Meeting	Audit and Risk Committee
Meeting date	29 July 2025
Meeting time	10:00 – 13:00
Meeting location	Hybrid – Tweedbank / MS Teams

Members in attendance	Clare Scott	Chair
	Mark Tarry	Member
	Kevin McLeod	Member
Other attendees	Stephen Pathirana	Chief Executive Officer, SPPA
	Debbie Trafford	Head of People, SPPA
	Frances Graham	Chief Transformation Officer, SPPA
	Iain Coltman	Head of Policy, SPPA
	John Burns	Chief Financial Officer, SPPA
	Stuart MacArthur	Head of Strategy and Governance, SPPA
		Governance, Risk and Assurance Manager, SPPA
		Risk and Control Officer, SPPA
		Senior Audit Manager, Audit Scotland
		Audit Director, Audit Scotland
		Lead Senior Internal Audit Manager, Department Internal Audit Assurance (DIAA)
		Senior Internal Audit Manager, DIAA
		Internal Audit Manager, DIAA
		Corporate Governance Manager, SPPA
		Programme Director, SPPA
		Head of Business Transformation, SPPA
		Programme Delivery Manager, SPPA

Observers		Corporate Governance Manager, SPPA
		Risk Lead, SPPA
Apologies		Chief Operating Officer, SPPA
		Strategy and Business Planning Manager, SPPA
		Data Protection and Information Governance Manager, SPPA
Minute taker		Governance Delivery Lead, SPPA

1. Governance matters

1.1 KM declared his appointment to the Board of Places for People Scotland. There were no other changes to Committee members' Registers of Interests nor were there any further declarations of interest in the business to be conducted.

1.2 The Chair apologised for the reissuance of the papers (which had been agreed with ARC members). It was appreciated that colleagues are doing what you think best for ARC in the context of your own area of expertise. However, much thought and preparation goes into the agenda, managing priorities and the volume of papers. The initial pack of papers was delivered, with extra papers added to agenda not previously agreed. Further reports were also issued late.

1.3 The Chair emphasised the need to stick with the planned agenda and late papers should only added with Chair's permission. Please comply with the secretariat requests as they speak on behalf of the Chair. If anyone wants to change anything, please feel free to speak direct to the Chair or the CEO.

1.4 It was noted that agenda planning will make things easier in the future.

> **Action 2025-26.14:** SPPA to update Register of Interests

2. Minutes and actions

2.1 The Committee agreed that the latest version of the minutes of the 1 April 2025 meeting were a true and correct record.

2.2 SPPA had requested that actions relating to Fraud risk, assurance mapping and reporting of overdue audit actions were closed. ARC requested these remained open.

2.3 Committee noted that SPPA had captured actions from its effectiveness review. Committee agreed to review the wording of these actions.

2.4 A list of actions from previous meetings and their status can be found in Annex 1.

> **Action 2025-26.15:** Committee to review actions from the effectiveness review and SPPA to add to the action list.

3. Opening Remarks

3.1 SPPA CEO:

- Apologised for need to reissue the agenda and papers at late notice and reassured the Committee that SPPA are reviewing and improving the system
- Thanked the Chair for their service to the Agency throughout their tenure, as they are resigning from their position with effect from October 2025
- Announced MT will be stepping into the Chair role with effect from October 2025
- Provided assurance that recruitment to fill other vacancies across Corporate Boards will begin as soon as possible
- Provided an update on the Annual Report and Accounts (ARA) process, noting progress is on track and is going much more smoothly than last year, thanking the Committee for their support
- Provided an update on activity within governance and risk
- Provided an update on Remedy project progress which is proving to be incredibly complex, with other Agencies being in a similar space.

4. Finance

4.1 A deep dive session regarding budgeting is scheduled for August. It was agreed this invitation will be extended to the Management Advisory Board (MAB).

4.2 It is proving a challenge for the Agency to live within allocated resource. SPPA CEO will be asking for additional funds prior to the deep dive.

4.3   The group discussed spend around work with the Government Actuary Department (GAD). The Committee challenged value for money and whether the Agency could carry out some of the work contracted out in house. At this point with historic issues, work with GAD gives the Agency a level of confidence, especially around complex Remedy project work. The Executive Team are looking at ways to attract specialist roles to the remote Borders location of the Agency.

4.4   The Committee noted the fact that resources for Remedy continue to drift and noted the update on project governance (later in the agenda). Committee questioned how the Agency will continue to make efficiencies and improvements whilst delivery Remedy project. The Agency is experiencing a peak year of delivery cost, with an expectation that this will decrease in 2026-7. Work is ongoing to understand the needs of, and quantify savings across, "Business as Usual". The Committee recommended that the Agency keep track of cumulative savings and improvements being made to help with forecasting.

Recommendation 2025-26.03R: SPPA to keep track and cumulative savings to help with forecasting.

4.5   SPPA CEO explained current and planned recruitment in relation to the Remedy project. Planning suggests the Agency will shift structure over the coming years, with less administrative roles and more technical roles. MT offered to share his experience with Agency colleagues of a similar journey in a previous role with another organisation.

4.6   The Committee queried a gap between the granted budget and the budget required. Choices will be presented to ministers around costing and timelines for the Remedy project. The Agency can only absorb a certain level of resource. The Chair noted regulatory compliance must be factored in to any decision. The Pensions Regulator (TPR) are aware of the current status of the project and recognise the complexity. CEO reported that he is aware of other public sector pensions agencies facing similar challenges.

4.7   The Chair noted an interrelation between ongoing projects with legacy data quality issues and finance pressures.

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

5. Internal Audit

5.1 Internal Audit Manager, DIAA provided an update:

- Progress report – completion of 2024/25 programme
- Annual Assurance opinion is reasonable
- Completed Oracle Readiness follow up
- Scottish Government Assurance Opinion is reasonable
- Highlighted other papers noted for information

5.2 The Committee queried why some actions from the Customer Satisfaction advisory review were being paused This is due to resourcing of the Remedy project. Progress on these actions will recommence when resource can be freed from the Remedy and Dashboard projects. The Committee questioned the value of this advisory review given that the actions are not being taken forward. Internal Audit confirmed that they do not carry out follow ups on advisory reviews.

5.3 Committee suggested that the Transformation Programme Board have a customer satisfaction lens. A permanent user centred design role has been appointed which will ensure a customer satisfaction lens is always there in this space.

5.4 With regard to the annual audit opinion, audit colleagues noted a positive trajectory with:

- A more stable senior team
- Greater resource within governance and risk management
- Improvements in organisation of workflows
- Challenges the Agency faced throughout 2024-5 including complexities within the Remedy project and Oracle transformation

5.5 The Committee noted internal audit report included open actions from a Digital Assurance Office (DAO) review. SPPA Chief Transformation Officer noted one legacy action from the Pension Platform Programme (PPP) remains open, whilst all other actions from the review are now closed. SPPA Chief Transformation Officer to close out the completed actions and provide a further update on the outstanding open action. The Committee recommended that recommendations and actions from both Internal Audit and DAO reviews and audits be tracked in a central location and reported to ARC accordingly.

Action 2025-26.16: SPPA to close out the completed actions and provide a further update on the outstanding open action, from Digital Assurance Office (DAO) review.

> **Recommendation 2025-26.04R:** Recommendations and actions from Internal Audit and DAO reviews and audits be tracked in a central location.

5.6 SPPA Head of Strategy and Governance confirmed that three audit reviews are planned for 2025-26. The draft internal audit plan included an advisory review but the Executive Team had since decided to remove this due to the resource. Internal Audit colleagues were not aware of this decision and requested a discussion with Agency colleagues on the plan for 2025-26. The Committee requested an update after the discussion.

> **Action 2025-26.17:** SPPA to discuss with DIAA the proposed amendment to the internal audit plan.

6. Annual Report and Accounts (ARA)

6.1 SPPA Head of Strategy and Governance provided an update:
- Agency accounts submitted to Audit Scotland 1 July 2025
- Scheme accounts submitted to Audit Scotland 23 and 24 July 2025
- Weekly progress meetings are taking place to highlight issues
- Lessons learned from the 2023-24 process are being implemented as actions taken forward
- The process is progressing well
- Audit Scotland colleagues noted a signification reduction in comments at the front end of the process.

6.2 The Committee noted the process appears to be in a much better position than in previous years and recommended the Agency capture lessons learned at the end of this years' process. SPPA Head of Strategy and Governance confirmed a lessons learned exercise will take place.

6.3 The Chair requested that any reviews required by the Committee in relation to the ARA are scheduled in advance so they have adequate time to comment. SPPA Head of Strategy and Governance committed to sharing the 'all matters arising' draft of the ARA with the Committee and providing a timeline

for when this can be expected.

Action 2025-26.18: SPPA to share a timeline for when the 'all matters arising' draft of the ARA will be available and share this with the Committee.

6.4 The Chair noted the action from last year's lessons learned regarding increasing transparency elsewhere in the agency reporting, given the reduced annual report content. It was confirmed that the ambition of the Agency is to have a proactive publishing schedule tailored appropriately to stakeholders.

Recommendation 2025-26.05R: SPPA to review increasing transparency as a broader topic across the Agency as a whole.

7. External Audit

7.1 Senior Audit Manager, Audit Scotland, reported:
   - SPPA ARA are progressing
   - Two recommendations have been identified around equality and fairness and government accounts
   - All data has been submitted for National Fraud Initiative – reasonable progress

7.2 The Committee requested an update on treasury system access [action 2025-26.04]. SPPA Chief Financial Officer confirmed this is under investigation and a further update will be provided to clarify the process.

7.3 Audit Director, Audit Scotland, confirmed good progress with ARA. SPPA committed to sharing continued regular, monthly, updates to the Committee on progress against the plan.

8. Committee Governance

8.1 The Committee approved the draft Annual Report, subject to including details of the internal advisory reviews carried out throughout 2024-25.

8.2 The Chair provided an overview of a session on Committee effectiveness which took place outside of regular meetings. The Committee submitted responses to a survey which were discussed in a group session. Actions for improvement have

been captured in the Committee's Annual Report.

8.3 The Committee discussed actions that would improve their effectiveness including that an Agenda Planner, in line with the revised Terms of Reference, would help to address some of the improvements suggested.

8.4 SPPA CEO, as Accountable Officer, appreciates support and feedback provided by the Committee and committed to improvements to increase effectiveness.

9. Risk

a) Fraud

9.1 SPPA Governance, Risk and Assurance Manager provided an update on fraud work within the Agency. SPPA committed to sharing the updated Fraud Policy with the Committee.

9.2 SPPA CEO noted that each department are currently looking at their own fraud risks. If any of these risks require collective action and they are high enough they will be escalated to the Executive Team Risk Register. It is perceived that fraud risks within the Agency are low due to the processes of money flow. It is difficult to compare the Agency's level of risk around fraud with other agencies across Scottish Government due to different roles. The Committee recommended comparing with other pensions administrators. The Committee noted that given the finances involved, they would expect to see a risk around fraud on the Executive Team Risk Register. Lead Senior Internal Audit Manager, Internal Audit, offered support from counter fraud colleagues within Internal Audit.

9.3 SPPA committed to run a deep dive with the Committee on fraud and payments.

Action 2025-26.19: SPPA to run a deep dive with the Committee on fraud and payments.

b) Risk Appetite Statement

9.4 The Committee noted assurance mapping [as per action 20250129.05] will make risk management and planning for internal audit more effective. This needs to be incorporated into Agenda Planning [as noted in section 8 and action ES.2025.10].

9.5 SPPA are on a journey to develop a more detailed statement.

They appreciate continued feedback and advice from the Committee throughout this development. The Committee advised that the risk appetite be incorporated into the risk register.

9.6   The Committee recommended that SPPA inform the Management Advisory Board on risk appetite.

Recommendation 2025-26.06R: SPPA include the Management Advisory Board in further discussions around risk appetite statement.

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c) Risk Register

9.7   SPPA Governance, Risk and Assurance Manager noted the Register is a work in progress and the team are working on providing updates to the Committee that are more meaningful and informative [as per action ES.2025.01].

9.8   Monthly deep dives are taking place with SPPA CEO and Executive Team to review departmental risks and processes around risk. Data quality and data strategy have been captured as separate risks.

9.9   The Committee noted the briefer summary of the register and requested bullet point updates where there has been movement on risks.

9.10   Committee also discussed the two risks relating to data, questioned whether two risks were inherently the same, and questioned the controls around those risks.

d) Breaches and Reportable Events

9.11   17 data breaches were reported. These were all operational, minor and did not require escalation. Details of risks requiring escalation would be shared with the Committee at the time of occurrence.

9.12   Committee noted no whistleblowing events and enquired whether colleagues felt that the profile of whistleblowing is sufficiently high in the agency. SPPA committed to sharing the Whistleblowing Policy with the Committee and adding a review of this to the Agenda Planner. There is an overarching Scottish Government wide Whistleblowing Policy, which colleagues can view on the internal intranet system. The Committee requested that managers raise awareness of the Whistleblowing Policy with their teams in the Agency.

9.13   Within this section of reporting, the Committee requested:

- More information on breaches including making it clear the time period of reporting and lessons learned
- Definitions including what a "loss event" constitutes
- Data trends

Action 2025-26.20: SPPA to add Whistleblowing Policy to the Agenda Planner.

Action 2025-26.21: SPPA to provide more information on breaches including making it clear the time period of reporting and lessons learned, definitions including what a "loss event" constitutes and data trends.

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e) Overdue audit actions

9.14 Committee requested improved reporting on the overdue actions, including details of which actions are overdue and why.

9.15 Recruitment is underway for a new Head of IT and Cyber Security Lead.

9.16 The Committee challenged the reduction of the cyber security risk on the Executive Team Risk Register when there are actions outstanding around cyber security. Committee commented that in other comparable organisations they often see it is as the highest risk.

9.17 Core Scottish Government manage a lot of cyber security for the Agency, therefore there are some aspects of this that are not within SPPA control and not a risk for SPPA to manage. The Committee requested reassurance around SPPA having controls in place for the risks that they manage and understanding what controls are in place for those risks they do not manage.

9.18 There is a draft Cyber Response Policy which will be owned by the Cyber Security Lead when they are in post.

9.19 The Committee requested the Agency look at testing the recovery plan, as the view on cyber attacks is a 'when', not an 'if'.

Action 2025-26.22: SPPA to provide reassurance on cyber security controls. Both those where SPPA manage the risk and those where Scottish Government manage the risk.

Recommendation 2025-26.07R: SPPA to test cyber security recovery plan.

10. Programme Updates

a)   Business Transformation

10.1 SPPA Chief Transformation Officer and Head of Business Transformation provided an update on

- Managing transitions from BAU to digital model
- Programme governance
- Recruitment
- Programme Board setup
- Supplier engagement and contract management

10.2 The Committee encouraged SPPA to adapt the Scottish Government Principles for Programme and Project Management from the Scottish Government Centre of Expertise .

10.3 The Committee challenged programme setup around having two boards (Remedy and Transformation) instead of one.

10.4 The Committee challenged aspects of the the Transformation Board's Terms of Reference including multiple senior responsible officers, decision making including budget and the role of the independent member. Committee also questioned how assurance was to be gained on the projects. SPPA committed to providing a further draft of this document including clarification on roles and assurance, as it evolves and before the next meeting if available.

10.5 Committee also asked that the agency look to develop a high-level project summary which could be used for reporting to ARC.

10.6 SPPA committed to sharing project business cases with the Committee, including interdependencies, as they are developed and high-level detail on programme governance at the next meeting.

b)   Remedy

10.7 SPPA Chief Transformation Officer provided an update:

- Programme is being restructured across 3 main phases
- New roles are being developed
- SPPA Chief Transformation Officer remains Senior Responsible Owner (SRO)

- Similar style of reporting to be produced with more focused deliverables and accountability
- Projects will be managed with a consistent approach across both programmes. The Committee requested that reporting across programmes is consistent going forward.

Committee requested that similar high-level reporting is put in place for the Remedy project.

11.   Any Other Business

11.1 The Agenda Planner and Terms of Reference for the Committee are to be reviewed offline.

11.2 Dates to be reviewed for 2025 and next meeting date to be confirmed.

11.3 The meeting came to a close at 12:55.