Meeting	Audit and Risk Committee
Meeting Date	2 June 2026
Meeting time	10:00-13:00
Meeting location	Hybrid – Tweedbank / MS Teams

Members in attendance	Mark Tarry	Chair
	Alan Wright	Member
	Kevin McLeod	Member
Other attendees	Stephen Pathirana	Chief Executive Officer, SPPA
	Kate Thomson-McDermott	Deputy Chief Executive Officer, SPPA
		Head of Business Transformation, SPPA (actions only)
		Chief Operating Officer, SPPA (item 7a)
		Head of Strategy and Governance, SPPA
		Chief Finance Officer, SPPA (until item 5)
		Governance, Risk and Assurance Manager, SPPA
		Financial Accounting and Financial Controller (until item 6)
		Senior Financial Accountant (until item 6)
		Head of IT Service Management (item 8 only)
		Senior Internal Audit Manager
		Senior Internal Audit Manager, Department of Internal Audit and Assurance (DIAA)
		Internal Audit Manager

		Lead Senior Internal Audit Manager
		Audit Director, Audit Scotland
		Corporate Governance Manager, SPPA
Secretariat		Governance and Business Planning Delivery Lead

1 Governance Matters

1.1 The Chair welcomed all to the meeting, thanking those in the room for making the journey to Tweedbank and those attending via hybrid arrangements.

1.2 No apologies received.

2 Minutes and Actions

2.1 The Committee noted the minutes from 8 January 2026 and 24 February 2026 meetings had been approved via correspondence.

2.2 Action tracker was reviewed and agreed to close all actions which were proposed for closure. Discussion took place on the two remaining open actions:

Action 2025-26-32 – Contractor governance and value for money controls
The SPPA provided an update on contractor usage and highlighted the transition to permanent staff was ongoing and expecting further reduction in contractor reliance by the end of the year. Discussion took place on long-term contract use, value for money and timelines of contract term for remaining contractors.

2.3 Action 2025-26-30 – Benefits Realisation
The Committee noted a programme governance meeting was scheduled to take place the following day with softer benefits being introduced, and staff changes will be taking place plus new personnel to support delivery.

The SPPA confirmed that all future projects will be based on robust business cases and assessed against defined timelines. The Committee emphasised the importance of aligning activity to approved business cases, including the need for measurable

outcomes and defined delivery milestones, to demonstrate organisational progress.

To support closure of this action, the Committee requested the SPPA provide:

- a clear overview of its process for initiating and managing new projects, including how expected benefits will be defined, monitored, and reported to ARC (Audit and Risk Committee).
- a concise summary of delivery across live programmes, setting out progress against objectives and highlighting areas where intended outcomes were being achieved.

It was agreed this action will be progressed with the intention of closure at the next meeting.

2.4 It was noted that no reports had been submitted through the 'Something is Wrong' channel or via whistleblowing arrangements (per action 2025-26.26). The Committee queried if this reflected a potential cultural barrier to speaking up rather than an absence of issues to report. The Committee asked the Executive Team to consider further and provide an update to the Committee within six months, outlining findings and any proposed actions to strengthen reporting culture and confidence in available channels.

Action 2026-27.01: Reporting – Something is Wrong/Whistleblowing
SPPA to review the effectiveness of whistleblowing and "something's wrong" reporting channels, including cultural factors influencing usage, and provide an update to the Committee within six months. 31 December 2026.

Owner: SPPA Governance and Risk Manager

3 Opening Remarks

3.1 The CEO opened with reflective remarks on the SPPA's progress over the past two years since joining, acknowledging the agency's journey and the collective efforts that have supported improvement from its legacy position to its current state.

3.2 It was noted the SPPA now has a stronger understanding of its risks and increased confidence to progress in this space.

3.3 The CEO expressed appreciation for the support and advice from Internal Audit over the last year and emphasised the importance of continuing to work together to drive further improvements.

3.4 The CEO reflected on the need to maintain focus on counter-fraud assurance, noting the strengthening of site-level controls and learning in relation to potential fraud incidents and the ongoing review of controls, by feedback, was emphasised alongside recognition of the progress made to date in strengthening processes.

4 Annual Report and Accounts

4.1 SPPA Chief Finance Officer and Senior Financial Controller provided a progress update on audit activity on 2024/25 accounts which was positive overall. Some issues had been identified in relation to scheme valuations for the NHS and Teachers Schemes however the Committee was noted relevant data had been provided to GAD within required timeframes..

The Committee noted discussion on asset valuation, with confirmation that advice had been sought from HMRC and engagement undertaken with Audit Scotland, with no issues raised.

Progress compared to the previous year was discussed, with agreement that the SPPA continued to make improvements and partnership working remains effective.

The Committee acknowledged the ARA process was improving and emphasised the importance of avoiding audit surprises, referencing prior experience, and requested continued early visibility of emerging issues to enable appropriate oversight and challenge.

It was noted that a qualified opinion was likely at this stage; however, work was continuing as planned.

4.2 Lessons Learned

SPPA confirmed there was a high-level milestone plan in place with detailed underlying actions being actively tracked and was on schedule.

The Committee noted that the plan represented a clear and structured response to prior audit findings, with tangible improvements already evident. It was noted some elements remained dependent on external factors and ongoing embedding of controls, and continued oversight will be required to ensure full delivery.

4.3 External Audit Plan 2025-26

Audit Scotland provided an overview of the proposed 2025–26 external audit plan. The audit will cover:

- The Annual Report and Accounts, including financial statements
- Wider public audit responsibilities, including governance, financial sustainability and use of resources.

The Committee noted that the audit plan sets out clear materiality thresholds, including a lower threshold for the agency accounts (based on expenditure) and a stricter threshold for scheme accounts (based on pension liabilities), reflecting their scale and complexity.

The Committee:

- noted that the key risks identified were consistent with earlier discussions and accepted the audit plan and approach as appropriate and consistent with expectations.
- Acknowledged the key risks and dependencies, particularly valuation-related;
- Emphasised early and transparent engagement with auditors throughout the process; and
- Requested continued focus on readiness, responsiveness and communication to support timely audit completion.

The Committee reflected on the previous Section 22 report and how late the issue had been flagged and requested advance sight and discussion should Audit Scotland develop any such concerns with 2025-26 audit, to allow early escalation and a shared understanding of any emerging issues.

5 Finance

The Committee welcomed the Finance paper on internal controls and acknowledged that, while further strengthening of controls was required, Sthe PPA was making positive progress.

It was agreed that the SPPA Finance would continue to provide updates on compliance to the Committee, with a further report scheduled for the February 2027 meeting. Members commended the Finance team for the progress made to date and the quality of supporting information provided. It was agreed that ongoing updates should continue to focus on demonstrating embedding of controls and sustained improvement over time.

The SPPA Finance Team left meeting at 10:55

6 Internal Audit

6.1 Department of Internal Audit and Assurance (DIAA) Progress Report

The Committee received the DIAA Progress Report and noted that delivery of this year's audit plan was on track, with early findings identifying that while controls are generally in place, further embedding, documentation and consistency are required.

The Committee requested that future internal audit reporting should:

- Provide a clear and concise overall assessment of performance;
- Identify key themes, risks and priority issues for action; and
- Ensure a balanced view, including areas of strength and areas for improvement.
- The Committee also encouraged internal audit to ensure findings are clearly communicated and useful for committee oversight purposes.

Within the report DIAA recommended areas of challenge which had arisen from its Core work which the SPPA and the Committee may wish to consider – the SPPA's Head of Strategy and Governance agreed to explore these offline.

6.2 Counter Fraud Review

The Committee acknowledged the outcome of the report, noting the limited assurance rating with two high and five medium-priority recommendations identified. The SPPA confirmed that counter fraud measures continued to be developed, with time required for these to be fully embedded. DIAA noted the need for the SPPA to consider its requirements for dedicated counter-fraud resource, with the SPPA responding by reviewing the roles and responsibilities needed across the organisation.

The Committee welcomed the strengthening of controls and emphasised the need for continued improvement in system capability, monitoring and organisational awareness to reduce future fraud risk. It was noted that Executive Team continue to review all outstanding audits action and track against progress.

6.3 Annual Benefits Statement (ABS)

The Committee noted a limited assurance outcome, with one high and three medium-priority recommendations identified. It was acknowledged that ABS delivery was dependent on the quality and timeliness of data from employers, with accuracy feeding into annual allowance calculations. While an improvement on the previous year was noted, the Committee recognised this remains a work in progress, with the SPPA continuing to strengthen processes and embed further improvements.

6.4 2025-26 Annual Assurance Report

The Committee considered the DIAA Annual Assurance Report for 2025-26 and expressed disappointment at the lack of early opportunity to engage with DIAA on the content and narrative of the report. It was also noted SPPA had liaised with DIAA to seek clarification, which DIAA was considering ahead of reissuing the updated report.

The Committee accepted the overall opinion of limited assurance, which reflected and emphasised the importance of embedding and evidencing improvements, ensuring that actions are implemented effectively in practice and support a stronger assurance position in future years.

Action 2026-27.02: Annual Assurance Report
SPPA to share revised 2025-26 annual opinion report with ARC when updated version is received from DIAA.

6.5 DAO Remedy Health Check

ARC acknowledged a deep dive ARC meeting was scheduled to take place on 22 July 2026 to discuss DAO's Remedy health check report and updated action plan.

6.6 Contract Management – Interim Report

SPPA provided an overview of improvements that have been made in relation to the management of the pension administration contract including:

- Robust governance arrangements
- Engagement from senior level
- Increased scrutiny

The Committee welcomed the improved approach to contract management, noted ongoing limitations within the current contracts, and emphasised the importance of embedding stronger arrangements and applying learning to future contracts.

Break 11:50-12:00

7 Risk and Counter Fraud

7.1 Fraud – Closing Summary

The Committee received an overview of the report, noting the background, actions taken and controls implemented.

Members sought assurance on the development of management information (MI) to identify anomalies. The SPPA confirmed that a range of reports were in development, including an automated report to support identification of patterns and trends. It was agreed that Internal Audit should be involved in the development of exception reporting and data analytics.

SPPA also confirmed that internal communications activity is underway to highlight improvements across the organisation.

7.2 Assurance Mapping

The Committee welcomed the assurance mapping and noted improvements in risk and control awareness.

SPPA confirmed the mapping will be formally updated on an annual basis and embedded within the SPPA business as usual as a key tool to support assurance activity and inform future audit planning, however an update will be shared with the Executive in autumn 2026 to reflect anticipated changes in the assurance position across a number of risks.

The Committee agreed ongoing updates would be shared with ARC.

8 Cyber Security

The Committee thanked the SPPA for the high-level overview and discussed the future use of incident management. It was noted that engagement is underway with Social Security Scotland, who are more advanced in this area, to inform the SPPA's approach.

The Committee noted that an interim DAO manager is now in place and is developing a plan for a maturity assessment. It was agreed that further clarity is required on positioning, with a preference to treat this under supplier management rather than as an extension of the SPPA.

SPPA reported that no incidents have taken place over last six months.

The Committee sought assurance on the testing of business continuity arrangements. The SPPA confirmed that a 'gold command' simulation exercise will be undertaken shortly. The Committee requested that a report on the outcomes of this exercise be provided.

Action 2026-27.03: Gold Command Simulation Report
Following completion of the business continuity simulation test, a report outlining outcomes, lessons learned, and required actions will be submitted to ARC for review and oversight.

Owner: Head of Business Transformation

The Committee discussed the contract with the Scottish Government and sought clarity on the services provided. Members also asked Internal Audit whether a cyber audit had been undertaken; DIAA confirmed that work to date has focused only on cyber governance.

It was agreed the Committee should receive updates on cyber security on a biannual basis, with the next update scheduled for 23 February 2027.

Action 2026-27.04: Cyber Security Update
SPPA to provide biannual cyber security updates to the Committee, including clarity of services from SG with the next update scheduled for 23 February 2027.

Owner: Head of Business Transformation

9 Business Transformation

The Committee welcomed progress in programme delivery and reporting. The executive dashboard and noted the comparison between expected and current positions. Members highlighted the need for clear narrative to explain variances, while acknowledging the importance of continuing to track current performance.

The Committee recognised improvements in quality of reporting, governance and tracking of programme activity and ability to explain progress and challenges.

Challenges were noted on:

- Police scheme delivery progress due to timing changes and external dependencies, with further information awaited from GAD.
- Data complexities within NHS scheme, with re-planning underway alongside work to identify solutions.

The Committee also discussed the valuation process, noting that this, previously undertaken every four years, will now be incorporated into the annual management cycle and carried out on a yearly basis with reporting continuing to be every four years.

10 AOB

The Committee noted the improved quality and clarity of board papers and expressed their appreciation to the work of the SPPA teams in strengthening governance and reporting.

Version Control

Date minutes sent to Head of Strategy and Governance: 9 June 2026 Date minutes sent to DCEO: N/A Date minutes sent to Chair: 28 June 2026 Date approved by Chair: 7 July 2026 Date approved by Board/Committee: 15 July 2026