

<b>Meeting</b>	Audit and Risk Committee
<b>Meeting date</b>	24 February 2026
<b>Meeting time</b>	10:00-13:00
<b>Meeting location</b>	MS Teams

<b>Members in attendance</b>	Mark Tarry	Chair
	Alan Wright	Member
	Kevin McLeod	Member
<b>Other attendees</b>		Chief Executive Officer, SPPA (item 3 only)
		Deputy Chief Executive Officer, SPPA
		Chief Operating Officer, SPPA
		Chief Finance Officer, SPPA (until item 5)
		Head of Strategy and Governance, SPPA
		Governance, Risk and Assurance Manager, SPPA
		Head of Business Transformation, SPPA (item 6a only)
		Audit Director, Audit Scotland
		Senior Audit Manager, Audit Scotland
		Deputy Director, Department of Internal Audit and Assurance (DIAA)
		Senior Internal Audit Manager, Department of Internal Audit and Assurance (DIAA)
	Audit Manager, Department of Internal Audit and Assurance (DIAA)	
<b>Secretariat</b>		Corporate Governance Manager, SPPA

## 1. Governance matters

- 1.1 The Chair welcomed all attendees to online meeting (due to refurbishments at Tweedbank office) with a special welcome to Deputy Director for Department of Internal Audit and Assurance who had joined the call to routinely observe, answer question on paper ARC 62/25 and provide views gathered from work across DIAA's wider directorate.
- 1.2 No apologies were received.
- 1.3 Members confirmed there were no changes to the Committee members' Registers of Interests nor declarations of interest in the business to be conducted.

## 2. Minutes and actions

- 2.1 The Committee had previously approved the minutes of the meeting held on 26 November 2025 as a true and correct record.
- 2.2 The Chair confirmed the minute of the meeting held on 8 January 2026 was in draft and was expected to be circulated this week for the Committee's review and approval.
- 2.3 The Committee discussed action tracker 5T/25 and noted feedback not to record next reporting dates as reforecast completion dates. The following actions/recommendations remain open:
  - The development of executive dashboards for all projects/programmes [ARC20250129.08]. 'Critical friend' roles on programme boards were discussed during this update, with SPPA confirming actions were underway to invite others to attend the boards.
  - Paper to be brought to June ARC meeting with updates on outstanding DAO actions and cyber security controls [ARC 2025-26.16 and ARC 2025-26.22]
  - Development of assurance mapping [ARC20250129.05] to remain open until work expected to be completed in April 2026
  - Development of MI data from new whistleblowing channel [2025-26.26]
- 2.4 The Committee agreed to close the following:
  - Actions 2025-26.24, 2025-26.27, 2025-26.29, 2025-26.28, 2025-26.14, 2025-26.25
  - Recommendations 20241107.04R, 2025-26.03R (see new

action 2025-26.30), 2025-26.04R, 2025-26.07R (merged with Action 2025-26.22)

### **3. Opening Remarks**

- 3.1 SPPA CEO thanked all involved in completing and laying the Annual Report, Accounts and Section 22 documentation, noting a constructive Parliamentary Audit Committee (PAC) session with the Auditor General. The CEO and ET colleagues will attend PAC and Finance and Public Administration Committee (FPAC) on 17 March 2026.
- 3.2 The CEO highlighted recent months have been demanding for the Executive Team due to heightened public scrutiny, and the Chair hoped to be able to focus on core work after mid-March.
- 3.3 The Committee welcomed the strong outcome of the non-executive recruitment exercise, with new Management Advisory Board Chair and members bringing valuable leadership, digital, transformation and pensions expertise.
- 3.4 Key operational improvements were noted, including all schemes now on the Engage platform and the introduction of online pension calculators, both of which are improving member experience and releasing organisational capacity.
- 3.5 The CEO invited questions before leaving the meeting for an essential appointment.

10:25 SPPA CEO left the meeting

### **4. Annual Report and Accounts**

- 4.1 SPPA Deputy Chief Executive (DCEO) confirmed that last year's Accounts were published alongside the Section 22 report and noted the recent constructive Public Audit Committee session. The Auditor General will continue to monitor remedy delivery and may consider a further Section 22 this year.
- 4.2 She outlined lessons learned from last year's audit, including the need for clearer oversight, defined responsibilities, improved document management and version control, better document-sharing processes, an agreed audit timetable, and streamlined, tracked information flow through single points of contact. These actions are set out in paper 56/25.
- 4.3 The Committee acknowledged the process had been managed smoothly by SPPA Governance last year and noted in the new plan that SPPA Finance would take responsibility

- for financial statements and liaison with Audit Scotland.
- 4.4 Senior Audit Manager, Audit Scotland (AS) reported delays in obtaining the data needed by Government Actuary's Department (GAD) to complete the 2024 valuations for the NHS and Teachers' schemes, with no issues for Police or Firefighters. Until this data was available, there was uncertainty over the timing of valuation outputs for the 2025–26 accounts, and reliance on rolled-forward 2020 data could increase the risk of a qualified audit opinion.
  - 4.5 Audit Scotland noted that any qualification would bring reputational risk and likely statutory reporting, though no financial penalties. SPPA confirmed that the issue is being managed through the Business Transformation Programme Board, with prioritisation discussions underway with pension platform supplier and options being explored with Audit Scotland for a slightly delayed timetable for NHS and Teachers' accounts.
  - 4.6 The Committee asked to be kept up to date with progress on 2024 valuations through regular meetings.
  - 4.7 Audit Director, Audit Scotland reflected that the recent Public Audit Committee session was fair and balanced, with questioning largely focused on impacts for scheme members and noted some expected topics, such as performance and governance, were not covered, likely due to limited time. He suggested this may be revisited when SPPA colleagues attend again on 17 March 2026.
  - 4.8 Audit Scotland also explained that any further Section 22 report next year would be a routine follow-up to the current one, with scope to include any new issues that emerge, such as valuation timetable risks.
  - 4.9 The Chair noted references to ARC in both the Annual Report and Accounts and the Section 22 report related to earlier points on governance and committee effectiveness, and requested the written response provided by ARC in December 2025 [setting out progress and improvements made] should be recorded in the minutes to ensure this context was retained: *We are grateful for the additional detail on the wider improvements SPPA have put in place in how we engage with and communicate with colleagues on our ARC and MAB. As we commented on the annual audit report, and as discussed at last week's ARC meeting, it is important to recognise that effective governance goes beyond the formal ARC and MAB*

*meetings. Members of both have monthly meetings with their nominated ET/SLT colleague, our ARC colleagues also meet every 6 weeks with the SPPA risk team. These are important opportunities to understand in greater detail the opportunities and challenges faced by the agency and offer advice and support as appropriate. In addition, members of both ARC and MAB will have a number of informal meetings with other agency staff to better understand key issues such as risk and performance reporting. The regular written update from the CEO between meetings also provide an opportunity for MAB and ARC members to seek assurance or challenge where necessary. In our view governance and scrutiny arrangements have improved during the tenure of the current executive team and we are confident both MAB and ARC are now better placed to undertake their core functions going forward.*

- 4.10 The Chair also queried a statement in the Section 22 summary, which suggested a need for improved governance and support for ARC specifically in relation to Remedy. Audit Scotland confirmed there is no specific governance action for ARC linked solely to remedy; the Auditor General's comments relate more broadly to transparency and reporting across Parliament, scheme members and governance groups. The board agreed no further action was required on this point.
- 4.11 Audit Scotland referred to their progress report:
- confirmed that substantive audit work for 2024–25 was largely complete, with Whole of Government Accounts packs for NHS and Teachers' schemes close to submission and improved counterparty audit work delivered.
  - Work on the National Fraud Initiative was underway, with a fuller update to follow in June.
  - Planning for the 2025–26 audit had begun, including discussion of valuation challenges and input to lessons learned activities. The annual audit plan will be finalised by the end of March 2026 and presented at the June 2026 ARC meeting.

**Action 2025-26.30: 2025 Valuations**

ARC to be updated on progress of 2024 valuations through regular meetings

**5. Finance**

- 5.1 SPPA Chief Finance Officer (CFO) confirmed SPPA's 2026–27 budget had been approved in full. A contingency previously set aside for potential actuarial cost pressures would be met centrally by the Scottish Government, allowing resources to be redirected to priority staffing needs. A minor capital adjustment may be required to support planned estates work.
- 5.2 The Committee discussed the use of agency contractors and the importance of strong value-for-money controls. SPPA confirmed that all appointments followed procurement processes and that monitoring arrangements were in place, with workforce planning taking account of the temporary uplift in staffing linked to major programmes, including Remedy, and the expected reduction in headcount in future years.
- 5.3 SPPA were asked to provide a future update on internal oversight arrangements on contractor governance and scrutiny, particularly high-value agency appointments; tracking of dependencies between headcount reductions, Remedy delivery and automation benefits through programme boards and monthly ET reporting
- 5.4 Audit Scotland provided clarification of non-recoverable VAT on agency staffing costs, and the Chair noted there may be opportunities to recover certain contractor costs where work relates to defined project milestones and encouraged SPPA to explore this further.
- 5.5 The CFO reported that the latest forecast for 2025–26 remains unchanged, showing a £1.8m overspend – £1m below the pressure already agreed with DG:Corporate. This improved position has been shared with Scottish Government Finance, though there remained inherent volatility and some risk around the final outturn and highlighted the variance is mainly due to recruitment delays.
- 5.6 The CFO also confirmed that work is underway to produce a consolidated finance control framework for review by the Executive Team and presentation to ARC in June 2026.
- 5.7 SPPA DCEO confirmed completion of the lessons-learned action relating to preparing the remuneration report incrementally to avoid year-end bottlenecks. Month-by-month updates had been maintained, and only the final narrative, due in April 2026, remained outstanding.
- 5.8 The Chair thanks the CFO for the budget updates and well-prepared slides and paused the meeting for a short break.

**Action 2025-26.31: SPPA to report back to ARC on contractor governance and value-for-money controls**

SPPA to provide a future update on strengthened internal oversight arrangements for contractor governance, particularly:

- high-value agency appointments,
- value-for-money and scrutiny processes,
- opportunities for cost recovery on contractor work (whether contractor costs linked to defined project milestones could be recovered), and
- monitoring dependencies between headcount reduction, Remedy delivery and automation benefits

**Action 2025-26.32: SPPA to finalise and present consolidated financial control framework**

CFO to complete the consolidated finance control framework, submit to Executive Team for review, and present it to ARC at the June 2026 meeting.

11:28 Chief Finance Officer, SPPA left the meeting

11:28 Break

11:38 Head of Business Transformation, SPPA joined the meeting (for item 6a only)

11:40 Meeting resumed

**6. Risk and Counter Fraud**

6.1 The Committee received a progress update from Internal Audit:

- The Contract Service Management review had been finalised with a limited assurance rating.
- The Counter Fraud review and Annual Benefit Statement review were both nearing completion, with final reports expected at the next Committee meeting
- DIAA work was continuing on the Technology Assurance Framework (TAF) health check for the McLeod Remedy Project; fieldwork had concluded with the final report expected within next few weeks.

6.2 The Chair requested an additional ARC session should be scheduled to review Counter Fraud report when the report becomes available.

6.3 The Committee welcomed the cyber thematic paper and encouraged DIAA to further cross-government thematic

insight work. Feedback was provided on strengthening alignment between audit planning and risk registers, and on the benefits of a Scottish Government-wide risk-management system

- 6.4 The Committee reviewed the Contract Service Management audit, which received limited assurance. DIAA noted emerging good practice in contract oversight, though improvements were not yet embedded at the time of the audit. SPPA was committed to completing all recommendations by July 2026, with Chief Transformation Officer confirmed as Executive lead.
- 6.5 The members highlighted the need to rebuild staff confidence in the pension administration system and ensure stronger contract management.
- 6.6 SPPA outlined ongoing improvements and strengthened cyber-security assurance, with contingency-planning tests due for June 2026.
- 6.7 The Committee received an update on the development of the proposed Internal Audit Plan. SPPA outlined the process undertaken, beginning with a workshop in early 2025 involving DIAA colleagues and ARC representatives, which considered approximately 30 potential audit topics. Executive Team (ET) subsequently reviewed and prioritised the highest-risk areas, with remaining topics to be addressed through alternative assurance routes – e.g. DIAA will join the Remedy Programme Board, and an ARC deep dive on data strategy would be scheduled.
- 6.8 DIAA presented the draft 2026-27 plan, comprising three assurance reviews - counter fraud, complaints management, and finance business continuity - alongside an advisory review on organisational culture and resilience. The plan would remain flexible to respond to emerging risks. Members welcomed the collaborative approach and noted that improved risk-assurance mapping will support future planning.
- 6.9 Discussion covered the level of audit coverage, resourcing constraints, and the need to balance assurance with the organisation's capacity to implement recommendations. It was agreed that assurance mapping should reflect all assurance sources, not solely internal audit, and that audit work must remain achievable given resource demands.
- 6.10 ARC formally noted its increased involvement in the planning process and expressed appreciation for SPPA's engagement.

- 6.11 The Committee reviewed examples of Programme dashboards. Members requested:
- clearer visibility of high-risk member Remedy cohorts
  - an issues log, particularly for Remedy: Police Immediate Choice.
  - a concise top-level narrative summarising overall programme status.
- 6.12 SPPA confirmed all improvements would be added into the next dashboard update [updated action 20250129.08]

12:36 Head of Business Transformation, SPPA left the meeting

- 6.13 Head of Strategy and Governance, SPPA provided an update on the development of SPPA's assurance mapping work, noting timeline shifted due to completion of the fraud-risk assessment.
- 6.14 The Committee stressed the importance of meeting revised deadlines and noted the value the mapping will bring in clarifying assurance across key risks. ARC will continue to collaborate with the team as the work progresses, with draft outputs expected ahead of the June meeting.
- 6.15 The Committee reviewed the risk update, noting potential Remedy-related TPR reporting requirements, welcomed the new issues log, and acknowledged SPPA's ongoing work to strengthen issue management and interdependencies, before concluding that the ET risk register continues to improve.

**Action 2025-26.33: SPPA to schedule separate ARC session to review Counter Fraud audit report (before June 2026)**

## 7. Any Other Business

- 7.1 No further items were raised.
- 7.2 The Chair closed the meeting at 12:51.

8. Annex 1 – Summary of ARC actions/recommendations (internal only)

Action No	Date of Meeting	Action/Recommendation	Status
2025-26.30	24 February 2026	<b>Action – Benefits realisation trackers to be shared with ARC</b> SPPA to share Programme Dashboards with ARC and develop additional trackers to capture and report realised savings not being tracked by Programmes. ARC wish to monitor throughout 2026-27	New
2025-26.31	24 February 2026	<b>Action – 2024 valuations data</b> ARC to be updated on provision of valuations data and resulting progress of 2024 valuations through regular meetings	New
2025-26.32	24 February 2026	<b>Action - SPPA to report back to ARC on contractor governance and value-for-money controls at future meeting</b> SPPA to provide a future update on strengthened internal oversight arrangements for contractor governance, particularly: <ul style="list-style-type: none"> <li>- high value agency appointments,</li> <li>- value for money and scrutiny processes,</li> <li>- opportunities for cost recovery on contractor work (whether contractor costs linked to defined project milestones could be recovered), and</li> <li>- monitoring dependencies between headcount reduction, Remedy delivery and automation benefits</li> </ul> <b>Timescale – to be agreed</b>	New

2025-26.33	24 February 2026	<p><b>Action - SPPA to finalise and present consolidated financial control framework</b></p> <p>CFO to complete the consolidated finance control framework, submit to Executive Team for review, and present it to ARC at the June 2026 meeting.</p>	New
2025-26.34	24 February 2026	<p><b>Action</b></p> <p>ARC Secretariat to schedule separate ARC sessions:</p> <ol style="list-style-type: none"> <li>1. To review Counter Fraud audit report (before June 2026)</li> <li>2. Deep dive - Data Strategy audit report</li> </ol>	New
20250129.08	29 January 2025	<p><b>Action</b></p> <p>SPPA to provide formal project updates – ARC feedback on example dashboards to be incorporated in future reports by Head of Transformation at meetings/offline</p>	Open
2025-26.16	29 July 2025	<p><b>Action</b></p> <p>Outstanding DAO recommendations 5&amp;6 – to be covered by update paper from Head of IT at June 2026 ARC meeting</p>	Open
2025-26.22	29 July 2025	<p><b>Action</b></p> <p>SPPA to provide reassurance on cyber security controls. Both those where SPPA manage the risk and those where Scottish Government manage the risk.</p> <p>Paper to be brought to June 2026 ARC by Head of IT</p>	Open
20250129.05	29 January 2025	<p><b>Action</b></p> <p>SPPA to develop assurance mapping</p> <p>Due to complete this work by April 2026</p>	Open

2025-26.26	26 November 2025	<p><b>Action</b> SPPA to start providing ARC with regular stats on risk and issue reporting from risk champions and new channel for whistleblowing, once available (min. 1-2 times per year) <b>MI data from whistleblowing channel to be developed and shared with ARC at next meeting in June 2026</b></p>	Open
2025-26.24	26 November 2026	<p><b>Action</b> At earliest opportunity, SPPA to schedule 2024-25 ARA lessons learned with ARC (anticipated for Jan/Feb 2026)</p>	Closed
2025-26.27	26 November 2025	<p><b>Action</b> SPPA to put in place processes for MAB and ARC to regularly review finance strategy and other significant corporate documents</p>	Closed
2025-26.29	26 November 2025	<p><b>Action</b> SPPA to share the Contract Service Management report from DIAA, once management responses prepared (expected before Christmas 2025)</p>	Closed
2025-26.28	26 November 2025	<p><b>Action</b> SPPA and DIAA to prepare outline internal audit plan for 26/27 for consideration at next ARC meeting</p>	Closed
2025-26.14	29 July 2025	<p><b>Action</b> SPPA to update Register of Interests</p>	Closed

2025-26.25	26 November 2025	<b>Action</b> SPPA to share revised ET risk register and SPPA issues log that: (a) include wording in the ET risk register to reflect the risk status after mitigations have been made, and (b) add current risks that have materialised to issues log.	Closed
20241107.04R	07 November 2024	<b>Recommendation</b> SPPA to review how inherent risks relating to Fraud are captured via the risk register, and if this can be improved.	Closed
2025-26.03R	29 July 2025	<b>Recommendation</b> SPPA to keep track of cumulative savings to help with forecasting – see new action 2025-26.30	Closed
2025-26.04R	29 July 2025	<b>Recommendation</b> Recommendations and actions from Internal Audit and DAO reviews and audits be tracked in a central location.	Closed
2025-26.07R (merged with Action 2025-26.22)	29 July 2025	<b>Recommendation</b> SPPA to test cyber security recovery plan.	Closed



Scottish Public  
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## Version Control

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