

Scottish Public Pensions Agency Scottish Teachers' Superannuation Scheme NHS Superannuation Scheme, Scotland

Report on the 2009/10 Audit to the Scottish Public Pensions
Agency and the Auditor General for Scotland

20 December 2010

The logo for Audit Scotland, featuring a stylized blue 'A' with a checkmark inside a circle to its left.

AUDIT SCOTLAND

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and the Auditor General for Scotland

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Key messages

In 2009/10 we looked at the key strategic and financial risks being faced by the Scottish Public Pensions Agency (SPPA). We audited the financial statements of the Scottish Public Pensions Agency, the Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland) and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

Financial statements

We have given unqualified opinions on the financial statements of the Scottish Public Pensions Agency, the Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland), for 2009/10. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

The Scottish Public Pensions Agency has made good progress in implementing International Financial Reporting Standards (IFRS). Work still remains to be carried out on the format of the 2010-11 Scheme Accounts to ensure more conformity with general IFRS standards.

Financial position and use of resources – Scottish Public Pensions Agency

Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight. It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known. Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available. In the current economic climate difficult decisions will have to be made across the public sector about priority spending programmes.

During financial year 2009/10, the Scottish Public Pensions Agency recorded income of £0.1 million from operating activities and received net funding of £13.0 million (2008/09 £11.5 million) from the Scottish Government. The Agency incurred a net operating cost (excluding notional costs) of £10.3 million (2008/09 £9.3 million) against a budget of £10.9 million and a net underspend of £0.6 million on operating costs (2008/09 £1.2 million). There was a net underspend of £0.2 million (2008/09 £0.6 million) against the capital budget of £2.1 million (2008/09 £3.6 million). The Scottish Public Pensions Agency operated within the budget provided by the Scottish Government.

The Agency faces an increasingly tight financial settlement for 2009-12, including the need to achieve a 4.5% reduction in administration expenditure in 2010/11, and will be expected to deliver pension reform changes in addition to business as usual.



Financial position and use of resources – NHS Superannuation Scheme (Scotland)

The NHS Superannuation Scheme (Scotland) had net outgoings for the year of £1,240.3 million, a decrease of 7.8% (£104.9 million) from 2008/09 (£1,345.2 million). Scheme liabilities have increased by £8.8 billion (8.0%) from £19.4 billion to £28.2 billion. The decrease in the liability for the prior period was £1.7 billion (8.1%).

Financial position and use of resources – Scottish Teachers' Superannuation Scheme

The Scottish Teachers' Superannuation Scheme had net outgoings for the year of £1,133.0 million, a decrease of 3.8% (£44.9 million) from 2008/09 (£1,177.9 million). Scheme liabilities have increased by £6.0 billion (32.6%) from £18.4 billion to £24.4 billion. The decrease in the liability for the prior period was £0.9 billion (4.7%).

Governance and accountability

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. As part of our planning procedures, we carried out a review of Corporate Governance in the Agency, and concluded that overall the corporate governance and control arrangements for the Scottish Public Pensions Agency operated satisfactorily during the year, as reflected in the Statements on Internal Control.

We examined the key financial systems which underpin the organisation's control environment relating to the Agency account. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

While we concluded that the Statements of Internal Control reflected the operation of governance and control arrangements for the two Schemes, we had a number of areas of concern. Our examination of governance and financial systems relating to the two Schemes identified a number of areas that could potentially impact on the control environment in future. In particular we are concerned about the delay in resolving outstanding functionality issues with the AXISe pension administration system and the potential for reputational risk over the number of legacy issues and the data error backlog, the slow clearance of health board early retirement cost debtors and the implementation and functionality of the EPICOR debtors control system. Controls in these areas should be strengthened and we have agreed an action plan of improvements with management. A further management letter has been produced for the two Scheme Accounts. These will be followed up in 2011 to confirm that improvements have been made.

Performance

The Scottish Public Pensions Agency operated within its combined operating costs and capital budget for 2009/10 for the Agency and for the two Schemes. The Agency met six of the 8 key targets appropriate for



the year as outlined in the corporate plan for 2008-11. Details of performance are reported in the Annual Report.

Looking forward

The final part of our report notes some key risks areas for the Scottish Public Pensions Agency going forward and highlights some national issues. In common with all public sector bodies, the Agency faces the potential impact of the tighter funding position on the need for prioritising spending, realising efficiencies and managing budgets. We consider the completion of the implementation of AXISe and the successful introduction of EPICOR represent significant challenges for the Scottish Public Pensions Agency in the coming year. These systems will be key to the successful implementation of the recently announced reforms to public sector pensions which will undoubtedly increase the Scottish Public Pensions Agency workload.

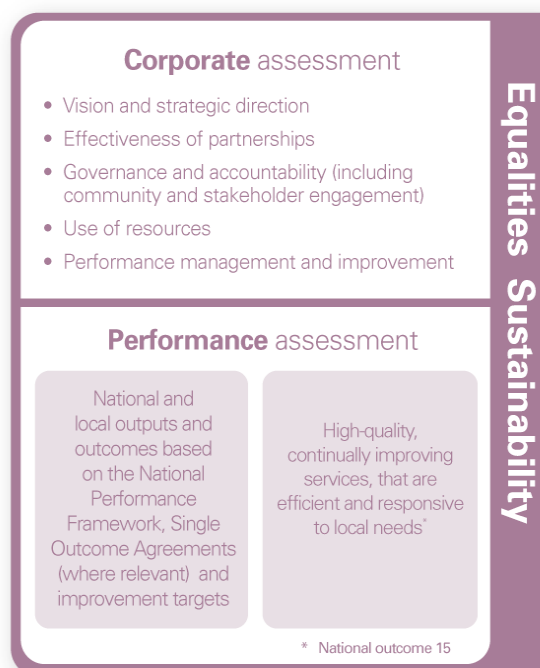
The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

Audit Scotland
20 December 2010

Introduction

1. This report summarises the findings from our 2009/10 audit of the Scottish Public Pensions Agency, the Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland). The scope of the audit was set out in our Audit Plan in accordance with the Code of Audit Practice, which was presented to the Audit Committee on 19 January 2010. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Agency's agreed response. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them. Appendix B lists the risks identified in the Audit Plan, the actions taken by management to ameliorate them and our review of the outcome.
3. Best value duties apply across the public sector and are a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and this has been further developed during 2009/10 with the completion of its bank of best value Toolkits which, although primarily designed for audit use, are available to all public bodies for reference.

Exhibit 1: Framework for a best value audit of a public body



4. A linked development here has been the Scottish Government's work to refresh its 2006 best value Guidance for Public Bodies. This latter initiative, due for issue later in 2010, will result in clearer guidance to public bodies, and particularly those in the Central Government and Health sectors, on securing continuous improvement in performance, with due regard to the balance between cost and quality.
5. Throughout this report we comment on aspects of the Scottish Public Pensions Agency arrangements in this area. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not yet have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report represents a further step towards that goal.
6. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. Where these have a bearing on the activities, risks or performance of the Scottish Public Pensions Agency, we make reference to these reports in this document. Full copies of the study reports can be obtained from Audit Scotland's website, www.audit-scotland.gov.uk.
7. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by Board members and staff of the Scottish Public Pensions Agency during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.

Financial statements - SPPA

8. In this section we summarise key outcomes from our audit of the Scottish Public Pensions Agency financial statements for 2009/10 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

Our responsibilities

9. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of the Scottish Public Pensions Agency and its expenditure and income for the period in question;
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
 - the consistency of the information in the Annual Report and Accounts, which comprises only the Management Commentary, with the financial statements; and
 - the regularity of the expenditure and receipts.
10. We also review the statement on internal control by:
 - considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
 - assessing whether disclosures in the statement are consistent with our knowledge of the Scottish Public Pensions Agency.

Overall conclusion

11. We have given an unqualified opinion on the financial statements of the Scottish Public Pensions Agency for 2009/10.
12. The unaudited accounts were provided to us on 26 May 2010, supported by a comprehensive working paper package. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 20 July 2010.

Issues arising from the audit

13. As required by auditing standards we reported to the Audit Committee on 20 July 2010 the main issues arising from our audit of the financial statements. There were no significant issues to be brought to the Audit Committee's attention.

Regularity

14. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

International financial reporting standards (IFRS)

15. UK Government departments and other public sector bodies prepared their accounts in accordance with International Financial Reporting Standards (IFRS) for the first time in financial year 2009/10. The transition arrangements to IFRS required bodies to prepare IFRS shadow accounts for 2008/09, including revised opening balances as at 1 April 2008.
16. During 2009/10 we were required to review the shadow accounts and report on them to the Scottish Government by 28 February 2010. The purpose of this exercise was to consider whether the shadow accounts had been properly prepared and report any matters that might prevent them forming a reliable basis for the first set of IFRS based accounts in 2009/10.
17. The shadow accounts and supporting documentation for the 2008/09 financial year were submitted by the Scottish Public Pensions Agency for review by the deadline date of 28 February 2010. We made three recommendations for the production of the 2009/10 accounts, and considered progress on them when we audited the 2009/10 accounts. Our follow up review in November 2009 identified that sufficient further work had been carried out on tangible non current assets and leases but that further disclosure was necessary on non current intangible assets where appropriate. Our subsequent audit identified that sufficient disclosure had been put into the 2009/10 accounts.

Financial statements - NHSSS and STSS

18. In this section we summarise key outcomes from our audit of the Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland) financial statements for 2009/10 and the accounting issues faced.

Our responsibilities

19. We audit the financial statements and give an opinion on:

- whether they give a true and fair view of the financial position of the NHS Superannuation Scheme (Scotland) and the Scottish Teachers' Superannuation Scheme and their expenditure and income for the period in question;
- whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
- the consistency of the information which comprises the Report of the Managers and the Report of the Actuary/Statement of the Actuary within the financial statements; and
- the regularity of the expenditure and receipts.

20. We also review the statements on internal control by:

- considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
- assessing whether disclosures in the statement are consistent with our knowledge of the NHS Superannuation Scheme (Scotland) and the Scottish Teachers' Superannuation Scheme.

Overall conclusion

21. We have given an unqualified opinion on the financial statements of the NHS Superannuation Scheme (Scotland) and the Scottish Teachers' Superannuation Scheme for 2009/10.

22. As agreed, the unaudited accounts were provided to us on 30 July 2010. We concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 12 October 2010.

Issues arising from the audit

23. As required by auditing standards we reported to the Audit Committee on 12 October 2010 the main issues arising from our audit of the financial statements. The key issues were as follows:

Payment of pensions

24. **NHSSS: Refunds** - During our final audit procedures we identified that SPPA has a long term legacy issue requiring repayment of £15.1 million to a maximum of 30,000 NHS members who have left the scheme but have not yet applied for a refund of contributions. These individuals are not entitled to a pension as they do not have sufficient qualifying service, however, if they reach retirement age before a refund is made, then a pension is calculated by default. Although payment of the pension is only made on receipt of an approved application from the member, there is the possibility that some members have become deferred pensioners as a result. We concluded from our review that current control procedures will prevent future pensions being awarded on this basis.
25. Data supplied to the Government Actuary's Department (GAD) included these members incorrectly under the deferred member category. The GAD liability computation could therefore be overstated. We have reviewed the GAD report on data quality which examined this issue. We have also been involved in correspondence with GAD on the effect of this overstatement of pension liability. We are satisfied with GAD's assurances that the overstatement of the liability is not material to the accounts as a whole. SPPA agreed that the full amount of £15.1 million is a known liability and should be separately recognised in the accounts with a note of disclosure. The accounts were changed accordingly.
26. Our review of this issue highlighted that approximately 600 refunds made to date had been wrongly calculated with incorrect interest rates and periods being used. Whilst individual amounts involved are likely to be marginal, we are concerned that there has been a fundamental failure to apply the regulations correctly. The basis on which interest payments are being made is questionable and we recommend that the meaning and wording of the relevant regulations are clarified immediately.
27. SPPA have now put in place procedures to ensure that members who do not apply for a refund will be contacted no later than two years before normal retirement age; this will prevent pensions being paid by default. We believe that SPPA should endeavour to clear these refunds as quickly as possible, given that the number of cases outstanding is substantial, although the value is not material to the accounts. We therefore recommend that SPPA reviews its current refund calculation policy in the light of resource constraints, taking account of individual entitlements and the other risks involved.

Action plan 1

28. We are also concerned that neither GAD nor ourselves were previously aware of the issue. It is not clear how well known this issue was at management team and board level. We recommend that we are informed about emerging areas of significant risk in relation to membership data and revaluation on an ongoing basis.

Action plan 2

29. **NHSSS: Early retirement costs debtor** – in our 2007/08 and 2008/09 audit reports we noted that the NHS Superannuation Scheme (Scotland)'s accounts included a debtor of £14.5 million and £27.6 million respectively for early retirement costs recoverable from the Scottish Government Health Directorate (SGHD). SPPA issue recharge reports to the SGHD to recover these costs. We note that although progress has been made on clearing the backlog, and some amounts have now been received, subsequent charges have led to the amount increasing to £35.4m. Currently the Finance department aim to clear this amount prior to bringing the recharges into the EPICOR debtor control system so that monthly invoicing can start. Consequently, the backlog will need to be cleared prior to the end of the current financial year.

Action plan 3

30. **NHSSS and STSS: Termination dates and duplicate payments** - We identified three cases where lump sums were paid more than once. Although control processes ensured that the excess amounts were recovered, some of the difficulties arose out of differing uses of termination dates for payment processing. We consider that processes around termination dates should be reviewed. In view of the reputational risk in relation to these payments, we recommend SPPA ensure that all cases of this nature are reported automatically to management.

Action plan 4

Accounting for contributions and the introduction of EPICOR

31. **NHSSS and STSS: Reconciliations** - In 2008/09 we noted that no reconciliations were performed on either Scheme between employers' annual returns and SPPA's contribution records. In 2009/10 the same situation existed with the exception of a small number of reconciliations for GP practices and independent schools which were judged to be the areas of most risk. These were started in mid September 2010. This year, due to resource constraints, SPPA staff did not perform ratio analyses of employer and employee contributions. Our work identified a number of employer ratios in STSS that would merit further investigation, although the differences are not anticipated to have a material effect on the accounts.
32. We consider that reconciliations would provide assurance on the completeness and accuracy of contribution receipts. The validity of the contribution records in EPICOR should be reviewed against employer annual return information to ensure that income is being fully and accurately remitted for all employees.

33. **EPICOR implementation and functionality** – Although EPICOR was implemented in April 2010, few bespoke reports are currently being used for monitoring purposes and it is likely that additional resources may be needed to write them. As noted above, no recharge debtor invoices have been raised yet. We are concerned that the EPICOR reporting system will not be sufficiently operational during the financial year. We are aware that resource pressures on the Finance Department are also limiting the level of reconciliation work carried out and that there is still some work to be done to ensure that member bodies communicate efficiently and effectively. Audit Scotland intends to carry out a review of the operation of EPICOR in 2011 when we will be examining both the planned debtor controls system and the progress achieved.

Action plan 5

Pensions administration

34. **NHSSS and STSS: Legacy issues and data error backlog** — Arising out of our review of the GAD report on data quality and our audit of refunds, we sought further information on legacy issues. These generally relate to member information which is recorded wrongly, or not recorded at all, on the pensions administration system as a result, for example, of data not being fully migrated between systems. We sought an estimate of the numbers of people and value involved, and a view of the risks to the accounts. We also sought details of the number of outstanding data errors which SPPA has to address. Data errors arise mainly from annual returns from employers and manifest themselves in inconsistencies in the information from one year to another. SPPA therefore has to manually correct the error to allow the data to be properly loaded to the administration system.
35. A paper was presented to the Audit Committee meeting on 12 October which listed the main legacy and data issues and the proposed actions to mitigate and clear them. While we note the contents of this paper and acknowledge that there will always be a certain level of data error in the AXISe system as pension data is perpetually being updated, we are concerned about the volume of the current backlog. We will review progress on clearing legacy issues and the data error backlog during our 2010/11 audit.

Action plan 6

Pensions valuation

36. **STSS: Change in roll forward valuation method** - We considered the proposals by GAD to adopt a similar interim roll forward valuation method to that used for the local government pension scheme until revised valuation data comes next year. We consulted our technical section who broadly approved the change in approach. We had detailed discussions with GAD and are content that the adoption of this changed method is reasonable in the circumstances.

37. **NHSS: GAD report on quality of membership data** - In June 2010, we were copied a draft report from GAD on the quality of membership data supplied by SPPA. We were subsequently copied further drafts containing additional adjustments in August and September. These reports contained information on a number of significant issues including adjustments for missing records, multiple contracts and deferred members entitled to refunds about which we were previously unaware and which necessitated late changes to our final audit procedures. In view of the issues raised in the GAD report, we sought additional assurances from SPPA on the quality of membership data supplied to GAD. We also requested that we are provided with updated information on membership data and changes to financial assumptions on a regular basis when there is a revaluation.
38. During our audit we identified a number of differences between membership data produced for the Scheme accounts and the Scheme valuations. We recommend that SPPA establishes an internal protocol on the submission of data from AXISE which will ensure a clear audit trail and a record of data submitted.

Action plan 7

39. **Actuarial expertise** – Currently there is no qualified actuary on the Board of SPPA. In view of the complexities of revaluation and pension administration, particularly with the imminent revaluations of both schemes and proposed reforms, we recommend that consideration is given to including an actuary in the next round of appointments to the Board.

Action plan 8

Documentation and senior management review

40. **NHSS and STSS: Documentation and review** – Although the documentation of the Agency accounts was to a high standard, in contrast we experienced difficulties in the format and the content of Scheme working papers and reconciliations. We also observed that the Scheme accounts lacked a thorough senior manager review before we received the drafts. We ask SPPA to re-examine the standard of the Scheme accounts documentation and methods of review. We will work with SPPA to achieve higher standards of documentation.

Action plan 9

Regularity

41. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

International financial reporting standards (IFRS) and format of accounts

42. The current Scheme accounts conform to the standard 'Magenta' format as laid down by H M Treasury. However the current standard is a mixture of pre and post IFRS layouts. For instance the current standard contains a Statement of Recognised Gains and Losses, whereas all other Treasury IFRS compliant formats do not.

Use of resources

43. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of the Scottish Public Pensions Agency, the Scottish Teachers' Superannuation Scheme and the NHS Superannuation Scheme (Scotland)'s:

- financial position;
- financial sustainability and management; and
- management and use of information and communications technology (ICT).

Financial position - SPPA

Outturn 2009/10

44. During financial year 2009/10, the Scottish Public Pensions Agency recorded income of £0.1 million from operating activities and received net funding of £13.0 million (2008/09 £11.5 million) from the Scottish Government. The Agency incurred a net operating cost (excluding cost of capital) of £10.3 million (2008/09 £ 9.3 million) against a budget of £10.9 million; a net underspend of £0.6 million on operating costs (2008/09 £1.2 million). There was a net underspend of £0.2 million (2008/09 £0.6 million) against the capital budget of £2.1 million (2008/09 £3.6 million).

45. The Scottish Public Pensions Agency operated within the resource budget limits set by the Scottish Government for cash expenditure and non cash costs:

Exhibit 2 – Performance against resource budget 2009/10 (£ million)

| Limits | Budget | Outturn | Difference |
|--------------|-------------|-------------|------------|
| Operating | 10.9* | 10.6* | 0.3* |
| Capital | 2.1 | 1.9 | 0.2 |
| Total | 13.0 | 12.5 | 0.5 |

* This figure includes cost of capital

Financial sustainability and management

Scotland's public finances

46. The Auditor General's report on *Scotland's public finances*, published in November 2009, contained an overview of the financial environment in Scotland and the pressures and challenges facing the public sector. The aim of this report was to help to inform the debate on the future of public finances in Scotland. The key messages from this report were:

Extract from Auditor General's report *Scotland's public finances*

The public sector is coming under the greatest financial pressure since devolution.

- Scotland's economy is in recession and the public sector is under the greatest financial pressure since devolution ten years ago. It will be very challenging to maintain current levels of public services and meet new demands when resources are tight.
- The Scottish Government and the wider public sector need to work together to develop better activity, cost and performance information. This information is needed to enable informed choices to be made between competing priorities, and to encourage greater efficiency and productivity.

The Scottish Government faces significant challenges in balancing the budget while also delivering on its commitments and meeting increasing demands for public services.

- It remains unclear what impact the current recession will have beyond 2010/11. The Scottish budget is likely to reduce in real terms but the full extent of this is not yet known.
- In many cases, the public sector uses income from various sources to pay for services. Income levels anticipated before the recession are unlikely to be realised, reducing the amount available to spend.
- The Scottish public sector faces significant challenges in balancing its budget while also delivering on its commitments. Changes in Scotland's population and rising unemployment rates will increase demand for public services.
- Two per cent efficiency savings will not be sufficient beyond 2011 to bridge the gap between public spending and the smaller budget available.

In the current economic climate difficult decisions will have to be made about priority spending programmes.

- The Scottish Government’s annual budget is largely developed on an incremental basis which involves making adjustments at the margin to existing budgets. This approach is not suitable for budgeting in a financial downturn because it does not easily allow informed choices to be made about priorities, based on robust information about activity, costs and performance.
- The Scottish Parliament has an important role in scrutinising the government’s spending plans. Better information linking spending to costs, activities and service performance, and a rolling programme of performance reviews, would support the Scottish Parliament in fulfilling this role.

Financial sustainability and the 2010/11 budget

47. Scottish Ministers have agreed a resource budget for the Scottish Public Pensions Agency of £11.7 million for 2010/11. This comprises operating expenditure of £10.6 million and capital expenditure of £1.1 million. This represents a reduction of £1.3m or 10% from 2009/10. See Exhibit 4 below.
48. Comparisons between 2009/10 outturn and the proposed 2010/11 budget are as follows:

Exhibit 3 –2009/10 Outturn and 2010/11 Resource Plan (£ million)

| Limits | Outturn 2009/10 | Budget 2010/11 |
|---------------|----------------------------|---------------------------|
| Operating | 10.3* | 10.6 |
| Capital | 1.9 | 1.1 |
| Total | 12.2 | 11.7 |

* This figure excludes cost of capital

49. Audit Scotland conducted a Best Value Efficiency Toolkit review of the Scottish Public Pensions Agency during 2009/10 in order to assess the efficiency arrangements in place in the Agency. We found that the Scottish Public Pensions Agency was committed to best value principles and continuous improvement. The Scottish Public Pensions Agency demonstrated advanced practice in terms of its quantifiable efficiency gains over the previous 3 years. We identified a number of areas for improvement which are being addressed by the Agency.

50. As shown in Exhibit 2 above, the 2009/10 outturn was £12.5m against an allocation of £13m. The Scottish Public Pensions Agency needs to make savings of 4.5% on its running cost budget for 2010/11 and has introduced a freeze on recruitment to help meet this target. The Government Comprehensive Spending Review reported on 20 October 2010 and detailed spending programmes for individual departments and agencies are not known beyond 2010/11. Delivering efficiencies year on year while absorbing pay inflation and other cost pressures represents a significant challenge for the organisation.

Financial position - NHSSS

Outturn 2009/10

51. The NHS Superannuation Scheme (Scotland) had net outgoings for the year of £1,240.3 million, a decrease of 7.8% (£104.9 million) from 2008/09 (£1,345.2 million). Scheme liabilities have increased by £8.8 billion (8.0%) from £19.4 billion to £28.2 billion. This is largely due to changes in actuarial assumptions, particularly the discount rate. The discount rate applied from 31 March 2010 was 1.8% real, a decrease from 3.2% real from the previous year. The decrease in the liability for the prior period was £1.7 billion (8.1%). The Scottish Public Pensions Agency operated within the budget limits set by the Scottish Government.

52. In accounting for pensions, International Accounting Standard 19 (Employee Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if actual payment will be made in future years. This requirement results in very large future liabilities being recognised in financial statements. In summary, the IAS 19 liability has moved as follows since the standard was first introduced in 2003/04:

| | 2003/04 £billion | 2004/05 £billion | 2005/06 £billion | 2006/07 £billion | 2007/08 £billion | 2008/09 £billion | 2009/10 £billion |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| IAS 19 Liability | 11.6 | 12.7 | 16.2 | 21.9 | 21.1 | 19.4 | 28.2 |

Financial position - STSS

Outturn 2009/10

53. The Scottish Teachers' Superannuation Scheme had net outgoings for the year of £1,133.0 million, a decrease of 3.8% (£44.9 million) from 2008/09 (£1,177.9 million). Scheme liabilities have increased by £6.0 billion (32.6%) from £18.4 billion to £24.4 billion. This is largely due to changes in actuarial assumptions, particularly the discount rate. The discount rate applied from 31 March 2010 was 1.8%

real, a decrease from 3.2% real from the previous year. The decrease in the liability for the prior period was £0.9 billion (4.7%). The Scottish Public Pensions Agency operated within the budget limits set by the Scottish Government.

54. In summary, the IAS19 liability has increased as follows since 2003/04:

| | 2003/04 £billion | 2004/05 £billion | 2005/06 £billion | 2006/07 £billion | 2007/08 £billion | 2008/09 £billion | 2009/10 £billion |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| IAS 19 Liability | 10.7 | 12.4 | 14.6 | 18.7 | 19.3 | 18.4 | 24.4 |

Management and use of ICT

AXISe system review follow-up

55. As part of our 2008/09 audit of the Scottish Public Pension Agency (SPPA), we carried out a review of the AXISe pensions administration system and identified risks to the organisation and scope for improvement in a number of areas. SPPA agreed to take action on the identified risks within a set timescale.
56. We are pleased to note that actions have been taken to address those risks that were reported in the initial review.
57. We also noted that SPPA continue to work with Heywood to help implement a number of key areas of functionality during 2010 and that they are also considering undertaking a cost benefit analysis on whether to upgrade to the Altair System in the medium/long term.

YB@R follow-up

58. Your Business @ Risk (YB@R) is a web-based survey that helps bodies quickly assess procedural, cultural and ethical compliance risks that have the potential to undermine the effectiveness of their information governance policies. Effective information governance always comes down to people and behaviours. Security policies have to be understood, accepted and integrated with, rather than bolted on to, the business processes used in an organisation. YB@R provides a snapshot of whether an organisation's information governance policies are achieving their objectives and can help avoid the possibility of an embarrassing data loss.
59. SPPA agreed to participate in the new release of the YB@R survey during 2010 on a sample basis of 50 staff from a total of approximately 250 (20% of staff) to help benchmark with other public sector organisations in Scotland and assess whether staff awareness of information governance issues have improved. The survey enabled the Scottish Public Pensions Agency to:

- assess awareness of the risks associated with the use of technology;
 - gauge how well policies and standards have been understood;
 - assess the levels of ICT security awareness among staff;
 - benchmark themselves against other organisations and measure improvement over time; and
 - highlight areas where SPPA may need to improve governance and reduce risk.
60. The profile of results demonstrated a good level of awareness within the organisation in some areas, particularly the reporting of security incidents or lost or misplaced work related information, awareness of SPPA's internet, email and telephone policy and procedures, and the need for password changes.
61. However there are a number of areas where the survey identified that SPPA needed to continue to develop and reinforce, to help improve overall staff awareness of information security. Key actions going forward should include:
- Ensuring all staff are required to undertake information governance training, along with appropriate Data Protection training, with its completion being monitored; and
 - refresh and re-launch policies and procedures and develop a good practice guidance booklet or other forms of communication to help improve staff behaviours. These should include clear guidance on secure methods of sharing and accessing information externally, password management, and loss of staff equipment, including security over removable media.
62. The results from the survey were also compared with a Scottish database of public sector clients who have taken part in the same survey to date. The comparison indicated that SPPA compared favourably with the benchmark data, with awareness around information governance being in line with or better for the majority of the questions. There were a number of examples around key risk areas where SPPA awareness significantly out performed the benchmark data.
63. SPPA has agreed to revise its awareness training and has increased the grade of the risk of mishandling data in the risk register.

Future national studies

64. In addition to *Scotland's public finances*, Audit Scotland is due to publish three national studies relevant to the Scottish Public Pensions Agency's use of resources. These are *Improving energy efficiency: a follow-up report*, *Public sector pensions follow-up report*, and *Scotland's public finances: responding to the challenges*.

65. *Improving energy efficiency: a follow-up report* will re-evaluate the performance of the public sector in improving its energy efficiency. It will assess progress made against the recommendations in the *Improving energy efficiency report 2008*, and look at changes in public bodies' energy consumption and spending on energy since 2004/05. It will also look at how prepared participating public bodies are for the CRC Energy Efficiency Scheme. It is due to be published in December 2010.
66. *Public sector pensions follow-up report* - This report will be a follow up on the 2006 report, *Public sector pension schemes in Scotland*. It will provide an update position on the six main public sector pension schemes and the implications for the Scottish Government spending going forward. It is due to be published in February 2011.
67. *Scotland's public finances: responding to the challenges* - The Auditor General's 2009 report on *Scotland's public finances: preparing for the future* highlighted that it would be challenging to maintain current levels of public services and meet new demands when resources are tight. This new report will provide analysis of the spending cuts which public bodies are likely to face in the coming years, and evaluate how well public bodies are planning for this significant change in the financial climate. It is due to be published in Spring 2011.

Governance and accountability

68. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of the Scottish Public Pensions Agency's arrangements.
69. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

Overview of arrangements

70. This year we reviewed:
- key systems of internal control;
 - internal audit; and
 - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
71. We also note in our overall conclusion that arrangements for the Scottish Public Pensions Agency are sound and have operated through 2009/10, but that there is room for improvement in several areas relating to the two Schemes.

Corporate governance

72. We conducted a review and evaluation of the governance arrangements in the Scottish Public Pensions Agency as part of the 2008/09 audit and confirmed that the main structures that would be expected to be in place were present. Our report made a number of recommendations relating to IT related anti-fraud procedures, whistle-blowing contacts, and Audit Committee reviews of internal and external auditors. During our 2009/10 audit, we were pleased to note that these recommendations have now been implemented.

Systems of internal control

73. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. They support a robust internal control environment and the effective production of financial statements. In their annual report for 2009/10 Internal Audit

provided the opinion that, based on the internal audit work undertaken during the year, there was *substantial* assurance on the adequacy and effectiveness of the systems of internal control for the Agency, and *reasonable* assurance for the two Schemes mainly due to concerns about the operation of AXISe.

74. As part of our audit we reviewed the high level controls in a number of the Scottish Public Pensions Agency's systems that impact on the financial statements of both the Scottish Public Pensions Agency account and the two Pension Scheme accounts. In addition to the work done on the Scottish Public Pensions Agency's own systems, we also drew assurance from work done by Audit Scotland's Scottish Government team on the Scottish Executive Accounting System used by the Scottish Public Pensions Agency.
75. Our overall conclusion was that key controls were operating effectively and that the Scottish Public Pensions Agency has adequate systems of internal control in place for the Agency. However there is room for improvement in several areas relating to the two Scheme Accounts, for example the development of the AXISe pensions administration system and the potential for reputational risk over legacy issues and the data error backlog, the slow clearance of health board early retirement costs debtors and the implementation and functionality of the EPICOR debtors control system. Controls in these areas should be strengthened and we have agreed an action plan of improvements with management. A further management letter has been produced for the two Scheme Accounts. These will be followed up in 2011 to confirm that improvements have been made.

Statements on Internal Control

76. The Statements on Internal Control provided by the Scottish Public Pensions Agency Accountable Officer reflected the main findings from both external and internal audit work. These recorded management's responsibility for maintaining a sound system of internal control and set out the Scottish Public Pensions Agency's approach to this.

Internal audit

77. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2009/10 audit we assessed whether we could place reliance on the Scottish Public Pensions Agency internal audit function (provided by Scottish Government Internal Audit Division). We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2009/10, as we anticipated in our annual audit plan. This included reliance on aspects of internal audit's systems work to avoid duplication of effort. However, the coverage of internal audit's reports did not enable us to reduce our testing of the Agency

accounts, although their Risk Management report confirmed the findings of our planning review. We were able to place reliance on the following areas for the two Scheme Accounts, although again these did not result in a reduction in our testing levels:

- New Awards including Pensions Increase
- Project Management of EPICOR

78. Internal Audit's review of the Project Management of EPICOR raised a number of significant issues:

- The Business Case had:
 - Insufficient option appraisal and a lack of baseline data to show how benefits are to be measured, tracked and delivery confirmed;
 - Subsequent changes in the proposed system deliverables did not prompt a re-assessment of the development;
 - There was no evidence of a full budget assessment, while the original budget was constrained by the EC threshold.
- The project did not meet its timescale or budget and lacked a benefits realisation to justify the improved quality against these overruns.

79. We remain concerned that the benefits of the project continue to be unclear and that the project will still need additional resources committed before they are realised.

Prevention and detection of fraud and irregularities

80. The Scottish Public Pensions Agency has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members. It has a policy of not accepting gifts or hospitality. During the audit we examined procedures for recording staff expenditure (e.g. travel), gifts and hospitality and performed testing to ensure procedures had been complied with. We found items had been appropriately recorded and authorised.

NFI in Scotland

81. On 20 May 2010, Audit Scotland published the report *The National Fraud Initiative in Scotland; making an impact*, which set out the results of the 2008/09 exercise, involving 74 bodies, including councils, police forces, fire and rescue services, health boards, the Scottish Public Pension Agency and the Student Award Agency for Scotland.

82. Data on deceased persons, public sector employees and pensioners, benefit applicants, council tax records, failed asylum-seekers, disabled parking permits, expired visas and students was compared to look for potential inconsistencies that might suggest fraud or error. These 'matches' were then followed up to identify fraud and error, stop overpayments and, where possible, recover the sums involved.
83. This is the third time the initiative has been carried out in Scotland. It has been the most successful anti fraud exercise yet, with the results worth £21.1 million of public money. The report says that while the NFI has been successful, much of the information used in this exercise was collected before the recession really took hold. An economic downturn is commonly linked to a heightened risk of fraud, and public bodies need to remain vigilant.
84. Audit Scotland last reported on the NFI in 2008. The cumulative outcome from these exercises in Scotland is now around £58 million and there have been at least 80 successful prosecutions since that last report.
85. The report mentioned that the Scottish Public Pension Agency recorded outcomes of £0.6 million from its 2008/09 matches. This compares with £5.3 million in 2004/05 and £2.3 million in 2006/07. The Agency undertook an exercise with information about deaths obtained from the General Registers Office for Scotland (GROS) between the 2006/07 and 2008/09 NFI exercises. This significantly reduced the number of unknown deceased pensioners that remained to be detected from their 2008/09 NFI matches. The use of GROS data is now a routine feature of the Agency's control system.
86. Audit Scotland began the next NFI exercise in October 2010. This is carried out under new powers recently agreed by the Scottish Parliament. These provide for more collaboration with other UK agencies to detect 'cross border' fraud, extend the range of public sector bodies involved, and allow data matching to be used to detect other crime as well as fraud.
87. The Chief Executive and the Director of Corporate Services have expressed their support for the exercise and results and updates of NFI investigations are reported to the Audit Committee. We note that officers have taken a systematic and planned approach to investigating matches.

National studies

Role of boards

88. In late September 2010, Audit Scotland published a national study on *The Role of Boards* which is relevant to the governance of the Scottish Public Pensions Agency. Boards play a crucial role in ensuring that governance standards are maintained in public sector organisations. The audit assessed how Board members are selected and whether the membership of Boards is appropriate;

and reviewed how the performance of Boards is measured and the arrangements for induction and training for non-executive members.

89. The summary **key recommendations** for public bodies were to:

- review the skills and expertise that they need among non-executives for the future and seek to attract applicants to fill any gaps identified;
- ensure that their boards focus their scrutiny on organisational performance, financial management and risk management; and
- review the use of committees and ensure that major decisions which should be made by the board are not delegated.

90. As raised previously in this report at paragraph 39, the Scottish Public Pension Agency do not currently have a qualified actuary on the Board. They should therefore consider the recommendation made in this report to introduce an actuary in the next round of appointments.

Performance

91. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery;
 - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
92. In this section we comment on:
- the corporate plan;
 - performance against targets;
 - performance management arrangements;
 - risk management; and
 - delivering efficiencies.

Vision and strategic direction

93. The Scottish Public Pensions Agency published its corporate plan for 2008 – 2011 in May 2008. The plan focuses on four key themes:
- Improving service quality;
 - Improving organisational efficiency;
 - Expanding organisational knowledge; and
 - Developing and supporting our staff.
94. The corporate plan also noted fifteen key challenges during 2008-09 to 2010-11 that would affect these themes.
95. Within each theme the Scottish Public Pensions Agency has set key milestones for action within yearly timescales. The Scottish Public Pensions Agency will have to keep targets under review to ensure achievement of key actions. The delivery of the corporate plan objectives will be particularly challenging given the tight financial constraints over the same period. This is an area we will keep under review.

Performance overview

96. The Scottish Public Pension Agency's corporate plan identifies ten key performance targets between 2008 and 2011. Of these two ('realise efficiency gains and service improvements following the introduction of new pensions administration IT system', and 'develop and introduce new payroll IT system from December 2010') are not applicable this year.
97. Of the remaining eight targets, six have been achieved. One target relating to the collection of contributions was achieved for NHSSS but marginally fell short for STSS. We anticipate that contribution collection rates should increase in 2010/11 and in subsequent years once the new EPICOR contributions accounting system is fully implemented. Another target relating to customer satisfaction levels was not achieved. This is partly due to adverse customer assessments of the new telephone call management system. The system is being modified to address these criticisms.

Performance management

98. The Agency Board regularly reviews the Scottish Public Pensions Agency's performance against the corporate plan through quarterly performance reports. The reports are discussed in Board meetings and the format of the report is tailored to the issues being reported to ensure that appropriate information is provided.

Risk management

99. There a number of key challenges and risks for the Agency in delivering its plan. The Board has put in place robust systems for the identification and management of risk with the adoption of a single corporate risk register, corporate risk management policies and the issuing of guidance for managers. These corporate risk arrangements are supported by directorate risk registers and arrangements. The challenge for the Agency will be embedding a risk aware culture within the organisation for the future management of existing and emerging risks in the medium to long term.
100. The main risk areas are:
- **Securing financial stability** – As has been noted earlier in this report, one of the significant challenges that the Agency faces relates to its ability to fund a sustainable level of service and implement major service developments;
 - **Contributions accounting and the introduction of EPICOR** - The Agency has had difficulties in accounting for contributions from different bodies for both Schemes. The introduction of the new accounting system, EPICOR, offers the opportunity to ensure that reconciliations are carried out timeously and accurately. However the initial implementation has not yet drawn on the full capacity of the system;

- **Inability to respond adequately to pension reform agenda** – The Agency has identified that lack of expertise and inadequate resourcing may impact on their ability to respond to the reform agenda.

101. These risk areas are complex and comprise multiple issues which will require careful management to resolve. We have continued to monitor the Agency's progress in each of these areas over the course of the year.

Improving public sector efficiency

102. The Audit Scotland report *Improving public sector efficiency* was published on 25 February 2010. It provided a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gave an update on how the Scottish Government and public bodies have addressed the recommendations made in the 2006 report about the previous efficiency programme.

103. The report found that Scottish public bodies reported more efficiency savings than the Government's two per cent target. But there are serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult.

104. The report recommended that to deal with reduced future funding and increase savings public bodies need to consider fresh approaches to improving efficiency and productivity. They must take a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working.

105. The drive to improve efficiency and productivity is not just an exercise for managers and service providers. It requires strong leadership and engagement from the very top of public bodies. Leaders and senior decision-makers within an organisation have a responsibility to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. The report's recommendations highlighted areas that public bodies' key decision makers should look at to assess their organisation's development and to challenge existing arrangements (see below).

Extract from Audit Scotland report *Improving public sector efficiency*

In order to improve the delivery of efficiency savings public bodies should:

- ensure they have a priority-based approach to budgeting and spending
- continue to improve collaboration and joint working, overcoming traditional service boundaries
- consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services
- improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against
- give greater urgency to developing benchmarking programmes
- maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services
- ensure there is a joined-up approach to efficiency savings across the public sector, avoiding duplication
- ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured
- strengthen the involvement of front-line staff, service providers and users in redesigning public services
- reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer term strategy
- report efficiency savings consistently.

106. To support these high-level recommendations, Audit Scotland, the Northern Ireland Audit Office and the Wales Audit Office have drawn on their combined experience to develop a detailed good practice checklist. The checklist is intended to promote detailed review and reflection and, if necessary, a basis for improvement. SPPA completed the checklist in 2009 and details were reported to the Audit Committee in January 2010. The Agency was evaluated as being in a good position to build on, having mostly basic practices but with a number of better and one advanced practice.

107. We note that the Agency has since developed an efficiency plan which will focus on a small number of projects primarily concerning the Operations Directorate. SPPA will continue to refine the

methodological basis for assessing areas most likely to yield efficiencies and will monitor the effectiveness of efficiency related actions.

Delivering efficiencies

108. In November 2007 the Scottish Government announced the Efficient Government Programme 2009/10 – 2010/11, setting set out its target to deliver cash-releasing efficiency savings amounting to £1.6 billion in 2010/11.

109. To achieve this level of savings the Scottish Government set portfolios a target of 2% cash-releasing savings – producing the same outputs with fewer inputs – for each of the three financial years. Public bodies will therefore need to be able to deliver year on year efficiency savings and contribute to the achievement of these portfolio savings targets.

110. SPPA achieved efficiency savings of administrative and operational costs of 7% in 2009/10 and is therefore exceeding its target. SPPA needs to achieve a 4.5% reduction in administrative expenditure in 2010/11 and has had a recruitment freeze to help meet its resource allocation.

Looking forward

111. The Scottish Public Pension Agency faces a number of challenges in 2010/11, which include:

- **Efficiencies and future funding** - Scottish public bodies have reported more efficiency savings than the Government's two per cent target, but the announcement of future budget cuts by the new UK government indicates that there will be serious financial challenges ahead – the biggest since devolution – and making the required savings through efficiency will become increasingly difficult. To deal with reduced future funding and increase savings fresh approaches to improving efficiency and productivity must be considered, taking a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working. This creates challenges for the Scottish Public Pensions Agency, working with colleagues in Scottish Government, in terms of managing budgets within year, prioritising spending, identifying efficiencies and reviewing future commitments to ensure delivery of key targets and objectives;
- **Future of public sector pensions** – following on from the Hutton and similar reports, as well as government pronouncements, it is likely that significant reforms will be made to the funding and administration of public sector pensions. These will undoubtedly increase the Scottish Public Pensions Agency workload. For instance, the recent decision to move from the Retail Price Index to the Consumer Price Index will require additional resources to implement. The challenge for the Agency is to implement these reforms with reduced future resources;
- **AXISe** - The implementation of the new pensions administration system across both Schemes offers increased efficiency and effectiveness. There are a number of legacy issues to be overcome and several functional areas that remain to be fully implemented before the full benefits can be gained. SPPA faces a challenge in ensuring optimum benefits are obtained in the face of current resource pressures;
- **Accounting for contributions and the introduction of EPICOR** - the implementation of the new EPICOR system is designed to offer a more streamlined process for recording contribution receipts from employers and provide a full debtors control system to enhance efficiency and provide qualitative monitoring. Achieving its full potential is partly dependent on ensuring that advantage is taken of the improved functionality and that additional resources are obtained to develop appropriate key reports. We will monitor the situation in 2010/11;

- **Best Value** - The concept of best value is seen as a key driver of modernisation and improvement in public services. Audit Scotland has continued its commitment to extending the best value audit regime across the whole public sector and significant development work has taken place over the last year including the finalisation of its best value toolkits. This has been matched by the Scottish Government's commitment to refreshing its Best Value Guidance for Public Bodies. The Scottish Public Pensions Agency should continue to respond to this important initiative as it develops.

Appendix A: Action Plan

Key Risk Areas and Planned Management Action

| Action Point | Risk Identified | Planned Action | Responsible Officer | Target Date |
|--------------|---|--|---|--|
| 1. | <p>NHSSS: Refunds</p> <p>SPPA has a long term legacy issue relating to a significant number of members who have left the scheme but have not applied for a refund of contributions.</p> <p>There is a risk that this liability will be overstated if either these members do not apply or are unaware of their entitlement.</p> <p><i>We recommend that SPPA:</i></p> <ul style="list-style-type: none"> (a) <i>reviews its current refund calculation policy in the light of resource constraints, taking account of individual entitlements and other risks involved;</i> (b) <i>clarifies the regulations relating to interest on contribution refunds;</i> (c) <i>Puts in place procedures to ensure that refunds are calculated correctly and any interest payments are made in accordance with the regulations;</i> (d) <i>Establishes procedures which will ensure that refunds are made before the member reaches scheme pension age..</i> | <p>(a) SPPA will undertake to reduce the number of outstanding refund cases whenever resources permit</p> <p>(b) Rules relating to refunds will be clarified for staff</p> <p>(c) Staff will be issued with instructions for this task by way of a technical note, and appropriate training will be provided if necessary</p> <p>(d) A system port will be generated 2 years prior to a member reaching scheme pension age and this will ensure that refunds are resolved in time.</p> | <p>Ian Clapperton</p> <p>Ian Clapperton</p> <p>Ian Clapperton</p> <p>Ian Clapperton</p> | <p>31/3/11</p> <p>31/12/10</p> <p>31/12/10</p> <p>31/12/10</p> |
| 2. | <p>NHSSS and STSS: Areas of significant risk identified during the data revision and re-valuations processes</p> <p>Neither GAD nor Audit Scotland were aware of the refunds liability.</p> <p>There is a risk that valuations are incorrect if adjustments are not appropriately made. There is also a risk that the accounts are misstated if they do not reflect appropriate</p> | <p>SPPA will inform Audit Scotland of any significant issue relating to data as and when it occurs. The plan to undertake annual data integrity checks for valuations starting from 2011/12 will help minimise this issue.</p> | <p>Ian Clapperton</p> | <p>31/12/10</p> |

| Action Point | Risk Identified | Planned Action | Responsible Officer | Target Date |
|--------------|---|---|--|--|
| | <p>liabilities.</p> <p><i>We recommend that we are informed about emerging areas of significant risk in relation to membership data and revaluation on an ongoing basis.</i></p> | | | |
| 3. | <p>NHSSS: Early retirement costs debtor</p> <p>This debtor has increased by 28% since the 2008/09 accounts to £35.4m. Clearance of this amount has been slower than expected.</p> <p>There is a risk that the early retirement costs debtor continues to rise unnecessarily if old amounts receivable are not recovered on a more timely basis and current recharges are not invoiced as they arise.</p> <p><i>We recommend that action is taken before the end of 2010/11 to both clear the outstanding amount and develop procedures to commence monthly invoicing of amounts due.</i></p> | <p>Extensive work has been undertaken to cleanse the database and revise recharge reports to NHS bodies. This phase of the work is virtually complete at the end of October 2010. Invoices will be sent to Health Boards once they have had the opportunity to consider the detail of the amounts recharged.</p> | <p>Director of Corporate Services</p> | <p>30/11/10 (to invoice amounts up to 31/03/10)</p> |
| 4. | <p>NHSSS and STSS: Termination dates and duplicate payments</p> <p>We identified three cases where lump sums were paid more than once. Although control processes ensured that the excess amounts were recovered, the difficulties arose for a number of reasons including the differing uses of termination dates for payment processing.</p> <p>There is a risk that there may be difficulties in retrieving a duplicate lump sum payment leading to an increase in write-offs. There is also a reputational risk in relation to the processing of these payments.</p> <p><i>We recommend that SPPA:</i></p> <p><i>(a) review processes around</i></p> | <p>Procedures will be reviewed and new checks put in place.</p> | <p>Ian Clapperton</p> | <p>31/12/10</p> |

| Action Point | Risk Identified | Planned Action | Responsible Officer | Target Date |
|--------------|---|--|---|---------------------------------------|
| | <p><i>termination dates;</i></p> <p><i>(b) review the reasons for all duplicate lump sum payments and take action accordingly;</i></p> <p><i>(b) ensure that all cases of this nature are reported automatically to management.</i></p> | | | |
| 5. | <p>NHSSS and STSS: EPICOR implementation and functionality</p> <p>There are some outstanding functionality issues with the new EPICOR system for recording contribution income. These include development of further reporting capabilities, managing overpayments and electronic communication with employers.</p> <p>There is a risk that EPICOR may not deliver full functionality by the end of the 2010/11 financial year. There is also a risk that additional costs may be incurred in developing reporting mechanisms before the full functionality has been decided.</p> <p><i>We recommend that SPPA:</i></p> <p><i>(a) confirm and plan for the minimum level of functionality and reporting before the year end;</i></p> <p><i>(b) carry out a review to identify those areas where additional functionality or reporting will be required and take steps to obtain additional resources;</i></p> <p><i>(c) take steps to ensure that inefficiencies are reduced by automating the external links to membership bodies where possible.</i></p> | <p>(a) EPICOR was implemented on 28 April 2010, and subject to a limited number of exceptions, was fully operational from that date.</p> <p>(b) No further functionality is required as the original specification has been delivered satisfactorily. Some additional bespoke reports have been specified in the interest of enhanced reporting. These will be delivered during Q3 and Q4 2010/11.</p> <p>(c) Automated links have been delivered and are operating as part of the original installation.</p> | <p>Director of Corporate Services</p> <p>Director of Corporate Services</p> <p>Director of Corporate Services</p> | <p>n/a</p> <p>28/02/11</p> <p>n/a</p> |
| 6. | <p>NHSSS and STSS: AXISe legacy issues and data error backlog</p> <p>There are a number of legacy issues and a substantial data error backlog. A report on these issues was presented to the October Audit</p> | <p>A project team was set up in May 2010 to manage the legacy tasks and data errors. Reports are made monthly to SMT and targets have been established with the aim of reaching a frictional level by 31 March 2011.</p> | <p>Ian Clapperton</p> | <p>31/03/11</p> |

| Action Point | Risk Identified | Planned Action | Responsible Officer | Target Date |
|--------------|---|---|--|-------------|
| | <p>Committee.</p> <p>There is a risk that these issues are not cleared timeously and remain unresolved.</p> <p><i>We recommend that SPPA establish targets for dealing with legacy issues and the data error backlog to ensure that they are cleared in a reasonable time taking account of risk and cost and that a regular monitoring report on progress is provided to management.</i></p> | | | |
| 7. | <p>NHSS: Membership data supplied to GAD</p> <p>During our audit we identified a number of differences between membership data produced for the Scheme accounts and the Scheme valuations for GAD.</p> <p>There is a risk that there may not be an appropriate audit trail to identify the source of all data supplied to GAD.</p> <p><i>We recommend that an internal protocol on the submission of data to GAD by Finance is drawn up, including a record of data submitted.</i></p> | <p>Finance will review the processes for providing valuation data to the schemes' actuary, and for recording subsequent adjustments. Finance will liaise with Operations regarding the extracting of data from AXISE and all data reports for GAD will be supplied by Operations.</p> | <p>Director of Corporate Services Director of Operations</p> | 31/03/11 |
| 8. | <p>NHSS and STSS: Actuarial expertise</p> <p>Currently there is no qualified actuary on the Board or in a senior position at SPPA.</p> <p>There is a risk that SPPA may not be taking the most appropriate actions in view of the complexities of revaluation and pension administration, particularly with the imminent revaluations of both schemes and proposed reforms.</p> <p><i>We recommend that consideration is given to including an actuary in the next round of appointments to the Board.</i></p> | <p>We do not accept that the practical or operational issues that SPPA deals with could be addressed more effectively by the recruitment of an actuary in either an executive or non-executive capacity. The Agency engages an actuary to provide professional expertise where and when required. The Agency is satisfied that the arrangement meets its needs in this specialised area.</p> <p>SPPA obtain actuarial advice from GAD and they are the acknowledged experts in public service actuarial work. Their service has been market tested by SPPA. We do not believe that another source of advice would be beneficial nor add value. It would not be a VFM approach especially at this time.</p> | n/a | n/a |

| Action Point | Risk Identified | Planned Action | Responsible Officer | Target Date |
|--------------|---|---|--|------------------------|
| 9. | <p>NHSSS and STSS: Documentation and senior management review</p> <p>We experienced difficulties in the format and the content of Scheme working papers and reconciliations. The audit trail was not always clear. Variations in account figures between years were not always investigated by Finance. We also observed that the Scheme accounts lacked a thorough senior manager review before we received the drafts.</p> <p>There is a risk of error in the accounts if the documentation and the audit trail are not complete, and a thorough review and understanding of the figures in the accounts is carried out before drafts are sent to audit.</p> <p><i>We recommend that a standard of documentation is established similar to the Agency accounts, a critical review of outturn figures is carried out and that the senior management examination of the accounts is evidenced.</i></p> | <p>We will review the format of working papers to ensure that there is a clear audit trail in 2010/11. We will also review arrangements for review and proof-reading of the schemes' draft accounts.</p> | <p>Director of Corporate Services</p> | <p>30/04/11</p> |

Appendix B: Review of Risks Identified in the Audit Risk Analysis and Plan

| Risk | Source of assurance | Planned audit action | Outcome |
|--|--|--|--|
| Financial management | | | |
| <p>1. Communications with Health Boards</p> <p>There is a risk that SPPA may not have fully collated data from Health Boards in relation to the Agenda for Change/Equal Pay initiative. There have been delays in Health Boards notifying SPPA of arrears of salary which can result in calculations of accrued pension contributions being delayed.</p> <p>The £14.5m debtor for early retirement costs in the 08/09 financial statements has been outstanding since 2007/08; the amounts are recoverable from the Scottish Government Health Department but this is dependent on disputes with the Health Boards over the amount being resolved.</p> <p>NHSS</p> | <ul style="list-style-type: none"> ▪ SPPA has issued a circular to Health Boards requesting information on the Agenda for Change/Equal Pay salary arrears ▪ SPPA is pursuing the early retirement costs. | <ul style="list-style-type: none"> ▪ Audit examination of the Agenda for Change debtor ▪ Monitor progress with resolution of the early retirement costs debtor | <ul style="list-style-type: none"> ▪ Agenda for Change debtor reviewed as part of audit. ▪ Early retirement cost debtor has increased to £34m. ▪ Clearance of this debtor has been slower than expected ▪ Action point 3 at Appendix A |

| Risk | Source of assurance | Planned audit action | Outcome |
|---|---|---|---|
| <p>2. GMP overpayments</p> <p>The overpayment of GMP to Scheme members was the subject of a Ministerial announcement in December 2008 and resulted in write-offs and disclosures in the 2008/09 financial statements. There are likely to be further write-offs in the 2009/10 financial statements.</p> <p>There is a risk that appropriate action may not be taken to regularise and write-off these overpayments.</p> <p>There is a further risk that the calculations involved in this process may be subject to error and irregular payments continue to be made.</p> <p>Schemes</p> | <ul style="list-style-type: none"> ▪ Appropriate disclosures were made in the 2007/08 and 2008/09 financial statements. ▪ The majority of cases have been dealt with in the 2008/09 financial statements ▪ SPPA identification of subsequent cases | <ul style="list-style-type: none"> ▪ Review the planned write-offs and disclosures in the 2009/10 financial statements ▪ Review the correction process and confirm no further matters arising | <ul style="list-style-type: none"> ▪ No material write-offs took place in 2009/10. ▪ No further issues identified. |
| <p>3. IFRS implementation</p> <p>The SPPA and Schemes are required to submit full IFRS-based accounts for 2009/10.</p> <p>There is a risk that the Agency and Schemes fail to meet IFRS implementation deadlines for 2009/10</p> <p>Corporate/Schemes</p> | <ul style="list-style-type: none"> ▪ Satisfactory production of opening IFRS balance sheets and 2008/09 shadow accounts | <ul style="list-style-type: none"> ▪ Review 09/10 accounts for IFRS compliance | <ul style="list-style-type: none"> ▪ Accounts were IFRS compliant ▪ Discrepancies were noted in the "Magenta" template issued by HM Treasury ▪ No further issues identified. |

| Risk | Source of assurance | Planned audit action | Outcome |
|---|--|---|--|
| Performance management | | | |
| <p>4. AXISE System</p> <p>The new pension administration system, AXISE, went live on STSS in September 2008 and on NHSS in September 2009. There is an increased risk of errors in pension calculations and membership data (as supplied to GAD and disclosed in the financial statements):</p> <ul style="list-style-type: none"> ▪ if the system's reporting suite is not utilised effectively and management is unable to access useful control and planning information; ▪ if the number of data tasks held in 'bulk repair' is not cleared timeously; ▪ if critical functionality issues are not resolved; ▪ if data is not completely and accurately transferred from the old system prior to its cessation. <p>Schemes</p> | <ul style="list-style-type: none"> ▪ SPPA has established a dedicated project team to develop and implement AXISE ▪ SPPA is specifying reporting requirements for both schemes and will develop tailored reports during 09/10 ▪ SPPA aims to reduce the outstanding bulk repair tasks to a 'frictional' level by 31/03/10 ▪ A Gateway review process is in place pre- and post-implementation ▪ Performance monitoring of Corporate Plan, in particular target 8 'realise efficiency gains and service improvements following the introduction of new pensions administration IT system.' ▪ SPPA response to recommendations from Audit Scotland AXISE System review | <ul style="list-style-type: none"> ▪ Review Board minutes and attend Audit Committee meetings ▪ Continue to monitor performance against the Corporate Plan ▪ Monitor post-implementation issues and progress ▪ Monitor progress on implementing Gateway recommendations ▪ Carry out a follow-up to the AXISE system review | <ul style="list-style-type: none"> ▪ Board minutes have been reviewed ▪ Follow up of system review showed that action has been taken to address the risks raised in that review ▪ Agency are working with supplier to implement key functionality ▪ Review of legacy issues and data error backlog ▪ Action points 1 and 6 at Appendix A ▪ No further issues were identified |

| Risk | Source of assurance | Planned audit action | Outcome |
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| <p>5. EPICOR Contributions system and changes to Government Banking Service arrangements</p> <p>The new contributions system is to be implemented in March 2010. There is a risk that the system will not facilitate employer annual return reconciliations which are an important means of identifying errors in the SPPA's contribution records. There is a risk that the system may not provide reports that enable management to effectively monitor contributions. There is also a risk that reconciliations may be further complicated due to the changes in the Government Banking Service, if employers do not remit contributions correctly.</p> <p>Schemes</p> | <ul style="list-style-type: none"> ▪ SPPA contact with employers about new reconciliation and banking procedures ▪ SPPA is developing an appropriate reconciliation system which will be facilitated by AXISE ▪ SG Internal Audit report | <ul style="list-style-type: none"> ▪ Monitor employer response to new reconciliation system and measures taken to ensure remittances are made to SPPA which take account of the changes in the Government Banking Service ▪ Monitor the performance of employer annual return reconciliations and the impact of AXISE ▪ Testing of contributions for completeness and accuracy ▪ Review management use of reporting functions ▪ Review SG Internal Audit Report | <ul style="list-style-type: none"> ▪ Delays in the implementation of EPICOR have meant that reconciliations have not been preformed in 2009/10. ▪ Contributions were tested for completeness and accuracy on a sample basis and no issues were found. ▪ Limited number of bespoke reports are being used for monitoring and reporting purposes. ▪ Review of SG Internal Audit Report on procurement of EPICOR appeared consistent with Audit Scotland view. ▪ We will undertake a review of EPICOR during 2010/11 ▪ Action point 5 at Appendix A. |
| <p>6. Family Benefits</p> <p>In previous years we have been unable to obtain supporting documentation to fully explain how a number of payments were calculated. In some cases, files had been destroyed. There is a risk that inaccurate payments could be made without detection.</p> <p>Schemes</p> | <ul style="list-style-type: none"> ▪ Up to 2008/09 supporting documentation was stored on EDM; thereafter it is stored on AXISE ▪ There are Grade B1 supervisory checks on more complex cases supported by payroll sample checks and QA testing | <ul style="list-style-type: none"> ▪ Monitor completeness of documentation on AXISE and outcome of controls/substantive testing on FB payments ▪ Monitor Internal Audit reports ▪ Review QA testing and findings | <ul style="list-style-type: none"> ▪ QA testing reviewed satisfactorily ▪ Controls and substantive tests of family benefits were largely satisfactory, with the exception of 1 STSS family benefit sample where no documents were saved. |

| Risk | Source of assurance | Planned audit action | Outcome |
|---|---|---|---|
| <p>7. Performance Management</p> <p>Current performance management monitoring may not be sufficient to provide useful information for management and to ensure objectives can be delivered. Formal systems (and associated documentation) to measure performance are not fully developed resulting in a risk that performance is incorrectly measured.</p> <p>Corporate</p> | <ul style="list-style-type: none"> ▪ Ongoing development of performance management systems ▪ Quarterly key performance indicators – corporate plan targets ▪ Monthly monitoring of performance statistics by senior management team ▪ Internal audit report recommendations being implemented | <ul style="list-style-type: none"> ▪ Confirm review of performance statistics are a standing item in senior management team meetings ▪ Monitor performance of 10 day target payment for invoices ▪ Review internal audit follow up to report recommendations | <ul style="list-style-type: none"> ▪ Performance indicators changed to 3 years – noted in SMT minutes. ▪ Performance statistics are standing item in SMT meetings. ▪ Satisfactory performance of 10 days target for invoice payment – covered in final audit. ▪ Issue of Audit Scotland letter on Efficiencies in January 2010 ▪ No issues identified. |

| Risk | Source of assurance | Planned audit action | Outcome |
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| People management | | | |
| <p>8. Key staff changes and Financial Statements timetable</p> <p>The Agency may be over-dependent on key staff whose knowledge and experience is an important factor in the achievement of its objectives. Replacing key staff should they leave could be problematic. Staffing is a key factor in the Agency's ability to meet the final accounts deadlines for preparation, review and submission.</p> <p>Corporate</p> | <ul style="list-style-type: none"> ▪ Key theme in Corporate Plan for 2008 to 2011 is development and support of staff - Agency People Strategy ▪ The Director of Corporate Services will review the draft accounts and related GAD reports before the accounts are submitted for audit ▪ The Risk Register lists 'loss of key members of staff' as a threat linked to non-payment of pensions and also to poor policy advice given to ministers | <ul style="list-style-type: none"> ▪ Monitor staff turnover and recruitment strategy ▪ Review client timetable and key staff availability to achieve it ▪ Examine evidence of senior management review ▪ Review management team minutes for evidence of risk register review ▪ Clarify the procedures in place for long term cover/relief for key staff members | <ul style="list-style-type: none"> ▪ Staff levels risen from 232 to 245 ▪ A recruitment freeze has been announced for 2010/11 ▪ People Strategy highlights staff turnover issues – which have been addressed ▪ Financial Statements Audit – SPPA and Scheme draft accounts on time; Finance staff levels now at complement ▪ Lack of evidence of senior management review of scheme account drafts ▪ Increased work sharing between 2 senior finance staff to avoid over-reliance on key staff ▪ Review of management minutes show satisfactory review of risk register ▪ Action point 9 at Appendix A |

| Risk | Source of assurance | Planned audit action | Outcome |
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| Governance & internal control | | | |
| <p>9. GAD valuation</p> <p>There is a risk that the actuarial input in valuing the Schemes is affected by:</p> <ul style="list-style-type: none"> ▪ Insufficient competence or objectivity ▪ Reliance on source data that has not been validated ▪ The use of unreasonable assumptions <p>There is also a risk that there is insufficient documentation to support data provided by the SPPA to GAD for valuation purposes.</p> <p>Schemes</p> | <ul style="list-style-type: none"> ▪ SPPA Memorandum of Understanding with GAD ▪ Regular contact between SPPA and GAD staff ▪ The source of the data to support Scheme valuations are reports provided by the Finance Team and Information Services Unit ▪ Finance department reviews of AXISE membership data | <ul style="list-style-type: none"> ▪ Review the work of GAD in relation to the Schemes in order to determine the level of assurance that may be taken from their internal procedures ▪ Monitor the creation and retention of reports which support valuation data for GAD ▪ Review adjustments to AXISE membership data | <ul style="list-style-type: none"> ▪ Discussions with GAD and SPPA on revised approach to interim valuations; ▪ Detailed review of GAD carried out at final audit and no significant issues were identified. ▪ September 2010 GAD report on quality of membership data highlighted a number of significant issues including adjustments for missing records and multiple contracts. ▪ Action points 7 and 8 at Appendix A |
| <p>10. Inaccurate pension payment</p> <p>There is a risk that award payments are inaccurate because calculations are not 100% checked by B1 supervisors once performed by administrators.</p> <p>Schemes</p> | <ul style="list-style-type: none"> ▪ Revised QA guidance introduced that B1 supervisors should concentrate checks on complex awards and calculations made by less experienced administrators ▪ Pension payroll and QA staff sample check award calculations and payments | <ul style="list-style-type: none"> ▪ Review QA work and examine error rates detected ▪ Audit examination of pension payments | <ul style="list-style-type: none"> ▪ QA work reviewed and reduction in error rate noted ▪ April 2009 PI reviewed and found to be largely satisfactory ▪ Minor inaccuracies found and investigated to ensure no system errors |

| Risk | Source of assurance | Planned audit action | Outcome |
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| <p>11. Bank reconciliations</p> <p>There is a risk that if bank reconciliations are not carried out timeously , any unreconciled items will not be investigated and cleared prior to the finalisation of the financial statements.</p> <p>Schemes</p> | <ul style="list-style-type: none"> ▪ Audit Committee awareness and monitoring of the performance of bank reconciliations | <ul style="list-style-type: none"> ▪ Audit examination of bank reconciliation performance at the year-end | <ul style="list-style-type: none"> ▪ No issues identified |
| <p>12. Budget Act</p> <p>Expenditure may be in excess of the Budget Act levels, especially in current economic climate.</p> <p>Corporate</p> | <ul style="list-style-type: none"> ▪ Management review of budget monitoring process including identification of unexpected developments outwith the control of the Agency | <ul style="list-style-type: none"> ▪ Review compliance with Budget Act during early stages of 09/10 audit ▪ Obtain explanations for any considerable spending differences via analytical review | <ul style="list-style-type: none"> ▪ Compliance with budget confirmed during final audit – outturn within this level ▪ No issues identified |
| <p>13. Business Continuity Management</p> <p>Systems may not be supported by adequate continuity and disaster recovery plans to ensure service continuity in the event of a serious incident.</p> <p>Corporate</p> | <ul style="list-style-type: none"> ▪ SPPA have produced a BCP plan | <ul style="list-style-type: none"> ▪ BCP to be reviewed | <ul style="list-style-type: none"> ▪ BCP was presented to the July 2010 Audit Committee and reviewed satisfactorily ▪ No issues identified |

| Risk | Source of assurance | Planned audit action | Outcome |
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| Efficiency | | | |
| <p>14. Efficiency Savings</p> <p>Progress on the achievement of efficiency savings may not be adequately monitored so that the Agency fails to achieve its targets</p> <p>Corporate</p> | <ul style="list-style-type: none"> ▪ SPPA has developed an efficiency plan ▪ Senior management have built the need for efficiency into corporate and business plans | <ul style="list-style-type: none"> ▪ Review plans to achieve future efficiency savings including savings from IT developments ▪ Review outturn on proposed efficiency savings during 2009/10 ▪ Identify potential efficiencies from new IT systems in place | <ul style="list-style-type: none"> ▪ Efficiency savings of 7% were made in 2009/10 ▪ There is a recruitment freeze in place for 2010/11 ▪ It is too early to say to what extent AXISe or EPICOR will contribute to efficiencies, |
| <p>15. Best Value</p> <p>Management arrangements may not be fully developed to meet the best value principles to support secure continuous improvement in performance</p> <p>Corporate</p> | <ul style="list-style-type: none"> ▪ SPPA's efficiency plan ▪ Audit Scotland's Corporate Governance review indicates best value principles being adopted ▪ Core aim of SPPA to maintain the highest standards of probity and governance whilst using resources efficiently and effectively ▪ Corporate Plan Key Performance target 6: meet annual requirements for corporate governance reporting and organisational efficiency | <ul style="list-style-type: none"> ▪ Review plans to achieve future efficiency savings including savings from IT developments ▪ Review progress on Audit Scotland's Corporate Governance Report recommendations ▪ Review documentation to confirm agency meets Performance target 6: annual requirements for corporate governance reporting and organisational efficiency | <ul style="list-style-type: none"> ▪ All Audit Scotland's Corporate Governance recommendations now implemented ▪ Corporate governance review indicates no major issues. |

| Risk | Source of assurance | Planned audit action | Outcome |
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| Information management | | | |
| <p>16. Your Business at Risk Survey</p> <p>The SPPA's business information may not be accurate, complete, available and secure if it is unable to gain assurance that its information security policies and procedures are embedded into the organisation and are effective through staff awareness.</p> <p>Corporate</p> | <ul style="list-style-type: none"> ▪ YB@R to be carried out during 2009/10 leading to an action plan for staff development | <ul style="list-style-type: none"> ▪ Implement YB@R survey and monitor results and response | <ul style="list-style-type: none"> ▪ YB@R survey carried out by approximately 20% of staff. ▪ Results of survey have been communicated to SPPA and awareness training will be revised in responses to the results. |
| <p>17. Information Handling & NFI</p> <p>Risk that personal or sensitive data is lost or processed incorrectly</p> <p>Corporate</p> | <ul style="list-style-type: none"> ▪ Information handling a regular item discussed in senior management team meetings ▪ Compliance with SG data handling policy ▪ Loss of sensitive/personal data is included in the Risk Register | <ul style="list-style-type: none"> ▪ YB@R survey to be implemented and results reviewed ▪ Confirm the 'fair use notices' issued to members include a reference to GROS exercises ▪ Review management team minutes | <ul style="list-style-type: none"> ▪ As a result of the YB@R survey risk of mishandling data has been increased in the corporate risk register. ▪ All staff completed Cabinet Office Protecting Information level 1 training. |

