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

Meeting	Audit and Risk Committee
Meeting date	29 January 2025
Meeting time	10:00 – 12:15
Meeting location	MS Teams

Members in attendance	Clare Scott	Chair
	Mark Tarry	Member
	Kevin McLeod	Member
Other attendees	Stephen Pathirana	Chief Executive Officer, SPPA
	Chris Nairns	Chief Operating Officer, SPPA
	Debbie Trafford	Head of People, SPPA
	Frances Graham	Chief Transformation Officer, SPPA
	John Burns	Chief Financial Officer, SPPA
	Stuart MacArthur	Head of Strategic Governance, SPPA
		Risk and Control Officer, SPPA
		Governance, Risk and Assurance Manager, SPPA
		Finance Business Partner, SPPA
		Audit Director, Audit Scotland
		Senior Audit Manager, Audit Scotland
		Senior Internal Audit Manager, DIAA
		Internal Audit Manager, DIAA
Apologies		Corporate Governance Manager, SPPA
Minute taker		Governance Delivery Lead, SPPA

1.   Welcome and introductions
1.1   Apologies were noted for SPPA Corporate Governance Manager.

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 5 December 2024 meeting were a true and correct record.

4.   Actions
4.1   The following actions and recommendations were closed:
ARC 20241107.01R
ARC 20241107.02R
ARC 20241107.01
ARC 20241107.05.

> **Action 20250129.01**
> Audit colleagues to stop embedding documents for reference in papers going forward. Content to be circulated prior to meetings or to be included as annexes.

4.2 The following actions remain open.
- ARC 0124.05:
- ARC 20241107.06

5. Opening Remarks
5.1 SPPA CEO noted:
- The Agency is working towards the end of the financial year, carrying out tasks to make sure the Agency is in a good state of close down in March 2025.
- The biggest challenge for the Agency is the Remedy project.
- The Agency are in the process of preparing a business plan for 2025/6. This includes reflecting on priorities and scope for the next year.
- After discussion with Audit colleagues a new rhythm for Corporate Boards is in place. Work is ongoing to update the governance framework and Terms of Reference for Boards.

5.2 The group discussed lessons learned from the latest Annual Report and Accounts (ARA) exercise. Mark and Kevin provided feedback on a session held by SPPA colleagues on this, noting the engagement was welcome and the session was positive. Mark and Kevin had requested an action plan be drawn up and it was agreed the draft action plan from the session would be circulated to the Committee. The Committee made a recommendation that SPPA use a checklist provided by Audit Scotland for the next ARA exercise.

> **Action 20250129.02**
> SPPA to circulate draft action plan created from ARA lessons learned session (before ARC's Lessons Learned meeting on 10 Feb if possible)
> **Recommendation 20250129.01R**
> SPPA to use the Audit Scotland checklist to decide on content for ARA

5.3 The group discussed Finance resourcing. SPPA provided an update on external recruitment which is live at the time of meeting with a positive rate of applications. There are resilience risks within the department due to temporary roles. However SPPA provided assurance that these are being managed in a strategic approach to filling positions on a permanent basis. SPPA Head of People asked the Committee to share role advertisements where possible.

6. External Audit
6.1 Senior Audit Manager, Audit Scotland provided an update, noting:
- A planning meeting is in place to follow up on ARA lessons learned
- The team are working towards creating an audit plan to be discussed at the next ARC meeting
- There is a small amount of outstanding work on the 2023-4 accounts.

6.2 The group discussed the roll out of new Oracle software over the year and ARC members suggested that related audit work could be progressed in

advance of the summer. SPPA provided an update on issues with the system, not unique to SPPA, and work is ongoing to resolve these.

7. Internal Audit

7.1 DIAA Senior Internal Audit Manager provided an update, noting:
- Global internal audit standards went live in January 2025 – there were no major changes
- Internal audit strategy moving towards a more integrated assurance approach
- Workforce planning and resource plans were being developed
- The internal audit manual will be updated
- An External Quality Assessment is being pushed back, in agreement with Audit Scotland and common practice, to maximise the benefit of assessment against new standards.

7.2 DAO advised they will be in contact with SPPA Chief Transformation Officer in February 2025 to understand the transformation approach.

7.3 The group discussed the differentiation between advisory and assurance reviews:
- Assurance takes 5 -10 days longer than advisory work.
- Reviews are agreed according to resource.

7.4 SPPA Chief Finance Officer provided an update on Oracle setup. Issues are ongoing with a timeline of Q1 2025 for resolution.

7.5 DIAA Senior Internal Audit Manager explained the process of selecting audit topics, including horizon scanning, and noted the proposed topics for 2025/6:
- Annual events
- Counter fraud
- Contract management

7.6 Due to leave directly before the meeting, the Committee did not have a chance to review the topics beforehand. They provided feedback, suggesting some alternatives:
- Oracle
- Governance
- Staffing/Culture/Capability and capacity
- Procurement

7.7 SPPA CEO explained the reasoning behind choosing the three proposed topics, stating these are areas where action plans are less clear for the Agency and would therefore benefit from assurance. Plans could be flexible and can shift if needed throughout the year.

7.8 The group discussed the audit co source partner supporting the work. The thematic setup of work and costings involved would need to be considered.

7.9 The Chair suggested attention could be given to the relevant part of The Pensions Regulator (TPR) general code throughout relevant internal audits.

7.10 The group also discussed the manner in which the audit plan was developed. The horizon scanning process used by internal audit would be circulated. It was also agreed to research other pension funds' approach to assurance mapping which may be useful for future audit planning.

Action 20250129.03
SPPA to reflect on ARC feedback to refine audit plan for 2025/6 and circulate the final version to ARC members

Action 20250129.04
Internal audit to share further detail on horizon scanning (used to pull together the draft audit plan for 2025/6) with ARC members

Action 20250129.05
SPPA to develop pension fund assurance mapping

8. Financial Monitoring

8.1 SPPA Chief Financial Officer provided an update noting that the Agency is expected to stay within budget for 2024/5. This will be monitored over the coming months, in particular for projects, but there was not a concern of overspend.

8.2 The Chair noted the new format of the finance report, welcomed the changes and noted the evolving nature of the report.

8.3 ARC members noted the budget gap for 2025/26 and SPPA noted opportunities to close the gap. The Committee requested SPPA include details and quantification of potential opportunities for additional income/savings in the presentation of the budget in future.

8.4 Some amends required in the finance section of the paper pack. A correct version to be circulated.

Action 20250129.06
SPPA to include details and quantification of potential opportunities for additional income/savings in the presentation of the budget in future.

Action 20250129.07
Board pack from 29 January 2025 meeting to be updated to reflect errors in finance section

8.5 The group discussed the TPR reporting process for employers in the scheme who are not paying on time. There is further work to be done to shape employers' behaviour to avoid breaches however the SPPA Chief Financial Officer is content with progress.

9. Business Transformation

9.1 SPPA Chief Transformation Officer provided an overview noting the main

priorities for the Agency are landing the Remedy project and preparing for the Dashboard project.

9.2 The Committee requested more formal project updates on the Business Transformation project and offered to engage with SPPA to enhance reporting. The Chair noted the importance of governance of the projects.

9.3 It was suggested regular deep dives could take place on transformation projects. SPPA reported that they are working with Scottish Government colleagues and other providers to understand what 'good' looks like within business transformation.

Action 20250129.08
SPPA to provide formal project updates, specifically:
- Project risks
- Project status (RAG ratings)
- Benefits realisation
- Project governance including Digital Assurance oversight

Action 20250129.09
SPPA to arrange a deep dive session on business transformation

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10. Risk Management

10.1 The group discussed a fraud incident. The Committee requested clarification to understand the root cause, the steps taken to stop this from being repeated and impact on members. Functionality of SPPA systems was discussed and comparisons made between the current system and the new member portal due to go live shortly. The Committee suggested that retrospective bank account checks be included in the cyberfraud internal audit review.

10.2 SPPA Chief Operating Officer provided an update on work on National Fraud Initiative anomalies reporting. The outcome of a review of this data is to be circulated to the Committee.

Action 20250129.10
SPPA to circulate work on NFI anomalies to ARC members

10.3 The group discussed outstanding internal audit actions. The Chair requested this information be presented in the paper pack for every meeting.

Action 20250129.11
SPPA to provide an update on internal audit actions in packs going forward, specifically overdue actions; detail is not required but assurance that senior management are reviewing and progressing actions.

10.4 The Committee noted they need clearer visibility around risk register changes. The Chair noted that a risk around producing the Annual Report and Accounts had been removed from the Executive Team level register.

SPPA Head of Strategic Governance provided an update on the new risk process noting that risks will escalate and de-escalate to Executive Team level throughout the year depending on priority and deadlines. If risks are not noted on the Executive Team level register, they have not been removed but de-escalated and will sit within departmental registers.

10.5 The Chair suggested internal audit colleagues could provide oversight on reporting against The Pensions Regulator General Code of Practice.

11. Any Other Business

11.1 The Committee noted their commitment to attend at least one meeting during 2025 in person.

12. Effectiveness Review Against Committee's Role

12.1 One to one sessions have been implemented between individual Committee members and SPPA colleagues. This has provided a level of support and challenge complimentary to the meetings.

12.2 SPPA CEO noted a positive session with good reflections and positive challenge from the Committee. The same level of positive challenge was encouraged going forward.

Version Control		
		Version number
Date minutes sent to chair	11 February 2025	0.1
Date approved by chair	17 February 2025	0.2
Date approved by board/Committee	1 April 2025	0.3
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