

SCOTTISH PUBLIC PENSIONS AGENCY AUDIT COMMITTEE - MINUTES OF THE MEETING HELD AT TWEEDBANK ON TUESDAY 14th October 2008

In attendance:

Committee Members: Alex Smith (Chair)
Julia Edey
James Taylor
Joyce Roberts

Internal Audit Division: Gordon Johnstone
Pearl Marshall

Audit Scotland: Alastair Reid
Alastair Swarbrick

Other Attendees: Neville Mackay
Chris Fenton
Sarah Collin (Minutes)

1. Apologies and Introductions

1.1 Mr Smith welcomed everyone to the meeting. Gordon Johnstone and Pearl Marshall from Internal Audit division were introduced.

2. Minutes of last Audit Committee Meeting

2.1 Mr Smith sought the Committee's approval as to the accuracy of the previous minutes. The minutes were agreed. All actions were complete or covered in the agenda.

3. NHS and Teachers' Scheme accounts 2007/08

Report by Audit Scotland

3.1 Mr Swarbrick distributed a revised report and confirmed there were no significant matters affecting the completion of this year's scheme accounts. Issue 14 on the revised report was discussed and Neville Mackay confirmed SPPA was still waiting for a UK Government decision on the indexation matter, which had been delayed by the broader economic issues. A public statement was expected by the end of November.

Alastair Swarbrick confirmed there were a few non-material amendments to be made to the accounts but subject to the satisfactory conclusion of these matters, Audit Scotland would issue an unqualified auditor's report. It was agreed by the committee that the accounts would be revised to reflect the changes recommended by Audit Scotland, and that these revisions would be completed by the time that the External Management Board met on 28 October.

Action: Mr Fenton/Mr Reid to ensure a sentence was included in the accounts to state that the Agency had no liability for any AVC losses arising from the current turbulence in the financial markets..

Report by Director of Corporate Services

3.2 Mr Fenton's paper explained how the accounts were constructed for both schemes, and he confirmed that these were substantially complete, with only minor amendments required by Audit Scotland.

Action: Mr Fenton to ensure the draft accounts are revised by 28 October 2008.

4. Report by Audit Scotland on the Computer Services follow-up review, and the Scanning Solutions review

4.1 Mr Swarbrick gave an oral update on the computer services review, stating that the agency had made progress in implementing audit recommendations, but the implementation of Axis-e had delayed some of the work. A further update would be given once Axis-e had been fully implemented.

4.2 Mr Mackay confirmed that Axis-e went live for STSS at the end of September; however a confirmed date for NHS would not be available until the project board had considered an option analysis which was currently being prepared..

Action: Mr Mackay to give an update at the January audit committee.

4.3 Mr Reid commented that although the scanning solutions audit had been focussed to some extent on the completed back-scanning project, document scanning was an integral function of the new pensions administration system, and hence the report was of continuing significance

4.4 Mrs Edey highlighted the naming convention point on Page 10 and asked if this was required. Mr Mackay told the committee that the new Axis-e system significantly enhanced this area.

4.5 Mr Smith requested that the name of a Director or senior member of staff be included in the "responsible officer" section of the report's table of planned management action.

Action: Mr Fenton to provide Mr Reid with the names of responsible officers to be inserted in the table of recommendations and Audit Scotland to produce a report containing the Audit Plan for the next Audit Committee.

4.6 Mr Smith asked if any more reports were in progress. Mr Swarbrick said that external audit for 2008/09 was in the planning phase. Mr Reid said that an audit plan would be presented at the January meeting.

Action: External Audit to present a summary of the 2008/09 audit plan at the meeting in January.

5 Internal Audit Report

5.1 Mr Johnstone confirmed the 4 main audits scheduled for 2008/09. One of these, on the Agency's key performance indicators, had already commenced.

Action: Internal Audit to report the follow up audits programmed for 2008/09.

5.2 The outstanding recommendation table provided by the previous internal auditor, Mr Moncrieff, was reviewed. Mr Mackay explained that the recommendation to reconcile STPS employer returns with employer contributions was linked to the contract for the payroll system. The contract would expire in 2010 and an option analysis was required by the end of December.

The options for this were:

- 1- Continue with present system;
- 2 - Procure new Heywood system; and
- 3 - Open procurement.

Action: Mr Mackay to produce an options analysis paper for January External Management Board meeting.

Further review of the outstanding recommendation table to be carried out at the January meeting.

6. Report by Director of Corporate Services

6.1 Mr Fenton explained that a planning document had been prepared for the National Fraud Initiative this year to ensure that resources required were identified and available.

6.2 Mr Mackay stated his concern for the timing of this exercise due to the implementation the new Axis-e system and the resources required for both that and NFI. However the Agency was committed to the National Fraud Initiative. He said that he would like to discuss possible alternative timing arrangements for future NFI's with Audit Scotland. Mr Swarbrick noted this point but said that it was very difficult to find a time that suited everyone.

6.3 Mr Fenton confirmed that SPPA had found no instances of fraud in the year to date.

6.4 Mr Fenton discussed budgetary issues and confirmed the Agency was still waiting for a decision from the Scottish Government on whether to implement a 1.5% saving this year with 3% for the following two years and clarity to be sought as soon as possible. An issue on consistency of reporting will also be followed up with Scottish Government Finance Directorate.

6.5 Mr Fenton noted that the pay increase had cost the Agency more than expected and a salaries model was being created to forecast the salaries for the remainder of 2008/09 and beyond.

6.6 Mr Fenton stated that there was now a live project reviewing the debt collection and contribution management systems, with the purpose of developing policy within the Agency, making recommendations for organisational changes, and designing new accounting systems for debt recovery and collections management.

6.7 Mr Fenton confirmed that work was underway to prepare an IFRS-compliant opening balance sheet as at 1 April 2008.. Mr Swarbrick re-iterated the 28 November timescale for submission to Audit Scotland.

Action: Mr Fenton to ensure that the IFRS-compliant opening balances are submitted to Audit Scotland within the timescales given.

Action: Clarity on savings requirements and consistency of reporting to be followed up and reported at January meeting.

7. Annual review of data security and plans for issue of 2008 benefit statements

7.1 The annual review by SMT of data handling was discussed, and Mr Mackay informed the committee that SPPA used a matrix for assessing the risks and that these risks were reviewed periodically to ensure that procedures were fit for purpose. Some minor changes were made to procedures and roles, and the appropriate ISIS personnel in Scottish Government and Internal Audit had been consulted.

7.2 Mr Smith asked whether any external assessment was made of the data security risk; Mr Mackay replied that at present there was not, however the need for such a process was likely to be considered by the Scottish Government as part of its oversight responsibility for data handling.

Action: Mr Mackay to confirm with Scottish Government whether external assessment is likely to be required.

7.3 Mr Mackay confirmed that the same arrangements as last year would be used for distribution of the Teachers' benefit statements to local authorities. However he informed the committee that SPPA had changed its couriers from FedEx to the Government Courier Service, an Agency of the Department of Transport.. He confirmed that he had written to SG about this choice and why SPPA was no longer using FedEx.

7.4 Mr Smith asked Mr Mackay how SPPA had identified the Government Courier Service and whether the Scottish Government used it. Mr Mackay confirmed that several options had been identified, and the Government Courier was the best; several other government bodies used it.

7.5 Mr Mackay told the committee that significant changes were required for the NHS benefit statement distribution as SPPA needed to integrate the benefit statement with the NHS choice exercise. However the decisions were dependent on, firstly, the timing (due to the implementation of the new pension administration system) and secondly, the method of distribution, which had to be agreed with SPensiR (which included SG Health, Health employer and Trade Union representatives).

7.6 The method currently preferred by the employers was for SPPA to send the statements directly to home addresses. However there was no guarantee that employers could provide accurate, up to date addresses. The postal method would need to be decided, the options being first class post, recorded delivery, or special delivery. Recorded delivery did not provide any guarantee of delivery, while special delivery was charged at £4-5 per item, which was potentially unaffordable.

7.7 Mrs Edey and Mr Smith both expressed concern at the level of risk that this approach entailed. It was noted that the Agency could expect a high workload, with many letters being returned. It was not possible for health boards to provide up to date addresses because the workforce was so mobile. Mr Mackay noted that the Agency had until the end of the year to firm up its proposals for handling the data transfer issue. It would reflect seriously upon the concerns expressed by the Audit Committee and conduct a full risk assessment of the various options before reporting to SPensiR with its proposals. .

Action: Mr Mackay to report to SPensiR by the end of the year with the Agency's proposals for distributing the combined Choice and benefit statement papers.

8. Corporate risk register

8.1 Mr Fenton explained some of the changes that had been made to the risk register in the last quarterly review which was undertaken in September. The committee agreed that the risk register was a useful document and was reassured that it was being updated on regularly.

8.2 Mr Smith asked if the Scottish Government risk register could be examined for comparison with the Corporate risk register. Mr Mackay stated that the Scottish Government's risk register was at present being reviewed and updated to reflect the new structure and priorities of the SG. Mr Smith requested Internal Audit to consider the alignment between the two risk registers.

Action: Internal Audit to consider the alignment and compatibility between the SG and SPPA risk registers and to report at the next audit committee meeting.

9. Any Other Business

9.1 None

10. Date of Next Meeting

The next meeting will be at 13:00 for 13.30 on 20th January 2008.

Action points arising from the meeting

Action Point	Para	Officer
Ensure a sentence included in the accounts to show that the Agency has no liability for any indexation differences.	3.1	Mr Fenton/Mr Reid
To ensure the draft scheme Audited accounts are revised by 28 October 2008.	3.2	Mr Fenton
Mr Fenton to ensure that Mr Reid receives names of responsible officers and Mr Reid to insert these in the table of recommendations and Audit Scotland to produce a report containing the Audit Plan for the next Audit Committee.	4.5	Mr fenton/Mr Reid
External Audit to present a summary of the 2008/09 audit plan at the meeting in January	4.6	External Audit
Internal Audit to provide a report listing the 6 follow up audits programmed for 2008/09.	5.1	Internal Audit
Payroll system options analysis paper for January EMB meeting.	5.2	Mr Mackay
To ensure that the IFRS-compliant opening balance are given to Audit Scotland within the timescales given.	6.7	Mr Fenton
Confirm with Scottish Government if external assessment of data handling plans is required.	7.2	Mr Mackay
SPPA to conduct a full risk assessment of the various data handling options for NHS Choice and report to SPensiR by the end of the year t	7.7	Mr Mackay
Review the compatibility between the SG and SPPA risk registers and report to the next audit committee meeting.	8.2	Internal Audit