

# Scottish Public Pensions Agency NHS Pension Scheme (Scotland) Scottish Teachers' Pension Scheme 2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Scottish Public Pensions Agency and the Auditor General for Scotland

December 2024

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# Key messages

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## 2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts of SPPA, NHSPSS and STPS are unmodified.
- 2 Material adjustments have been made to the SPPA, NHSPSS and STPS annual report and accounts as a result of the audit process.
- 3 The unaudited annual report and accounts for SPPA, NHSPSS and STPS were received in line with the agreed audit timetable but contained many errors and working papers to provide an audit trail were poor.

## Financial management

- 4 The Agency operated within its revised budget in 2023/24. Budget processes were adequate but required additional funding from the Scottish Government during the year.
- 5 Our review of financial controls found some progress since last year, but more work is required, particularly concerning employer contributions.
- 6 In 2024/25 the Agency moves to Oracle Cloud which presents challenges but also offers opportunities.

## Financial sustainability

- 7 The Agency has developed a template for a medium-term financial strategy, but further work is required to implement it.
- 8 The Agency's revised budget for 2024/25 represents a 12.8% reduction from the prior year's actual spend. Budget monitoring reports indicate that 2024/25 spend will be in excess of budget.

## Vision, leadership, and governance

- 9 The lack of a medium-term financial strategy limits the effectiveness of the corporate plan.
- 10 There have been changes in the executive team in 2024/25 and the new Chief Executive is undertaking a review of governance arrangements.

## **Use of resources to improve outcomes**

- 11 The Agency has undertaken benchmarking to demonstrate best value, but this has concluded that it delivers a high cost/ basic service.
- 12 Effective quarterly performance reporting arrangements were in place in 2023/24, but the MAB has not met since May 2024.
- 13 Both Remedy and PPP continue to progress, but further solutions are required to ensure that regulatory requirements are met.

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# Introduction

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**1.** The Scottish Public Pensions Agency (the Agency) is an executive agency of the Scottish Government. It is responsible for administering and presenting accounts for the NHS Pension Scheme (Scotland) (NHSPSS) and Scottish Teachers' Pension Scheme (STPS). The Agency is also required to prepare accounts for its own finances.

**2.** This report summarises the findings from the 2023/24 audits of the respective annual report and accounts for Scottish Public Pensions Agency (SPPA), NHSPSS and STPS. The report also summarises findings from our audit of the Agency's wider arrangements for the delivery of pensions. This is assessed against four areas that are set out below.

**3.** The scope of the audit was set out in an Annual Audit Plan presented to the meeting of the Audit and Risk Committee (ARC) on 26 March 2024. This Annual Audit Report comprises:

- significant matters arising from an audit of SPPA's, NHSPSS' and STPS' annual report and accounts
- conclusions on the Agency's arrangements following wider scope areas that frame public audit as set out in the [\*Code of Audit Practice 2021\*](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

**4.** This report is addressed to the Board of the Agency (which acts as scheme manager for NHSPSS and STPS) and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment

**5.** Michael Oliphant, was appointed by the Auditor General for Scotland as auditor of the SPPA, NHSPSS and STPS for the period from 2023/24 until 2026/27.

**6.** We would like to thank board members, ARC members, executive team members, and other staff, particularly those in finance, for their cooperation and

assistance in this year's audits, and we look forward to working together constructively over the course of the remainder of the five-year appointment.

## Responsibilities and reporting

**7.** The Agency has primary responsibility for ensuring the proper financial stewardship of public funds (including those relating to NHSPSS and STPS). This includes preparing an annual report and accounts that are in accordance with the account's direction from the Scottish Ministers. The Agency is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**8.** Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice 2021, supplementary guidance and International Standards on Auditing in the UK (ISAs).

**9.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the Agency from its responsibility to address the issues raised and to maintain adequate systems of control.

**10.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## Auditor Independence

**11.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services. But given the impact on our audit from the poor standard of accounts and working papers presented, an additional fee will be applied. This will be notified to senior management once the audit has concluded. We are not aware of any relationships that could compromise our objectivity and independence.

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# 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

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## Main judgements

Audit opinions on the annual report and accounts of SPPA, NHSPSS and STPS are unmodified.

Material adjustments have been made to the SPPA, NHSPSS and STPS annual report and accounts as a result of the audit process.

The unaudited annual report and accounts for SPPA, NHSPSS and STPS were received in line with the agreed audit timetable but contained many errors and working papers were poor.

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## Audit opinions on the annual report and accounts are unmodified

**12.** Our audit opinions on the annual report and accounts of SPPA, NHSPSS and STPS are unqualified. They were considered by the SPPA's Audit and Risk Committee (ARC) on 5 December 2024 before being approved by the Management Advisory Board (MAB) on 11 December 2024. As reported in the independent auditor's reports:

- each of the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- all expenditure and income were incurred or applied in accordance with applicable enactments and guidance
- the audited part of the SPPA remuneration and staff report was prepared in accordance with the financial reporting framework
- the SPPA performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers

- the audited part of the NHSPSS and STPS report of the scheme manager and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

## Materiality for SPPA, NHSPSS and STPS was reviewed and revised upon receipt of the unaudited annual report and accounts

**13.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report.

**14.** Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**15.** Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

### Exhibit 1 Materiality values

SPPA Materiality level	Planning	Final
Overall materiality	£0.50 million	£0.50 million
Performance materiality	£0.30 million	£0.30 million
Reporting threshold	£25,000	£25,000
NHSPSS Materiality level	Planning	Final
Overall materiality	£34.4million	£36.9 million
Performance materiality	£20.6 million	£22.1 million
Reporting threshold	£500,000	£500,000
STPS Materiality level	Planning	Final
Overall materiality	£24.2 million	£26.3 million
Performance materiality	£14.5 million	£15.8 million



SPPA Materiality level	Planning	Final
Reporting threshold	£500,000	£500,000

**16.** The overall materiality threshold was set with reference to gross expenditure for SPPA and benefits paid for the schemes, which we judge as the figures most relevant to the users of the financial statements.

**17.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60% of overall materiality for all three audits, reflecting the level of errors found during the 2022/23 audits and ongoing staffing issues.

**18.** It is our responsibility to request that all misstatements are corrected other than those below the reporting threshold. The final decision on making the correction lies with the Board

## Significant findings and key audit matters

**19.** Under ISA (UK) 260, we communicate significant findings from the audit to the Board, including our view about the qualitative aspects of the Board's accounting practices.

**20.** The Code of Audit Practice also requires us to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance. The most significant findings are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p><b>1. SPPA: Police and fire balances</b></p> <p>Police and fire balances represent amounts which have been paid, or due to be paid, on behalf of the police and fire schemes by the Agency. Amounts are payable to HMRC or recoverable from the Scottish Police Authority and the Scottish Fire and Rescue Service. Through our review we found the following issues:</p> <ul style="list-style-type: none"> <li>- The balances relating to the police and fire schemes within the draft accounts</li> </ul>	<p>Through discussion with the Agency, it was acknowledged that the ledger postings for police and fire balances are complicated. It was confirmed that the draft accounts presented for audit required to be amended.</p> <p>Corrective adjustments were agreed and were subsequently posted to the 2023/24 annual report and accounts.</p> <p><b>Recommendation b/f 1</b></p> <p>(Refer <a href="#">Appendix 1</a>, action plan)</p>

Issue	Resolution
<p>presented to audit did not agree to the ledger.</p> <ul style="list-style-type: none"> <li>- Further investigation found that the opening balances in the ledger did not agree to the balances as per the 2022/23 annual report and accounts.</li> <li>- A pre-payment of 2024/25 pension benefits had not been accounted for correctly in the ledger</li> </ul>	
<p><b>2. SPPA: Non-Current Asset accounting</b></p> <p>Our review of non-current assets found the following issues:</p> <ul style="list-style-type: none"> <li>- Figures in the notes for property, plant and equipment (note 5) and intangible assets (note 6) could not be fully reconciled back to the non-current asset register. An asset register is used to inform the ledger which supports the preparation of the accounts, and is therefore an essential part of the accounting record system. Through discussion with the finance team, we understand that there have been technical difficulties with the asset register. From our review we found there were some inconsistencies which largely relate to the categorisation of depreciation between both notes.</li> <li>- SPPA's accounting policy 1.2 confirms that full property revaluations will take place every 5 years with appropriate indices used to restate the values in the intervening years. This ensures that assets are not materially misstated as required by the underlying accounting standard (IAS 16). As a full revaluation was performed in 2022/23, SPPA should have considered the use of indices in 2023/24. From our review we found no evidence of the application or consideration of indices.</li> </ul>	<p>Through a review of asset register, differences in depreciation were identified and adjustments totalling £0.1 million were posted.</p> <p>Documentation was provided by the Scottish Government which recommended the use of a range of indices against different types of asset. Upon review it was found that the indices would require only an immaterial adjustment to the balance in the accounts. As the amount was below our reporting threshold, no action was taken.</p> <p><b>Recommendation b/f 2</b></p> <p>(Refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>3. SPPA: Performance and Accountability reports</b></p> <p>From our review we found a large number of issues from the front-end of the draft SPPA annual report and accounts, i.e. from the Performance</p>	<p>Matters raised with SPPA were largely resolved although this took considerably longer than had it been envisaged due to resourcing issues within SPPA.</p>

Issue	Resolution
<p>Report and the Accountability report. These issues were largely due to inconsistencies with other parts of the document or due to timing differences.</p>	<p><b>Recommendation 1</b> (Refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>4. NHSPSS &amp; STPS: Supporting papers</b></p> <p>The supporting papers provided for both sets of scheme accounts differed in format from previous years. Upon review of the accounts and in conjunction with the working papers, we found the following issues:</p> <ul style="list-style-type: none"> <li>- The working papers did not reconcile figures in the accounts for either scheme to the ledger. In addition, the version of the trial balance used did not appear to be the most up to date.</li> <li>- There were inconsistencies within the accounts in areas such as the general fund and the net cash requirement figures. In the case of the former, the differences were material and impacted on two of the primary statements (the Statement of Cash Flows and the Statement of Changes in Taxpayers Equity). For STPS the difference in the general fund between these statements was £187 million and for NHSPSS it was £13,169 million.</li> <li>- Member statistics within the draft accounts were found to be inaccurate and not drawn from supporting papers consistent with prior years. Member numbers are used as part of the audit process to check the amount of pension benefits paid in year.</li> </ul>	<p>SPPA prepared revised accounts supported by working papers which followed the same template as in previous years. The working papers were reviewed and found to be based on the appropriate trial balance and were in line with the report prepared by GAD.</p> <p><b>Recommendation 2</b> (Refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

## Audit work responded to the risks of material misstatement we identified in the annual report and accounts

**21.** We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

**Exhibit 3****Identified significant risks of material misstatement in the annual report and accounts**

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively. This is presumed to be a significant risk in every audit.</p> <p><b>(SPPA, NHSPSS and STPS)</b></p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>We assessed the design and implementation of controls over journals and found these were satisfactory. We also did not find any issues with inappropriate or unusual activity.</p> <p>We tested a sample of year-end journals and considered any significant and unusual transactions. No issues were found from this.</p> <p>We did not identify any changes in the methods and assumptions in relation to significant estimates. Similarly, we did not find any issues from a sample of year-end income and expenditure transactions.</p>
<p><b>2. Estimation in the valuation of land and buildings</b></p> <p>There is a significant degree of subjectivity in the valuation of land and buildings which is based on specialist and management assumptions. SPPA held land and buildings with a net book value of £4.9 million as at 31 March 2023. Changes in assumptions can result in material changes to the asset valuations disclosed in the annual report and accounts.</p> <p><b>(SPPA only)</b></p>	<p>SPPA shall ensure that there are appropriate management checks on year-end revaluation adjustments, that assets are appropriately classified and that the fixed asset register is updated appropriately (including post-dating any adjustments relating to prior years correctly). SPPA shall also reconcile the fixed asset register to the general ledger (SEAS).</p>	<p>SPPA did not engage directly with a valuer, but received information from the Scottish Government who had engaged with the District Valuation Service. The information provided by the Scottish Government did not suggest an adjustment was required, but there was no evidence of review of this information by SPPA management.</p> <p>SPPA carried out an impairment review of its estate but did not document this. Evidence of the review was provided by the estates team.</p> <p>SPPA reviewed depreciation charges and adjusted both note 5 and note 6. This had no overall impact on net</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>3. Police and Fire year-end balances</b> SPPA has material year-end receivables (£43.6 million at 31 March 2023) and payables (£14.7 million at 31 March 2023) balances relating to the payment of pensions on behalf of the Scottish Police Authority and Scottish Fire and Rescue Service.</p> <p>The accuracy of these balances depends on SPPA's calculations, which use data provided by the Scottish Police Authority and Scottish Fire and Rescue Service.</p> <p><b>(SPPA only)</b></p>	<p>SPPA shall ensure that appropriate management checks are carried out on year-end balances regarding the police and fire pension schemes. In addition, SPPA shall confirm these year-end balances with SPA and SFRS.</p>	<p>assets within the statement of financial position.</p> <p>See b/f 2 in <a href="#">Appendix 1</a>.</p> <p>We assessed the design and implementation of controls over the processing of police and fire schemes and did not find any significant issues.</p> <p>We found issues with the balances initially presented to audit, but following further audit work and discussion, SPPA was able to make appropriate adjustments.</p> <p>See b/f 1 in <a href="#">Appendix 1</a>.</p>
<p><b>4. Information supporting scheme valuations</b> Decisions taken by SPPA for NHSPSS and STPS are reliant on the work of the Government Actuary Department (GAD). The actuarial valuation methodology relies on significant judgements and assumptions in relation to financial, mortality and demographic factors.</p> <p><b>(NHSPSS and STPS only)</b></p>	<p>SPPA shall ensure appropriate management checks on its data submissions to GAD, together with requisite liaison with GAD to provide assurance on actuarial assumptions consistent with the Service Level Agreement between the parties. In this respect SPPA also notes that GAD is accredited under the Institute and Faculty of Actuaries' Quality Assurance Scheme.</p>	<p>We reviewed the work of GAD and found no issues. This involved seeking the views of an auditor's expert.</p> <p>During the year we met with GAD to discuss the process. No issues were identified from this.</p> <p>We reviewed the information provided to GAD and found that it was materially consistent with information from SPPA's systems.</p>

Source: Audit Scotland

## There were four non-material misstatements identified within the the sets of financial statements, two of which were uncorrected

**22.** Other than the corrected material misstatement detailed as a significant finding in [Exhibit 3](#), my audit identified a further three misstatements above the reporting threshold in the SPPA accounts totalling £0.4 million. The NHSPSS

has one further misstatement of £2.6 million relating to a year-end accrual, and there no further misstatements relating to STPS.

**23.** The audit team identified two misstatements which were not corrected by management in the audited annual report and accounts for SPPA, and NHSPSS (none for STPS). The SPPA accounts included one misstatement of £0.2 million relating to an understatement of taxation relating to police and fire balances. The misstatement described in paragraph 22 relating to NHSPSS was also not adjusted.

**24.** We consider the size, nature, and circumstances leading to all uncorrected misstatements, individually and in aggregate, and concluded that these were not material.

### **The unaudited annual report and accounts for SPPA, NHSPSS and STPS were received in line with the agreed audit timetable but contained many errors and working papers were poor**

**25.** The SPPA unaudited annual report and accounts were received in line with the agreed audit timetable on 8 July 2024. The scheme accounts were delivered on 2 August 2024 which was also in line with agreed timescales.

**26.** While the accounts were delivered in good time, there were a large number of issues in each of them (as set out in [Exhibit 2](#)). In addition, the working papers to provide an audit trail were of poor quality. As a result of these issues, we were not able to conclude our audit in line with planned timescales.

### **Limited progress was made on prior year recommendations**

**27.** The Agency has made limited progress in implementing the agreed prior year audit recommendations . For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).



## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

### Conclusion

The Agency operated within its revised budget in 2023/24. Budget processes were adequate but required additional funding from the Scottish Government during the year.

Our review of financial controls found some progress since last year, but more work is required particularly concerning employer contributions.

In 2024/25, the Agency moves to Oracle Cloud which presents challenges but also offers opportunities.

Calculation errors found from audit testing of pension new awards and lump sums, but these did not materially impact on the annual report and accounts.

### The Agency operated within its revised budget in 2023/24

**28.** The main financial objective for the Agency is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. The Agency reported an outturn of £31.3 million against its overall budget for 2023/24 with an underspend of £5.8 million. The financial performance against fiscal resources is shown in [Exhibit 5](#).

### Exhibit 5

#### Performance against fiscal resource in 2023/24

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	30.2	33.3	28.2	(5.1)
Capital	3.5	3.8	3.1	(0.7)
Total	33.7	37.1	31.3	(5.8)

Source: SPPA Annual Report and Accounts 2023/24

## Budget processes were adequate but required additional funding from the Scottish Government during the year

**29.** The Agency's budget was increased as part of both the Autumn and Spring Budget revisions. The major areas of additional allocation at the Agency included:

- An increase of £0.4 million in respect of actuarial charges for NHSPSS
- Increases in respect of forecast spend across resource (£2.7 million) and capital (£0.4 million) areas.

**30.** While the Agency operated within its budget, this was only after the in-year budget revisions. There was also an underspend of £4.8 million in non-cash (i.e. depreciation) which makes up the majority of the overall underspend.

**31.** Through its budget monitoring, the Agency was able to identify a need for further resource and requested this from the Scottish Government. Without a combination of the additional resource and a large underspend in depreciation, the Agency would have been unable to operate within its resource limits.

## NHSPSS and STPS operated within their 2023/24 combined budget limit

**32.** NHSPSS and STPS are funded by Scottish Government annual managed expenditure (AME) to cover the cost of pension payments to retired members. The main financial objective of NHSPSS and STPS is to ensure that financial outturn for the year is within the budget allocated by Scottish Ministers.

**33.** Last year we reported that the combined spend for both schemes exceeded the combined budget limit. As set out in [Exhibit 5](#), total spend in 2023/24 was £3,202.9 million which was £557.9 million less than budget. The spend figure for both schemes is based on advice provided by the Government Actuarial Department (GAD).

### Exhibit 5 Performance against AME in 2023/24

	Initial budget £m	Final budget £m	Outturn £m	Overspend/ (underspend) £m
NHSPSS	4,641.0	2,481.5	2,045.0	(436.5)
STPS	2,280.0	1,279.3	1,157.9	(121.4)



<b>Total</b>	<b>6,921.0</b>	<b>3,760.8</b>	<b>3,202.9</b>	<b>(557.9)</b>
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Source: Scottish Budget: 2023/24, NHSPSS and STPS Annual Report and Accounts 2023/24

**34.** Spend for both schemes has reduced significantly since 2022/23. NHSPSS has reduced by £2,748.3 million while STPS has reduced by £1,189.7 million. This reduction is due to an increase in the discount rate, net of inflation. This was forecast by GAD in its 2022/23 reports for both schemes. The budgets were adjusted during the year to account for this. The fully implements our recommendation from 2022/23 (see b/f 3 in [Appendix 1](#)).

### **The Agency is required to provide consolidation returns but this has been impacted by delays in the audit of the annual reports**

**35.** The Agency is required to produce several consolidation returns. In respect of SPPA, it should provide a return to the Scottish Government as it is an executive agency and part of the government's consolidated accounts. In respect of NHSPSS and STPS it is required to provide returns for Whole of Government Accounts (WGA) as spend for both exceeds the threshold.

**36.** As a result of the difficulties caused by the Covid-19 pandemic, the Agency failed to provide returns for several years. In 2023/24, the Agency provided a return to the Scottish Government in respect of SPPA's unaudited accounts. Due to issues resulting in delays to the audit process (see section 1) we were unable to review in time for the Scottish Government's consolidation exercise.

**37.** Similar problems in previous years mean that we have been unable submit an audited consolidation return since 2020/21. We understand though that the Agency did provide the Scottish Government with a return based on the unaudited accounts.

**38.** During 2023, the Agency provided WGA returns for both schemes for years 2021/22 and 2022/23. We reviewed the returns for 2022/23 and found that they were consistent with the audited accounts, but did not contain counter party information. This is important as it allows for the elimination of intra-group transactions with other public bodies.

**39.** We reflected this issue in a management letter which was submitted to the ARC in July 2024 (see b/f 8 in [Appendix 1](#)). Management agreed with the recommendation, and we will audit the 2023/24 WGA returns after the completion of the 2023/24 audit.

## **Our review of financial controls found some progress since last year, but more work is required particularly concerning employer contributions**

**40.** We identify and assess the key internal controls in those accounting systems we regard as significant to produce the financial statements. Our objective is to gain assurance that SPPA, NHSPSS and STPS have systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**41.** Last year we identified that controls had improved but that there were still areas for further improvement (see b/f 4 in [Appendix 1](#)). In 2023/24, we again found evidence of controls in place and have directly addressed the issues raised last year below:

- Comparison reports are used to check data between the administration and payroll elements of Altair (the pension administration system) for both NHSPSS and STPS. Last year we found that while there was evidence of these reports being run, there was little to confirm that action was being taken to investigate any differences. Our testing this year found that there was evidence of action being taken and a decrease in the total number of differences.
- Our testing of the Epicor system (used to manage contributions from employers) found issues with the monthly bank account reconciliation process. Our review in 2023/24 found that the monthly check is still not being undertaken. A year-end reconciliation was undertaken which we confirmed as part of our review.
- We found a lack of evidence to confirm that management / exception reports from the Epicor system were being routinely checked during the year by an appropriately senior officer. Our testing this year confirmed that checks were not carried out until year-end.
- Access to the Epicor system is controlled and SPPA was able to demonstrate that only appropriate users currently have access. However, records are not retained when a user is granted access. Our walkthrough confirmed that records are being retained in 2023/24.
- Regular reconciliations of suspense accounts, creditor/debtor accounts and control accounts are not taking place, leading to unexplained balances building across the pension schemes.

**42.** In addition, we confirmed that a reconciliation between the contributions' figures included in Altair and as received in Epicor has not been completed since 2020/21. Contribution amounts are calculated by employers with invoices based on self-reported totals. The agency should increase their controls in place to provide assurance that scheme income totals are accurate and complete.

**43.** SPPA believes that the future use of iConnect to manage employer contributions should resolve this issue. In the meantime, limited mitigation is offered by basic validation controls within Pulsion which is used by employers.

### **In 2024/25 the Agency moves to Oracle Cloud which presents challenges but also offers opportunities**

**44.** In October 2024, the Scottish Government introduced a new HR and Finance platform (Oracle Cloud). As an executive agency, this system also applies to the Agency. While the 2023/24 accounts were prepared on the pre-existing SEAS, moving into 2024/25 the accounts will be prepared from Oracle Cloud.

**45.** In October 2024, internal audit issued the report 'Oracle Fusion Organisational Readiness'. This raised two high-level recommendations. These related to ensuring that interim arrangements allow for pensions to be paid while awaiting implementation of the supporting Scot-Payments system.

**46.** As described in [Exhibit 2, item 1](#), the ledger postings for the police and fire schemes are complicated. This is partly down to the structure within SEAS. In addition, responsibilities for both the general ledger and banking systems are shared between the agency and the Scottish Government and there is a lack of clarity with regards the accounting treatment of some bank accounts used by the pension schemes. The move to Oracle Cloud offers the opportunity to address these issues.

### **Calculation errors found from audit testing of pension new awards and lump sums, but these did not materially impact on the annual report and accounts**

**47.** As part of audit in 2023/24 we tested a sample of pension new awards and lump sums for both NHSPSS and STPS. We found three errors out of fifteen STPS transactions and reported these in a management letter to the ARC in July 2024 (see b/f 10 in [Appendix 1](#)). These errors were due to manual inputs. By extrapolation over the wider population, we confirmed that we were content this did not represent a material issue.

**48.** Similar issues were also found from our review of NHSPSS new awards and lump sums. As these were confirmed later in the year these errors were not previously reported. Again, when extrapolated these did not represent a material issue.

### **Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate**

**49.** In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing

effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

**50.** During 2022/23 we confirmed that SPPA has still to update the counter-fraud policy and raised a recommendation in light of this. The revised policy was submitted to the ARC in March 2024. However, SPPA plans to undertake further work to develop a counter fraud strategy (see b/f 5 in [Appendix 1](#)).

### **We assessed the Agency's performance in the National Fraud Initiative 2022/23 exercise as red, but performance has improved recently**

**51.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Agency participates in this biennial exercise. The 2022/23 exercise concluded during 2023/24 financial year and '[The National Fraud Initiative in Scotland 2024](#)' report was published in August 2024.

**52.** As part of our work in 2023/24 we reviewed the Agency's arrangements for managing the NFI exercise. These assessments apply a RAG (red; amber; green) status. We assessed SPPA's arrangements for 2022/23 as 'red' due to the issues highlighted in a management letter presented to the ARC in July 2024. This identified the following issues:

- Late submission of some data sets and failure to submit data for Police and Fire pension schemes.
- The online application had not been updated appropriately. Work in relation to matches to death records had been carried out (which identified 160 errors) but had not been uploaded at the time of our audit.

**53.** We recommended that the Agency should submit datasets and update results from review of matches timeously (see b/f 9 in [Appendix 1](#)). The Agency accepted the recommendation and to date has provided datasets in line with expectations for the 2024/25 exercise.

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## 3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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### Conclusion

The Agency has developed a template for a medium-term financial strategy, but further work is required to implement it.

The Agency's revised budget for 2024/25 represents a 12.8% reduction from the prior year's actual spend. Budget monitoring reports indicate that 2024/25 spend will be in excess of budget.

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### The Agency has developed a template for a medium-term financial strategy, but further work is required to implement it

**54.** Last year we recommended that the Agency should develop a financial strategy to identify how it will meet future challenges and pressures. This was in light of reported resource shortfalls over a six-year period from 2023/24 to 2028/29 totalling £36.8 million. SPPA has developed a template for the financial strategy, however it has not yet been finalised (see b/f 6 in [Appendix 1](#)).

### The Agency's revised budget for 2024/25 represents a 12.8% reduction from the prior year's actual spend

**55.** The Agency's initial budget for 2024/25 was £25.6 million, of which £22.9 million was for resource. This represents a reduction from the final resource allocation for 2023/24 of £10.4 million (31.2%), and £5.3 million (18.8%) less than actual outturn. To meet this, SPPA has set out a range of options, including recovery of costs regarding actuarial services, vacancy controls and reduced project spend.

**56.** The reduction in project spend includes the deferment of Pensions 'Dashboard' data cleansing / pre-work (costs) (£0.5m) to 2025/26. Pension providers are required to connect to the Pensions Dashboards Programme's (PDP's) digital architecture by 31 October 2026.

**57.** The Agency has also transferred £1.0 million from its capital allocation to resource and has incorporated an anticipated overspend of £1.4 million within its 2024/25 allocation. The Agency has requested that the Scottish Government revise its budget to incorporate the £1.4 million.

**58.** It also received a further £0.3 million from the NHS budget to cover the costs of services from GAD. After taking these adjustments into account, the overall budget increased to £27.3 million, of which £25.6 million relates to resource. This increased budget is still £4.0 million (12.8%) less than total spend in 2023/24.

### **Budget monitoring reports indicate that 2024/25 spend will be in excess of budget**

**59.** As per the finance report presented to the ARC in November 2024, the Agency is forecast to spend £31.9 million. This would represent an overspend of £4.6 million (16.8%), all of which relates to resource spend. It is also £0.6 million more than overall spend in 2023/24.

**60.** The Agency reported a forecast spend of £31.1 million to the Scottish Government in August 2024. It is currently considering options to reduce spending in line with this earlier forecast. While the Agency aims to reduce its spending, it is likely that further budget cover will be required at the Spring Budget Revision.

### **Scheme budgets are set in line with GAD forecasts with no revisions for 2024/25**

**61.** The Agency has budget responsibility for both NHSPSS and STPS. Whilst they fall within the devolved responsibilities of the Scottish Government, the schemes are funded by the UK Government based on demand (AME funded). The 2024/25 UK-funded AME budget for NHSPSS is £2,186.7 million and for STPS it is £1,235.7 million (£3,422.4 million combined).

**62.** These budgets are based on the actuarially assessed level of spend, provided by the Government Actuary's Department (GAD) in March 2024. The forecast current service cost for both schemes represents a decrease from 2023/24, by around £400 million for NHSPSS and £300 million for STPS. This is due an increase in the discount rate net of CPI inflation by 0.75% p.a. (from 1.70% to 2.45%).

**63.** Off-setting this, interest costs are forecast to increase by around £300 million for NHSPSS and £200 million for STPS. This is due to an increase in the nominal discount rate (from 4.15% to 5.10%). The net effect is that both schemes combined are expected to cost £5,700 million in 2024/25. Note that the AME budget assumes contributions of £2,534.0 million for NHSPSS and £1,195.0 million for STPS.

**64.** The final GAD reports for 2023/24 in September 2024 forecast a £100 million deduction in current services costs for NHSPSS with no change for STPS. Consequently, no changes have been made to the overall AME budget through the autumn revision.

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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

The lack of a medium-term financial strategy limits the effectiveness of the corporate plan.

There have been changes in the executive team in 2024/25 and the new Chief Executive is undertaking a review of governance arrangements.

Governance arrangements are appropriate but there are areas for improvement.

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## The lack of a medium-term financial strategy limits the effectiveness of the corporate plan

**65.** As we reported last year, the Agency launched Our Corporate Plan 2022-27 in March 2022. This details the agency's purpose, vision and strategic aims and sets out its aims and objectives for a five-year period.

**66.** We also reported that this is supported by annual business plans. The 2023/24 business plan sets out five priorities and describes how they will be measured by identifying a series of performance indicators. These were found to be reported internally to the MAB during the year. We also found that this formed the basis of the performance report within the 2023/24 annual report and accounts.

**67.** The 2024/25 business plan is available on the SPPA website and is broadly similar to 2023/24 but does include more performance indicators. At the time of writing the MAB had only met once during 2024/25 (in May 2024). Therefore, there is no evidence of MAB oversight of the business plan in 2024/25.

**68.** As reported in section 3, the Agency has still to produce a medium-term financial strategy. The development of this strategy is fundamental to support the delivery of the corporate plan.



## **There have been changes in the executive team in 2024/25 and the new Chief Executive is undertaking a review of governance arrangements**

**69.** Last year we reported that there had been some changes to the executive team but that it was more settled. Over the last twelve months there have been further changes. This has seen the departure of the Head of People, Strategy and Communications as well as the Chief Executive.

**70.** There were also some changes made to the structure of the team and includes posts for Head of People and Head of Strategy and Communication. All posts are filled, and the new Chief Executive was appointed in June 2024.

**71.** The new Chief Executive is currently undertaking a review of governance arrangements within the Agency. This is expected to conclude in the near future and we will review this during our 2024/25 audit.

## **The Agency has advanced its approach to workforce planning**

**72.** Last year we commented that a workforce planning framework was presented to the People Committee in August 2023 alongside an action plan (see b/f 7 in [Appendix 1](#)). At that time further work was required to progress the action plan. In 2024, the Agency prepared a 3-year resourcing plan supported by an organisational strategy.

**73.** While the Agency works to address the wider workforce planning issues, our audit found some staffing issues. As reported in [Exhibit 2](#), resourcing issues within the finance team led to issues with the preparation of the NHSPSS and STPS accounts.

**74.** In addition, we also found that there are vacancies in the IT team which led to a delay in the preparation of a new IT strategy. A number of points raised in a Strategic Architecture Review from 2019 also remain outstanding.

## **Governance arrangements are appropriate but there are areas for improvement**

**75.** The Agency's governance arrangements have been set out in the Governance Statements in the various annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate and effective. Scrutiny arrangements are generally working well in SPPA with both the ARC and MAB performing annual self-assessments. At the time of writing the MAB had not met since May 2024 but plans to meet in December 2024.

**76.** Last year we observed that there is scope to strengthen the Agency's approach to openness and transparency by making the MAB and ARC papers available online. As part of our 2023/24 review we confirmed that only minutes are available. Providing supporting papers could include financial and performance information and detail decisions made which are of public interest.



**77.** We also found that training records for pension board members have not been updated. These are important as they ensure that members have an understanding and knowledge of the law relating to pensions as well as a working knowledge of scheme regulations and policies.

### **Climate change arrangements**

**78.** The Scottish Parliament has set a legally binding target for Scotland to become net zero by 2045. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**79.** Last year we reported that the Agency was developing a Sustainability and Environmental Plan for the period from 2023-2028. It was reported to the MAB in May 2024 that the SPPA Environmental Strategy completed in March 2024, was due to be signed off by Executive Team. However it is now expected to be finalised in March 2025 in order to incorporate the impact from hybrid working and infrastructure investment.

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# 5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

The Agency has undertaken benchmarking to demonstrate best value, but this has concluded that it delivers a high cost/ basic service.

Effective quarterly performance reporting arrangements were in place in 2023/24, but the MAB has not met since May 2024.

Both Remedy and PPP continue to progress, but further solutions are required to ensure that regulatory requirements are met.

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## **The Agency has undertaken benchmarking to demonstrate best value, but this has concluded that it delivers a high cost/ basic service**

**80.** [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**81.** Last year we reported that the SPPA 2022/23 annual report and accounts referred to benchmarking with other pension providers. This forms part of the Agency's arrangements to demonstrate best value.

**82.** The most recent benchmarking update was provided to the MAB in May 2024. This concluded that the Agency delivers a high cost/ basic service. Underpinning this, the review found that administration costs were £8.19 higher than average while performance was 18 points below the median.

## Effective quarterly performance reporting arrangements were in place in 2023/24, but the MAB has not met since May 2024

**83.** The MAB continued to receive quarterly performance reports during 2023/24. These reported on the KPIs (key performance indicators as set out in the 2022/23 business plan), linked to strategic objectives. The format of the report varied across the year, but still presented the same range of information.

**84.** This approach is effective as it provides the MAB with the necessary information to gauge and challenge the performance of the organisation. Moving into 2024/25 this reporting has not been repeated as the MAB has not met since May 2024.

## Both Remedy and PPP continue to progress, but further solutions are required to ensure that regulatory requirements are met

**85.** As reported last year, the Agency continues to manage two large projects, Remedy and PPP. Remedy aims to deliver the regulatory changes to pension schemes required by an age discrimination legal judgement. PPP aims to deliver a comprehensive digital solution for pensions and payroll administration and is due to be in place by 2025.

**86.** Update reports continue to be regularly provided to the ARC. In November 2024, Remedy was still confirmed to remain at amber during the discussion regarding the report. This is because solutions are still required to ensure that the Agency can provide members with dual annual benefit statements (ABS).

**87.** Pension administrators are required to provide members with dual ABS from April 2025. These should cover legacy and revised schemes for those members who are affected. This requirement applies to all public pension providers in the UK.

**88.** Due to pressure on staff and the impact from Remedy, SPPA opted not to issue ABS to 73,694 NHSPSS and 39,430 STPS members. Of the remaining 185,102 members, including all police and firefighter scheme members, SPPA produced 174,729 ABS on time (94.4%). This is a slight reduction from 94.6% in 2022/23. SPPA duly reported itself to the Pension Regulator.

**89.** The latest PPP update in November 2024 confirmed that the project is due to transition to business as usual in early 2025. The report also provided an update on two other projects which will be focused on after PPP is complete. These are Engage and i-Connect which are both rated as amber.

**90.** The latter of these two projects (i-Connect) aims to streamline employer data submissions and enhance data accuracy for NHSPSS and STPS. The implementation of i-Connect is expected to resolve many of the control issues around employer and member contributions identified in section 2.

**91.** Both of these projects are fundamental to ensure that the Agency operates within requirements and in an efficient and effective manner. We will continue to track progress of both in 2024/25.

### **Pension calculators provided to NHS bodies were found to be correct but presentational issues were noted which resulted in errors in employer accounts**

**92.** During 2023/24 we undertook a review of pension calculators which are prepared by the Agency for NHS bodies. The purpose of these calculators is to provide NHS bodies with pension information for senior officers for the purpose of the remuneration and staff report.

**93.** There was a delay in issuing this information by all UK public pension administrators in 2024. This was due to the impact from Remedy and a lack of clarity regarding how this should be reported given the dual calculations required for affected members. Consistent with other administrators, the Agency opted to provide figures based on legacy arrangements.

**94.** Our walkthrough of the calculators found no issues in terms of the figures produced. Two presentational points however were found. These were:

- The opening CETV as presented in 'Results' was adjusted for current year inflation, meaning it is not the correct figure for the remuneration and staff report. The non-inflated opening CETV figure is presented in another section of the calculator. From review we found that employers had been using the figure from the 'Results' section, i.e. the incorrect figure.
- Through discussion it was confirmed that the Agency does not make a deduction for employee contributions in the real increase in CETV figure. This is because the Agency does not hold that information at that point in time and that employers should make that deduction themselves. However, it was accepted that employers may not be aware of this. From review we found that employers took the real increase in CETV directly from the calculator without a further deduction for employee contributions.

**95.** The Agency agreed that both of these issues were valid. Consequently, it agreed to consider changing the presentation of the calculator to ensure this issue is resolved in future years.

# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. SPPA performance and accountability reports</b></p> <p>The front end of an annual report and accounts comprises the performance report and the accountability report. The FReM and SPFM set out the requirements for each of these areas, including the governance statement and the remuneration and staff report.</p> <p>The front-end sections of the unaudited SPPA annual report and accounts were long and contained inconsistencies and timing differences.</p> <p>Risk – the performance report and/or the accountability report does not meet requirements as set out by the FReM and the SPFM.</p>	<p>The Agency should revise its approach to the preparation of the performance report and accountability report to ensure that it is succinct, accurate and meets with FReM and SPFM requirements.</p> <p><a href="#">Exhibit 2, item 3</a></p>	<p><b>Accepted</b></p> <p>A full lessons learned activity will take place in respect of the preparation of the 23/24 accounts with internal actions agreed on the approach to be taken for 24/25. Additionally, the Head of Strategy &amp; Governance is reviewing capacity and capability in the team with a view to recruiting new resource with responsibility for managing the agency approach. An assessment will be made against the FReM and SPFM requirements to ensure we are compliant in our approach to 2024/25.</p> <p>Responsible officer: Stuart MacArthur</p> <p>Agreed date June 2025</p>
<p><b>2. Pension schemes accounts preparations</b></p> <p>The unaudited annual report and accounts for both NHSPSS and STPS were found to be internally inconsistent. In addition, the working papers provided to</p>	<p>The Agency should ensure that the NHSPSS and STPS accounts are prepared using established processes and that a good standard of working paper is available to aid the audit process</p> <p><a href="#">Exhibit 2, item 4</a></p>	<p><b>Accepted</b></p> <p>As previously reported to ARC, key person risk crystallised with the resignation of the Financial Accountant (Schemes) and Financial Controller. Agency contractor proved unable to</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>supported differed in format from prior years and were of poor quality.</p> <p>Risk – the NHSPSS and STPS annual report and accounts receive modified opinions.</p>		<p>deliver to expected standards and timescales. A new Financial Controller (temporary appointment) commenced with the SPPA in mid-October 2024, with recruitment to a new post of Senior Financial Accountant having been approved in November 2024. A full review of relevant procedures will also be undertaken, in tandem with a “lessons learned” review with Audit Scotland.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 31 July 2025</p>

## Follow-up of prior year/ interim recommendations

Issue/risk	Recommendation	Update/Agreed management action/timing
<p><b>b/f 1. Police and fire balances (2022/23 annual audit report)</b></p>	<p>SPPA should ensure that appropriate management checks are carried out on year-end balances regarding the police and fire pension schemes. In addition, SPPA should confirm these year-end balances with SPA and SFRS. SPPA should also consider whether the provision of a service auditor would provide greater assurance to all relevant parties.</p>	<p><b>Not implemented</b> – see <a href="#">Exhibit 1, item 1</a></p> <p>Management response: During the year, staff turnover impacted the provision of accurate reconciliation, this requiring correction by the Transactions Manager prior to the year-end. In order to enhance future assurance, a structural review of Finance function (in October 2024) has aligned direct managerial responsibility of the reconciliation process to the Accounting and Reporting team from the Transactions team.</p>

Issue/risk	Recommendation	Update/Agreed management action/timing
		<p>John Burns (SPPA Chief Financial Officer)</p> <p>30 June 2025</p>
<p><b>b/f 2. Asset accounting (2022/23 annual audit report)</b></p>	<p>SPPA should ensure that there are appropriate management checks on year-end revaluation adjustments. SPPA should also ensure that assets are appropriately classified and that the fixed asset register is updated appropriately (including post-dating any adjustments relating to prior-years' correctly). SPPA should also ensure that the fixed asset register reconciles to the general ledger (SEAS).</p>	<p><b>Work in progress – see <a href="#">Exhibit 1, item 2</a> –</b></p> <p>Management response: While reconciliations were performed as best as possible, there were challenges with the fixed asset system in preparation for the move to Oracle resulting in loss of functionality and limited access to the FAR. This caused reconciling differences in the 2nd half of the year. The move to Oracle will resolve the historical issues which were driven by lack of integration between the FAR and SEAS and the manual update of assets in the asset register.</p> <p>John Burns (SPPA Chief Finance Officer)</p> <p>30 June 2025</p>
<p><b>b/f 3. Combined scheme resource position (2022/23 annual audit report)</b></p>	<p>SPPA should ensure that the Scottish Government is promptly advised of changes in the forecast outturn position.</p>	<p><b>Implemented – see <a href="#">paragraph 34</a>.</b> The combined budget was reduced through in-year revisions to be more closely aligned to GAD forecasts.</p>
<p><b>b/f 4. SPPA management controls (2022/23 annual audit report)</b></p>	<p>SPPA should ensure that financial management controls are routinely carried out during the year and that appropriate evidence of management review is retained.</p>	<p><b>Not implemented – see <a href="#">paragraph 41</a>.</b></p> <p>Management response: This work was postponed owing to staffing resource pressures, but will be rescheduled. SPPA will also raise this with Scottish Government Internal</p>



Issue/risk	Recommendation	Update/Agreed management action/timing
		<p>Audit for potential coverage within the Internal Audit Plan 2025/6.</p> <p>John Burns (SPPA Chief Finance Officer)</p> <p>30 June 2025</p>
<p><b>b/f 5. Counter fraud policy (2022/23 annual audit report)</b></p>	<p>SPPA should ensure that it reviews its counter-fraud policy so that it is appropriately up to date and complies with best practice.</p>	<p><b>Work in progress</b> – see <a href="#">paragraph 50.</a></p> <p>Management response: This policy was refreshed as updated to ARC in March 2024. Overall counter fraud strategy is a work in progress. Plans outlined in March 2024 ARC meeting with different activities to enhance and embed relevant practices. The policy is due for review at the end of these steps. There have been delays due to conflicting resource demands.</p> <p>Activities planned to outline further work in this area: reviewing and adapting plans as outlined in March 2024 – we will update and re-evaluate support and awareness for agency.</p> <p>Responsible Officer - Hannah Grout</p> <p>Revised date – June 2025</p>
<p><b>b/f 6. Financial Strategy (2022/23 annual audit report)</b></p>	<p>SPPA should prioritise developing a financial strategy to identify how it will meet future challenges and pressures.</p>	<p><b>Work in progress</b> – see <a href="#">paragraph 54.</a></p> <p>Management response: The forecast financial position for the three years 2024-5 to 2026-7, was reported by SPPA CEO to DG Corporate and to Minister for Public Finance in August 2024. Additionally, SPPA CEO</p>



Issue/risk	Recommendation	Update/Agreed management action/timing
		<p>submitted a written proposal to the Minister to change the funding model of the organisation, funding it through employer contributions. This would move the organisation to a 4 year planning cycle, and remove the need for it to be funded through SG grant. SG Internal Audit is currently undertaking a review of Financial Governance and Sustainability, the report for which is anticipated shortly.</p> <p>SPPA CEO/ CFO</p> <p>30 June 2025</p>
<p><b>b/f 7. Workforce planning (2022/23 annual audit report)</b></p>	<p>SPPA should finalise its workforce planning framework and associated action plan and ensure it aligns with other plans being developed such as the financial strategy.</p>	<p><b>Implemented</b> – see <a href="#">paragraph 72.</a></p> <p>Management response: The Agency has a robust workforce planning framework and set of tools, which will be enhanced as different Oracle modules come online. The WFP is a live document which is updated regularly and can never be called complete, but there is a clear resourcing plan for the next 3 years backed by an outline organisational strategy, and this will remain under regular review as any WFP should do. There will always be risks but these are about the external context – budgets, recruitment market, org strategy changing – and the WFP will adapt to respond to those changes through the established process.</p>

Issue/risk	Recommendation	Update/Agreed management action/timing
<p><b>b/f 8. 2022/23 Whole of Government (2023/24 interim management letter)</b></p> <p>Accounts (WGA) WGA returns are required for NHSPSS and STPS. We identified that no counter party information was provided for either scheme in 2022/23.</p> <p>The provision of counter party information is an important part of the consolidation process as it allows the elimination of intra group transactions.</p>	<p>Counter party information should be provided for the 2023/24 WGA returns.</p> <p><b>Recommendation will be followed up in 2024/25</b></p>	<p>Debbie Trafford, SPPA Head of People</p> <p>Agreed. Recommendation is accepted.</p> <p>Responsible Officer: Phil McKibben, Financial Controller.</p> <p>Target Date (Revised): 31 December 2024</p>
<p><b>b/f 9. 2022/23 National Fraud Initiative (NFI) (2023/24 interim management letter)</b></p> <p>NFI matches were received for investigation in spring 2023. Matches should have been investigated by end September 2023 with results recorded on the NFI system.</p> <p>Issues identified:</p> <ul style="list-style-type: none"> <li>• Late submission of some data sets and failure to submit data for Police and Fire pension schemes.</li> <li>• The online application had not been updated appropriately. Work in relation to matches to death records had been carried out (which identified 160 errors)</li> </ul>	<p>Data sets for all applicable pension schemes and work carried out in relation to matches should be submitted / updated timeously.</p> <p><b>Recommendation will be followed up in 2024/25</b></p>	<p>All historical NFI matches have been investigated, matched, and uploaded. For 2024 we can confirm that the data sets covered all relevant schemes, including Police and Fire. All new matches for 2024 have been investigated and uploaded, with a project, annualised saving of £500k.</p> <p>This is now part of our annual event activities and subject to project governance within the confines of SPPA Change Management frameworks, with appropriate ownership and resource management.</p>

Issue/risk	Recommendation	Update/Agreed management action/timing
<p>but had not been uploaded at the time of our audit.</p> <p>There is a risk that frauds are not identified and investigated. There is also a risk that matches which have been investigated are not properly recorded which impacts on the reporting of fraud investigations at a national level.</p>		
<p><b>b/f 10. 2023/24 testing of new awards and lump sums (2023/24 interim management letter)</b></p> <p>Our 2023/24 testing of a sample of 15 new awards and lump sum calculations for STPS identified three errors.</p> <p>One error was due to the wrong salary being input and two were due to the wrong date being used. All of the errors were due to manual inputs.</p> <p>SPPA have confirmed that these errors have now been rectified and further guidance has been issued. By extrapolating the results from this sample test, we are content that this does not materially impact on the annual report and accounts.</p> <p>Our testing of NHSPSS new awards and lumps sums is ongoing, however, we have not identified any errors to date.</p>	<p>Manual input for the calculation of new awards and lump sums increases the risk of error. SPPA should implement additional checks / controls to provide assurance on the manual input.</p> <p><b>Recommendation will be followed up in 2024/25</b></p>	<p>A new Quality Assurance Framework was established in July 2023, governing ongoing Pre-and Post-Payment checks feeding a cycle of QA Analysis and Lessons Learned.</p> <p>The QA Framework for Pre-Payment covers receipt of application and checking for missing information, duplication of payment calculation on system and manually to verify accuracy, and risk-based functional approvals by Pensions Officer to undertake documentary checks and calculations veracity. These checks provide Health Check of Data and Application Accuracy, Comprehensive review of any systems output, and QA review of administrative competence and manual error.</p> <p>The QA Framework for Post-Payment checks includes random sample checking of the Pre-Payment checks to ensure the QA Framework is robust and functioning. It feeds Lessons Learned to upgrade and/or refurbish</p>

Issue/risk	Recommendation	Update/Agreed management action/timing
		<p>coaching &amp; training, checklists, calculations processes, and training materials. 2024 Lessons Learned indicate that pensions calculations accuracy is not part of any common theme.</p> <p>As such, we believe that all relevant risks are mitigated appropriately. There is also a longer-term plan to reduce and avoid manual input, with a rolling program of standalone, systems-based calculators commencing launch in selected NHS schemes in August 2024, working through other schemes from 2025 onward.</p> <p>Responsible Officer: Christopher Nairns</p> <p>Target Date: Completed in July 2023</p>

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# SPPA, NHSPSS and STPS

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