

Meeting	Audit and Risk Committee
Meeting date	07 November 2024
Meeting time	11:00 – 14:00
Meeting location	MS Teams

Members in attendance	Clare Scott	Chair
	Mark Tarry	Member
	Kevin McLeod	Member
Other attendees	Chief Executive Officer, SPPA	
	Chief Financial Officer, SPPA	
	Chief Operating Officer, SPPA	
	Risk and Assurance Manager, SPPA	
	Head of People, SPPA	
	Head of Business Transformation, SPPA	
	Programme Director, SPPA	
	Finance Business Partner, SPPA	
	Data Protection & Information Governance Manager, SPPA	
	Corporate Governance Manager, SPPA	
	Senior Audit Manager, Audit Scotland	
	Auditor, Audit Scotland	
	Internal Audit Manager, DIAA	
Senior Internal Audit Manager, DIAA		
Minute taker	Governance Delivery Lead, SPPA	

1. Welcome and introductions

- 1.1 No apologies were received for the meeting.
- 1.2 The Chair noted that this was her first meeting as Chair of Audit & Risk Committee (ARC) and asked for papers to be taken as read.

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 18 July 2024 meeting were a true and correct record.

4. Actions

- 4.1 The following actions were closed:
 - ARC 0324.01
 - ARC 1223.01
 - ARC 202407.01
 - ARC 202407.03
 - ARC 202407.02. This action relates to the timing of the ARC Annual Report. The Committee noted that whilst this has been resolved for this year, it will be dependent on its purpose which will be considered in a review of ARC's Terms of Reference.
- 4.2 Updates were noted on the remaining actions in progress, which remain open.
 - ARC 124.05: Action relating to the benefits realisation of process/system transformation to remain open and would be picked up in item 8 of this meeting.
- 4.3 The Committee encouraged Secretariat to circulate draft minutes of meetings at the earliest opportunity, to all Committee members, ideally within two weeks of the

meeting, if possible.

Recommendation 20241107.01

SPPA to circulate draft minutes and actions with all members of the Committee as soon as available.

Owner: SPPA Governance
Deadline: 29 January 2025

5. Governance Update

- 5.1 The Chief Executive Officer, SPPA gave a verbal update on Governance to the Committee, noting:
- It had been a busy period since the last ARC meeting with lots of challenges, particularly relating to budget.
 - More stability across the organisation, and improvements in frontline delivery
 - Governance had been at the forefront of his thinking; with effect from 12 November 2024, there would be a new appointment of Head of Strategy & Governance.
 - The frequency of ARC and MAB meetings were discussed and whether the quantity of these meetings could potentially be reduced from four to three.
 - Jane Malcolm appointed as permanent chair of MAB, rather than having a rotating chair for each meeting.
 - Plans to pair members of the Agency Boards with Executive Team (ET) counterparts, to strengthen relationships and improve collaboration.
 - Change of Pension Board meeting frequency, which will move to two formal Board meetings per year for each scheme with two joint-meetings/events per year in addition. Details still to be finalised.
- 5.2 The Committee:
- Noted the limited contact with ARC members over recent months whilst the new CEO settled into his role and focused on addressing the immediate challenges.
 - Welcomed the closer links with the Pension Boards.
 - Welcomed the closer links between MAB members and ET members.
 - Considered comments from representatives from internal and external audit who expressed concern about the reduced frequency of ARC meetings. The Scottish Public Finance Manual need to be considered, as well as the pressures on the agency. A suggestion was made to review the effectiveness of the meetings instead.
 - Requested clarity on the process for changing the governance arrangements including consultation with stakeholders.

Recommendation 20241107.02

Agency should consider the process for changing the governance arrangements to consider stakeholder comments, including reflecting on the feedback from Internal and External audit.

- 5.3 The Annual Report & Accounts process was discussed, and it was noted that SPPA expected the accounts to be laid in Parliament by the statutory deadline, through joint working with Audit Scotland.

6. External Audit

- 6.1 Audit Scotland reported the current status of the Annual Report and Accounts (ARAs), noting that:
- Agency ARAs have been reviewed, currently awaiting a revision following comments
 - Scheme accounts have some alterations but currently working through revised versions
 - The Annual Audit Report is in progress.

- 6.2 The Committee discussed:
- Challenges encountered when preparing 23/24 accounts due to loss of key staff members in 2024, and issues with lack of funding. The Chief Executive Officer reported that a revised structure and budget has been agreed to provide stability to the Finance team.
 - The need for another review to learn lessons from this process and the improvements which can be made going forward.
 - Whether SPPA should be considered a shared services agreement to mitigate this risk in future.

Recommendation 20241107.03

SPPA to consider whether a shared services agreement with local finance professionals could reduce the risk of issues with the ARA process in future.

Owner: SPPA
Deadline: 29 January 2025

7. Internal Audit Progress Report

- 7.1 Department of Internal Audit and Assurance (DIAA) presented a progress report to the Committee, which outlined:
- Internal Audit Plan making good progress; plan on track for completion by the statutory deadline of 31st March 2025.
 - Financial Governance and Sustainability Review on target.
 - IT Contract Management follow-up has been completed with all three medium recommendations now fully implemented.
 - Internal Audit are assisting SPPA with manual payments process due to the ongoing implementation of the new Oracle system.
 - Customer Satisfaction Review is currently ongoing.
 - Appointment of permanent Director of Department of Internal Audit & Assurance.
- 7.2 The Committee discussed:
- Changes to Global Public Sector Audit standards and if this could potentially impact the ARC terms of reference. It was agreed this should be brought back to the committee in Q1 2025.
 - The Customer Satisfaction Review and suggested that both members' and employers' satisfaction be considered in the audit.

Action ARC 20241107.01

DIAA to review Global Public Sector Audit Standards and return to ARC in January 2025 on any potential impacts to SPPA

Deadline: 29 January 2025

- The embedded documents within the DIAA pack couldn't be accessed. DIAA agreed to circulate these documents to members offline.

Action ARC 071124.02

DIAA to circulate embedded documents within pack to ARC members.

Deadline: 12 November 2024 – **action completed.**

7.3 2024-25 Oracle Readiness Final Report

- 7.4 DIAA presented a progress report to the committee which outlined the five current recommendations being worked through. There were no further questions from the

Committee at this time.

8. Finance Report

- 8.1 The Chief Financial Officer, SPPA presented an update on the ET Transactional Finance and P6 Management Accounts, which highlighted:
- The P6 Monitoring position; SPPA is in a comfortable position in relation to the Accountable Officer's submission made in August 2024 and that the position had improved compared to the figures in the paper.
 - Employee contribution reports had been filed to The Pensions Regulator (TPR). There were six potential breaches in total, with some reconciliation work taking place to remedy this.
- 8.2 The Committee discussed:
- Content of the Finance Report and suggested the report could be streamlined and a summary provided. The Committee offered to provide recommendations following the meeting.
 - Red RAG rating contained in the Procurement Report; SPPA highlighted this was due to timing and there were no major concerns.
 - Details of the TPR breaches and action SPPA had taken, specifically whether scheme members had been informed.
 - SPPA's use of the Government Actuaries Department and associated costs, and whether savings could be made.
 - SPPA to consider a strategic review of supplier contracts to investigate the possibility of improvement in some areas.

Action ARC 071124.03

Chair to speak with ARC members and advise SPPA on future content contained within Finance Report.

Deadline: 29 January 2025

9. Oracle Fusion – specific risks associated with Oracle Fusion, if any (post-implementation update)

- 9.1 John Burns and Debbie Trafford provided a verbal update on matters not covered previously on the agenda.
- 9.2 Discussion followed on:
- Details of manual payments process and whether this workaround presented increased fraud risk to SPPA.
 - Lessons learned from the manual payments process following discussions with the project team who implemented the changes.
 - A date for rectifying the data migration piece, which is scheduled for phase 2 of the Oracle programme in the new year.
 - The impact from an HR perspective in relation to recruitment; HR considered Oracle a vast improvement over the previous system, with some initial snagging issues to be rectified. Reporting from the system needs to be improved.
 - An issue with supplier payments through the new system with SPPA ensuring suppliers are aware of the problem. Assurance was provided to the Committee that there were not concerns on supplies of goods or services.
 - Confirmed SPPA are compliant with the HMRC immediate payments process.

10. Project Updates

10.1 The Head of Business Transformation, SPPA and Programme Director, SPPA presented papers relating to the following projects:

- Data Quality
- Pension Platform Programme
- Remedy.

10.2 Updates included:

- Intention to close the Pension Platform Programme (PPP) in the near future, as the procurement and implementation of the new system has been delivered.
- SPPA's intention to create a 'Transformation Programme' to capture details from all projects across the organisation, including improved system usage (previously included in PPP project). This approach would provide a clearer overview of how SPPA's resources are being utilised.
- Recognition of the importance of ensuring improvements developed by project teams are embedded in day-to-day processing.

10.3 The Committee:

- Recommended the consideration of benefit realisation for projects. Chris Gage confirmed that the team are receiving training to enable this to progress.
- Noted the limited Key Performance Information (KPI) for Data Quality management and suggested improvements with a focus on data improvements to enable efficiencies and service improvements.
- Noted that the implementation of 'i-connect' was delayed due to resourcing needed for Remedy.
- Noted that more consistent project reporting would be helpful, particularly around risks.
- Noted the overall status of Remedy, particularly in relation to Annual Allowance statements and potential impacts on BAU and the Remedy revision process and how this will be improved via Automation.

11. Risk Management

11.1 The Risk and Assurance Manager, SPPA introduced the Risk Management report, noting:

- The early stages of the creation of a fraud risk register following the completion of fraud risk assessments, which is currently in the process of being populated.
- The process around member tax protection certificates and mitigations in place to prevent fraud.
- Data has been submitted to the National Fraud Initiative on time.

11.2 The Committee:

- Discussed the evaluation of inherent risks relating to fraud and whether these were being captured in the optimal way by SPPA via the current process. Fraud is not currently captured on the strategic register as it is deemed an operational risk. The Committee recommended that the approach be reviewed given the significant financial outgo from the pension schemes.

Recommendation ARC 071124.04

SPPA to review how inherent risks relating to Fraud are captured via the risk register, and if this can be improved.

Deadline: 29 January 2025

- Requested a more focused report on internal audit actions focusing on overdue internal audit actions.
- Requested clarity on the potential Cyber Security Risks around the move to a new server in relation to the SPPA external website. Assurance was provided that no

imminent risks had been identified.

- Questioned the reduction in risk associated with delivering the annual report and accounts on time given the Finance team resourcing. Assurance was provided that this referred to the current year's accounts which were expected to be complete in the coming weeks.
- Suggested SPPA review how risks are recorded on the Risk Register, and if some risks relating to resourcing require re-allocation to capture key components.

11.3 Data Protection and Cyber Resilience

11.4 The Data Protection & Information Governance Manager, SPPA introduced the paper and noted:

- The SPPA colleagues' mandatory training figures; discussion around reminders and the potential for these to be issued earlier, with SPPA to investigate.
- Incident Management planning, with plans in progress to run test exercises for specific areas which will assist with any incident responses. The intention is to have an agency-wide exercise.

12. Forward Look

12.1 The Committee noted the forward look items and raised the following discussion points:

- Deep Dives – It was agreed email discussions would take place offline to confirm what future deep dive topics would be most beneficial for SPPA and ARC members.
- Agenda Planning – SPPA to include forward ARC agendas in meeting packs; to support members in terms of forward planning.
- Next scheduled meeting: 5 December 2024 (Extraordinary meeting to consider Annual Report & Accounts only)

13. Any Other Business

The Committee queried what the implications would be for SPPA in relation to the recent budget announcement by the UK Chancellor. Scottish Government are currently reviewing, with a mini budget for Scotland due to be announced in the near future, however no direct impact expected on SPPA at this juncture. The Chair noted the potential for changes in the structure of the Local Government Pension Scheme in England and Wales. SPPA will keep a watching brief.

The Chair noted that since appointment in August, she had not yet received an invitation to the quarterly performance meeting with the Chief Executive Officer and the Portfolio Accountable Officer. Assurance was provided that organisation of that meeting was in hand.

14. Effectiveness Review Against Committee's Role

14.1 The Committee agreed that given the turnover in ARC membership, a further discussion around effectiveness should take place in 2025.

Version Control		
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