committee.
- 1.3 The Chair expressed thanks to Carole who will be moving post. The new lead auditor will be Michael Oliphant.
- 1.4 There were no changes to Committee members’ Registers of Interests nor were there any declarations of interest in the business to be conducted. However, it was noted that the register of interest should be updated and available on the website as soon as possible to ensure transparency.

<p>Action ARC 202407.01</p> <p>Update SPPA website: add new members and update Register of Interests.</p> <p>Owner: Clare Moffat</p> <p>Deadline: 9 October 2024</p>

2. Minutes of the previous meeting

- 2.1 The Committee agreed that the minutes of the 26 March 2024 meeting were a true and correct record, with only one amendment to be made; point 8.1 to be updated - there are two assurance reviews this year and two advisory reviews in the 2025 plan.
- 2.2 The Committee provided feedback that the minutes should capture the tone of committee’s discussions, including themes and advice to SPPA CEO.

3. Actions

- 3.1 Updates on Pension Platform Programme (PPP) actions 0124.05 and 0324.01 were noted:
 - The programme data and dashboard requirements are being combined. The process of replanning is ongoing. Frances Graham is now Senior Responsible Officer (SRO) taking this forward.
 - It was agreed to keep both actions open and that an update including completion date will be brought to the next meeting.
- 3.2 The Committee discussed project governance and the management principles that are in place to ensure best practice going forwards; to capture benefits realisation and lessons learned.
- 3.3 Pamela Wilkinson suggested a Gate 5 review may be applicable for PPP phase one. Whilst not mandatory, it will give insights into lessons learned moving into phase two. Stephen Pathirana is meeting colleagues to discuss this further.
- 3.4 It was agreed ARC 1223.01 should remain open until the implementation of Oracle Fusion, with updates scheduled on agendas until fully complete.
- 3.5 The following actions were closed:
 ARC 0324.02
 ARC 0324.03
 ARC 0324.04

4. Audit and Risk Committee Annual Report

- 4.1 It was agreed:
 - The completed report will be presented to the Management Advisory Board (MAB) at the next meeting on 1 August 2024.
 - The Committee recommended SPPA should consider the optimal timing for this report for next year – particularly in relation to the Committee's statement of assurance to the Accountable Officer.

Action ARC 202407.02

SPPA to consider optimal timing of ARC Annual Report for 2025 (particularly in relation to the Committee's statement of assurance to the Accountable Officer).

Owner: Clare Moffat

Deadline: 31 December 2024

5. External Audit

- 5.1 The Committee received the external audit report summarising Audit Scotland's 2022-2023 work, which occurred after accounts were signed. This included:
 - whole of Government accounts and the national fraud initiative; these landed at the end of 2023-January 2024 so missed last year's reporting cycle and fall into this year.
 - Interim testing for 2024.
 Audit Scotland outlined overall progress was significantly ahead of last year.
- 5.2 The Committee discussed:
 - The red assessment rating of the National Fraud Initiative (NFI) (due to data submission issues) which SPPA should be aware of, as it may be referenced in the Audit Scotland NFI overview report.
 - Whole of Government accounts on track for the target date for submission (16 August 2024).
 - Whether risk mitigation around schemes is appropriate and the long-term plans in place to reduce manual input, such as the launch of calculators in August.
 - An overview of the automation plans for the agency. The Committee advised this would be a welcome topic for a future deep dive or workshop.

6. Annual Report and Accounts update

6.1 The Committee noted that:

- Draft papers would be issued to ARC week commencing 22 July.
- The proposed timetable for ARC to review the draft papers and provide comments is seven days.

6.2 The Committee advised that:

- To provide valuable feedback, SPPA must give members sufficient notice and time to review.
- As there may be parts that members have already seen, it would be helpful if SPPA could highlight any parts of the report that need to be focused on.

7. Internal Audit

7.1 Three papers were tabled; the Progress Report, the Pensioner PAYE Compliance Review Report and the Annual Assurance Opinion Report for 2023-2024.

7.2 Pamela Wilkinson confirmed:

- 2024-25 fieldwork was ongoing in relation to the Oracle Fusion organisational readiness review and the report will be brought to the next meeting.
- Planning will soon be underway for the quarter two review on financial governance and sustainability.
- Follow-up of the IT contract management has also commenced for quarter two.

7.3 The following comments were made on the Progress Report:

- Section 2.12 (compliance with the Asset Registration Review) states that 35% of assets are overdue for review. It was agreed that DIAA should check the figures against the Scottish Government's asset register, however no formal action point was required.

7.4 The Committee received the SPPA Pensioner PAYE Tax Compliance Final Report and noted that:

- In broad terms it is a positive report for the Agency, with only two recommendations – one low and one medium priority.
- The medium priority recommendation focussed on manual calculation and recovery of overpayments risks.
- The low priority recommendation was around an observation of a perceived lack of coordination between teams, with a risk of processes not being completed successfully. However, management were already aware and taking steps being to remediate this.
- There were no instances of non-compliance.

7.5 The Committee expressed concerns related to the recommendations and the current position relating to how tasks are being carried out. The Committee encouraged SPPA to map and standardise processes. SPPA provided an update on other activities which affected capacity, and why process mapping would not be completed until September 2025. The Committee asked highlighted their concerns with managing the potential risks around manual processes, and asked SPPA to share milestones along the way, to enable a review of progress for the delivery of process maps to minimise these risks.

7.6 The Committee received the 2023-2024 Annual Assurance Opinion Report, noting:

- The paper provides assurance to the Accountable Officer, helping them prepare the governance statement as part of the annual report and accounts. It also informs the improvement of the improvement agenda within the Agency.
- It shows that the assurance opinion for 2024 is reasonable, with slight improvement on

previous years.

- 7.7 The Committee discussed:
- Section 2.4 on thematic findings contains many recommendations on workforce / succession planning, knowledge management and clarity of roles. It was acknowledged this is an ongoing area which the Agency is continuing to develop.
 - In section 2.6 some of the outstanding recommendations may need to be updated due to the time that has elapsed since they were made. Audit Scotland advised that they are carrying out additional work with the Agency to try to help close tasks which have been completed or are no longer applicable.
 - There was recognition that good progress has been made.
- 7.8 Regarding the monthly Governance Compliance Network details of which were referenced in the reports, it was agreed that it would be useful to share the Terms of Reference with the Committee.

Action ARC 202407.03

SPPA to share Terms of Reference for the Operational Governance Compliance Network with the Committee.

Owner: Clare Moffat
 Deadline: 30 September 2024

8. Data Quality Update – Action ARC

- 8.1 An update was reported to the Committee:
- Common data has been cleaned up; conditional data still being worked on
 - Demonstrations from possible joint partner and service provider for the pensions dashboard have been held.
 - Plans for moving to I-Connect are ongoing, with timeframes being reviewed and a planned pilot for the Teachers scheme.
 - Ongoing work to run low-liability deletions in the systems, contributing to data clean up.
- 8.2 The Committee discussed:
- Route to green – moving the current 200 score on the risk register to the target score of 50. The Committee requested SPPA group future reporting on the different areas of work underway, so that it was able to better understand and assess progress in each different area.
 - The day-to-day processing of data, including improvements such as new escalation processes for receiving data from employers.

9. Finance Report

- 9.1 The Committee discussed SPPA Management Accounts:
- The Committee expressed concern relating to the £3.6m overspend, and associated risks. However, reasons for it were understood and noted. Members welcomed CEO's reassurance and commitment to negotiate with Scottish Ministers later in the year where possible, to recover.
 - The Committee outlined concern that assumptions made during the preparation process last year has resulted in needs not being met, and an unrealistic budget being assigned to the Agency, and highlighted there is a need for the decision-making process around this to be more explicit.
 - It was agreed that there is a need to learn from this experience to produce some different approaches, avoiding that major risk going forwards.
 - The major risk around resourcing was discussed and the Committee suggested more resource options should be considered, even more radical options, due to the limited control the Agency has in this area

- Regarding figures on agency staff spending, it was agreed that these would be checked and a response provided directly to Mark (no formal action required)

9.2 The Committee were broadly content with Schemes Monitoring and welcomed the finance information provided, and SPPA's engagement with Pension Boards on breach reporting.

9.3 The Committee were content with Procurement Highlight report, and discussed Scheme Contributions Analysis:

- It was acknowledged this reporting is still in its infancy and discussions had been held with the Pensions Regulator to clarify the basis of reporting.
- The report provides insight as to how SPPA are attempting to address the materiality perspective, in particular where there remains an outstanding debt over 90 days.
- There were reconciliation issues to work through, mainly due to resourcing within SPPA Finance team.

10. 2015 Remedy Update

10.1 SPPA provided an update which outlined:

- The reliable contingency for deferred choice within the Police and Fire schemes; many members that have retired since October 2023 have been successfully processed. This will continue until the move to a more strategic solution.
- For the NHS scheme, a standalone option was being used for deferred choice, with a soft launch approach including a significant amount of quality assurance.
- For the Firefighters scheme deferred choice, issues around missing or inaccessible data are being worked through with the employer.
- For the Teachers scheme, the deferred choice calculator is being refined.
- For immediate choice, SPPA is awaiting clarification from HM Treasury. There were also some key dependencies which the system supplier is required to deliver.
- Some manual intervention may be required to identify any missing data, which has caused delay.
- SPPA aims to provide the ABS / RSS for Police scheme by the end of August, however, has engaged with Pension Boards as other this will be later for other schemes.
- Top risks identified across the three main phases.

10.2 The Committee noted:

- Amber rating in most areas
- The importance of contingencies.
- The Project governance board format had changed to be called an advisory board
- Increased rigour to develop and improve SPPA's relationship with the IT system supplier.

11. Annual Cyber Security Report

11.1 The Committee discussed:

- The comprehensive report provided
- The common thread throughout is that cyber security is always ongoing work. Leading the culture within the organisation by reinvigorating awareness is key.

12. Specific risks associated with Oracle Fusion implementation

12.1 The Committee noted:

- A new risk around pension payments and current plan with Scottish Government Digital Directorate to extent existing contract until the new service begins. This approach should allow time to onboard with new service.
- An additional risk raised as a priority with project team regarding making payments to schemes and other providers. SPPA will introduce a manual payments solution in the short term however the Project team have committed to consult and configure to provide a detailed process design and financial assurances. The Committee highlighted the project's consideration of scheme needs should be noted in lesson learned.

13. Risk Management

13.1 The Committee noted:

- The report was compiled a little earlier than normal timescales and this may have an impact on the currency of the information included.
- The first round of risk assurance checks had been completed since the last ARC meeting
- The counter fraud deep dive with ARC in May 2024 was useful. The Committee asked SPPA to report current fraud cases as part of the committee papers for future meetings.
- Emerging risks identified included provision of benefit statements and Finance team capacity.

14. Forward Look

14.1 Date of next meeting is to be confirmed. The 9 October 2024 meeting will be rescheduled for early November 2024 to incorporate timetable for completion of ARAs.

15. Any other Business

14.1 This was Helen Mackenzie's final meeting as Chair. The Committee thanked Helen for her contribution and expertise.

16. Effectiveness review against Committee's role

15.1 N/A

Version Control		
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