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Directorate for Internal Audit and Assurance

Internal Audit Report

Social Security Scotland 2021-22

Client Services Delivery Compliance Review

Directorate for Internal Audit and Assurance

Issue Date: 22-03-2022

Audit Personnel

Head of Internal Audit:	[Redacted]
Internal Audit Manager:	[Redacted]
Internal Auditor	[Redacted] [Redacted] [Redacted]

Report Distribution

Client Accountable Officer*	David Wallace
External Audit*	Audit Scotland
Key Audit contacts	Janet Richardson, Deputy Director of Client Services Delivery [Redacted], Client Services Delivery Support Lead [Redacted], Head of Client Services Operations (Wave One and Live Running) [Redacted], Senior Lead for Disability and Carers Benefits [Redacted], Head of Local Delivery
Internal Audit Business Support Hub*	[Redacted]

* Final Report only

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1. Introduction

1.1. Introduction

This internal audit review of Client Services Delivery Compliance formed part of the Audit Plan agreed by the Accountable Officer and noted by the Audit and Assurance Committee in February 2021. The Accountable Officer for Social Security Scotland is responsible for maintaining a sound system of governance, risk management and system of internal control that supports the achievement of the organisations policies, aims and objectives.

1.2. Audit Scope

The scope of this review was to evaluate and report on the controls in place to manage the risks surrounding Social Security Scotland's Client Services Delivery.

Our audit was a compliance review focussed on assessing compliance with guidance and procedures in relation to the administration of Low Income Benefits and Client Experience cases. Testing was undertaken between April 2021 and December 2021.

We obtained listings of approved, denied and withdrawn applications across all live Low Income Benefits from SPM (the Client Management System used for the administration of Scottish social security benefits). Overall, we sampled:

- 39 Funeral Support Payment applications;
- 56 Young Carers Grant applications;
- 26 Best Start Food applications;
- 46 Best Start Grant applications;
- 57 Job Start Payment applications; and
- 36 Scottish Child Payment applications.

We also obtained listings of completed appeals, redeterminations and internal reviews. Overall, we sampled:

- 6 Internal Reviews;
- 13 Appeals;

- 15 Redeterminations.

The agreed Terms of Reference for this review is attached at [Annex C](#).

1.3. Assurance and Recommendations

Assurance Category	Reasonable		
Recommendations Priority	High	Medium	Low
	0	1	0

Our review has identified one medium priority recommendation. A reasonable assurance rating has been provided. Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature.

The rationale for this is that the weaknesses found in our work carried out across this year has shown improvement when compared with the outcome of our work in previous year's. The issues found were generally low in numbers across our sample and relating to compliance with administration processes. However, there remains some weaknesses in the payment or decision making processing of applications which requires review of training and guidance as well as remedial action. We have limited the number of recommendations but have also outlined where there is still non-compliance and potential effects of that.

Findings are summarised against recommendations made in the [Management Action Plan](#).

Full details of our findings, good practice and improvement opportunities can be found [in section 3 below](#) as well as in [Annex A](#) which sets out the areas of non-compliance identified.

Please see [Annex B](#) for the standard explanation of our assurance levels and recommendation priorities.

2. Management Action Plan

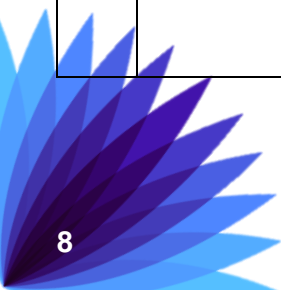
2.1. Management Action Plan

Our findings are set out in the Management Action Plan below

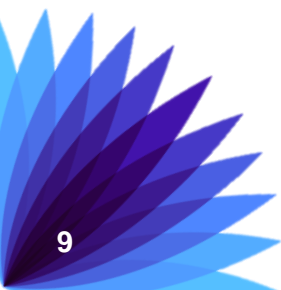
No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
1	<p>Issue: Compliance with Policies, Procedures and Guidance</p> <p>We identified some instances of non-compliance with guidance in relation to the processing of applications, approval of payments, appeals and redeterminations and change of circumstances across live benefits.</p>	<p>Management should ensure they are aware of the level of non-compliance.</p> <p>Management should also ensure appropriate action is taken in relation to non-compliance by strengthening controls in systems, training and guidance and taking remedial action where necessary.</p>	M	<p>Response:</p> <p>[Redacted] a number of checks and monitors are in place to both strengthen control and improve compliance with guidance and policies.</p> <p>This will allow the identification of areas for further training and support, required by colleagues.</p> <p>Procedures and guidance are regularly reviewed. Guidance within Low Income Benefits including re-determinations, internal reviews and appeals has recently been undertaken. Phase one of this review is currently with Programme colleagues to review.</p>	

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	<p>Risk: Non-compliance with processes and procedures resulting in applications being processed incorrectly leading to wrong decisions and inaccurate payments which could result in financial hardship of clients, financial loss and reputational damage.</p>			<p>100% checking is currently being undertaken on appeals and a checklist is in place to ensure compliance with guidance and procedures.</p> <p>Action:</p> <p>Complete the review of Low Income Benefit guidance and publish on Internal Knowledge Hub.</p> <p>Establish a tracking document to monitor compliance on appeals, to help provide training and support to colleagues as required.</p> <p>Additional reminders will be issued to Mailroom about the importance of date stamping appeal forms. Reminder will be issued to colleagues in relation to following guidance when taking appeals over the telephone.</p> <p>Continue to build on current error trends and analysis work being undertaken within Low Income Benefits. This is at benefit</p>	<p>Dec 22</p> <p>July 22</p> <p>Jul 22</p> <p>Oct 22</p>

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
				<p>level including the separation of Best Start Grant and Best Start Foods to allow targeted analysis and quality improvement.</p> <p>This analysis will enable individual quality and development plans to be created for every Client Adviser & Case Manager. This will focus on client interaction, accuracy of decisions made and case management, with our aim to reduce error and improve quality.</p> <p>Client Service Delivery colleagues will work with Learning and Development to redesign training for integrated cases.</p> <p>Client Service Delivery colleagues will work with Live Service Product Owners to review the current approval checklist and make recommendations, to improve accuracy and identify errors.</p> <p>Training and guidance were introduced in November 2021 to all staff in relation to SPM standardised notes. Management will ensure that all Client Advisers have completed this work.</p>	<p>Oct 22</p> <p>Oct 22</p> <p>Jul 22</p> <p>Jul 22</p>



No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
				<p>Two new Management Information reports via Business Intelligence Reporting Tool (BIRT) have recently been released. Team Managers have been instructed to use these reports to ensure effective caseload management. Performance Managers to review Team Managers caseloads during regular performance reviews.</p> <p>Owner: [Redacted] Head of Operations Dundee</p> <p>[Redacted] Head of Local Delivery and Client Experience</p>	Oct 22



3. Findings, Good Practice and Improvement Opportunities

3.1. Good Practice

Client Services Operations

- 3.1.1. The number of compliance issues identified through our sample testing has reduced since our last review in 2020/2021, suggesting levels of non-compliance have reduced and improvements have been made.
- 3.1.2. During the 2020-21 Client Services Operations Compliance testing, we found issues with segregation of duties for approved benefit applications. This issue has since been rectified. Where benefits require 100% approval checks, we confirmed this had taken place and identified no issues in the segregation of the role of a Client Advisor and Approver.
- 3.1.3. Closing all verifications in approved cases was also highlighted previously as an issue. [Redacted], the requirement to clear all verifications for approved applications had been implemented and compliance with this was evident in this year's testing.
- 3.1.4. The quality of SPM notes inputted by Client Services Operations staff in the processing of cases has improved in general and in most approved sample cases we were able to trace the processing activity from start to finish with the strengthened notes. Client Advisors are expected to input Searchlight notes where we saw good compliance. [Redacted]. We are also aware that Client Services Delivery have raised guidance issues with the Live Service Team to request updates and improvements to training.

Client Experience

- 3.1.5. The number of applications available to test in our sample remain low which suggests that decisions made at the initial determination stage by colleagues in Client Services Delivery are accurate.
- 3.1.6. No significant areas of non-compliance were identified from our Client Experience sample.

3.2. Improvement Opportunities

- 3.2.1. We provided management with a detailed breakdown of the samples selected for our review and the outcome from our testing throughout our fieldwork,

please see [Annex A](#) for a breakdown of the types of non-compliance identified across all of Client Services Delivery.

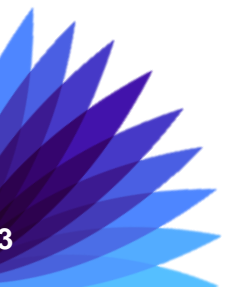
- 3.2.2. To address these issues management should ensure Client Advisors and Approvers are reminded of the need to ensure applications are processed in compliance with established guidance. Where appropriate, relevant staff should be provided feedback on specific issues identified ensuring that Client Advisors and Approvers are aware of any errors made to minimise the risk of making the same mistakes and assist development and continuous improvement.
- 3.2.3. Consideration should be given to whether technical support would be beneficial to address issues such as award letters not being issued and whether prevention controls could support non-compliance with guidance.
- 3.2.4. Training and guidance should be reviewed in light of the issues identified to ensure there is clarity over the correct processes to be followed and any weaknesses in compliance captured.
- 3.2.5. Remedial action should be taken where appropriate, in relation to the issues identified to ensure information on SPM is accurate and up to date, clients are in receipt of correct payments for which they are eligible, and any over payments are identified and action taken to recover, where appropriate.
- 3.2.6. Formal training and guidance should be established and documented in appeals, redeterminations and internal reviews in preparation for larger case numbers. This guidance should also consider segregation of duties and approvals to ensure the adopted approach is sustainable. Approval processes should be formalised ensuring the approach established is sustainable and aligns with guidance on the Knowledge Hub.

Annex A Areas of Non-Compliance

Client Services Delivery Non-Compliance Weaknesses	
No impact on the decision outcome or amounts paid	May impact payments or the decision made
<ol style="list-style-type: none"> Award and denial letters not being generated, delayed or generic wording. [Redacted] as per guidance for withdrawn cases and Searchlight (<i>a system used by Social Security Scotland to access information on the Department for Working Pensions Customer Information System (CIS)</i>) access between Client Advisors and Approvers. [Redacted] 	<ol style="list-style-type: none"> Verifications not being cleared for denied cases. [Redacted] Actions outstanding on SPM cases for a lengthy period between application and payment with lack of notes or explanations for the delays which had occurred. Tasks had not been created to prompt the Client Advisor to follow up on the case, resulting in applicants awaiting payment. [Redacted] Instances where no earnings were input in the SPM case which, for relevant benefits, could impact the decision made and award amount. Two cases in November's Scottish Child Payment testing had payments continue incorrectly.

Client Experience Non-Compliance Weaknesses	
Policies & Processes	Guidance
<ol style="list-style-type: none"> Non-compliance with processes in Appeals, Internal Reviews and Redeterminations [Redacted] 	<ol style="list-style-type: none"> Approval processes for Appeals are not documented in SPM or formally recorded as evidence of completion. There is currently 100% manager oversight on all cases, due to the current volume of Appeals and while experience builds.

<p>2. Non-compliance with administration tasks found in low numbers [Redacted] the tracker used by Client Experience to track redeterminations had an error with an incorrect date the redetermination was received, an appeal response email from Scottish Courts and Tribunal Service not added to the SPM cases and the status not updated and an appeal cases, the support team should have raised a task for appeal response request but there was no evidence of this on SPM, however no actions were missed as the Client Experience Officer created their own task.</p> <p>3. Two appeals were incorrect/created in error, showing as closed on SPM, the notes by the Client Experience Officer were not appropriately updated to show that the appeal was incorrect.</p> <p>4. We also found system issues preventing Client Experience appropriately closing cases on SPM which has an impact on statistics. Client Experience have raised a ticket for technical support however there is no timescales for resolution.</p>	<p>2. The current Appeals guidance on Knowledge Hub is out of date and requires review. Some elements of guidance have been documented and are in use but the guidance has not yet been uploaded to the Knowledge Hub. Processes for Upper Tier cases are also not in place.</p> <p>3. Client Experience do not upload all email correspondence i.e. paper hearing notification, to SPM, these are currently retained in a shared mailbox. When guidance is reviewed, processes for emails should be reviewed to move all actions into SPM and retain a full audit trail.</p> <p>4. One sample case had an Appeal request taken by telephone, the letter was not completed 'on behalf of the client' as per guidance. Where this guidance is not followed, Client Experience should ensure feedback is given to individuals to avoid scrutiny from the tribunal service.</p> <p>5. Client Experience do not have requirements within current guidance for users to input an SPM note when Searchlight is accessed, Knowledge Hub guidance was recently updated which requires all SPM users to input Searchlight notes therefore Client Experience should consider updating guidance and putting processes in place to align with this.</p>
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Annex B Definition of Assurance and Recommendation Categories

Assurance Levels

Substantial Assurance Controls are robust and well managed	Risk, governance and control procedures are effective in supporting the delivery of any related objectives. Any exposure to potential weakness is low and the materiality of any consequent risk is negligible.
Reasonable Assurance Controls are adequate but require improvement	Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature.
Limited Assurance Controls are developing but weak	There are weaknesses in the current risk, governance and/or control procedures that either do, or could, affect the delivery of any related objectives. Exposure to the weaknesses identified is moderate and being mitigated.
Insufficient Assurance Controls are not acceptable and have notable weaknesses	There are significant weaknesses in the current risk, governance and/or control procedures, to the extent that the delivery of objectives is at risk. Exposure to the weaknesses identified is sizeable and requires urgent mitigating action.

Recommendation Priority

High	Serious risk exposure or weakness requiring urgent consideration.
Medium	Moderate risk exposure or weakness with need to improve related controls.
Low	Relatively minor or housekeeping issue.

Annex C – Terms of Reference



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Directorate for Internal Audit and Assurance

Internal Audit Terms of Reference

Social Security Scotland 2021-22

Operations Compliance

Quarter 1 – 4

Directorate for Internal Audit and Assurance

Issue Date: 17-05-2021



Key Audit Contacts

Audit Year:	2021-22
Client Accountable Officer:	David Wallace, Chief Executive
Client Audit Contact(s):	Janet Richardson, Deputy Director of Operations [Redacted], Operations Support Lead [Redacted], Head of Operations (Wave One and Live Running) [Redacted], Head of Operations (Disability & Carers Benefits) [Redacted], Head of Local Delivery
Head of Internal Audit:	[Redacted]
Internal Audit Manager:	[Redacted]
Internal Auditor	[Redacted]

Estimated Reporting Timescale

Fieldwork Starts:	May 2021
Fieldwork Ends:	March 2022
Draft Report Issued:	March 2022
Final Report Issued:	March 2022
Estimated Resource Days:	50

4. Introduction

- 4.1. This review forms part of our planned audit coverage agreed by the Accountable Officer and noted by the Audit and Assurance Committee on 09 February 2021.
- 4.2. To aide understanding it is important to clearly set out the relationship between Social Security Scotland and the Social Security Directorate (Programme). Programme, using agile methodology, designs and builds the new Scottish social security system and is delivering the components on an incremental day by day basis. As such Minimal Viable Products for policies, systems and processes for each benefit are built by Programme, and then handed to Social Security Scotland to deliver. It is then the responsibility of Social Security Scotland to develop these as appropriate to make them fit for purpose and reflecting actual processes and controls in place.
- 4.3. This review follows on from the Operations audits undertaken in previous years and will primarily focus on substantive testing to provide assurance that officers are complying with policies, procedures, guidance and system controls for the processing and payment. Initially we will consider low income benefits and later in the year Child Disability Payment including case transfers from DWP.
- 4.4. The Social Security Scotland Strategic Risk Register includes the following risks:
- 4.5. *IF there is no robust quality assurance framework, supported by a well embedded culture of quality assurance THEN the Agency risks an increase in error and failure across its work streams and an inefficient and ineffective service that will fail to deliver on its business intent RESULTING IN poorly run services, financial inefficiencies and reputational damage to the Agency and Scottish Government.*
- 4.6. *If the Agency do not have sufficiently developed processes to enable effective maintenance of ongoing benefit awards THEN this will lead to inaccurate client records being held, awards being paid incorrectly and an inability to recognise, account for, and correct associated underpayments and overpayments RESULTING in financial loss through increased fraud and error, non-compliance with Data Protection statutory obligations, poor client service offering and associated reputational damage.*

- 4.7. If officers do not comply with relevant legislation, policies, guidance and procedures errors or fraud could occur with the result that individuals eligible for benefits may not receive the correct award with the result that Social Security Scotland could potentially be at increased risk of financial loss or reputational damage.
- 4.8. We held a planning meeting on 23rd April 2021 with [Redacted], Head of Operations (Wave 1 & Live Running), [Redacted], Operations Support Lead and [Redacted], Head of Operations (Disability & Carers Benefits) to discuss relevant risks and agree the details of this review.
- 4.9. Our key risks below have been developed through these discussions and our knowledge of Social Security Scotland and its objectives.

5. Scope

- 5.1. To evaluate and report on the controls in place to manage the risks surrounding Social Security Scotland's Operations. We will assess compliance with guidance in relation to the processing of applications, approval of payments, appeals and redeterminations and change of circumstances across all live benefits.
- 5.2. Remit Item 1 – **Compliance with policies, procedures and guidance**
To undertake substantive testing which confirms compliance with policies, procedures and guidance.

Key Risks:
 - 5.3. Social Security Scotland encountering financial loss and reputational damage due to:
 - Benefits being paid to applicants who are not eligible;
 - Benefits being denied to applicants who are eligible;
 - Incorrect amounts being paid to benefit recipients;
 - Poor case management and an inability to manage on-going payments including where there are multiple benefits in payment;
 - Ineffective processes to administer and manage change of circumstances;
 - Processes and controls being circumvented leading to instances of fraud or error;

- Payments being made without the required approval checks and authorisation;
- An inability to identify instances of error and non-compliance which could result in fraudulent or erroneous payments being made;
- Inability to effectively manage transfer of benefits from DWP.

6. Approach

- 6.1. We will undertake the audit in compliance with the Internal Audit Charter and Memorandum of Understanding agreed between Internal Audit and Social Security Scotland.
- 6.2. We will take a continuous audit approach which will be conducted throughout the year by undertaking sample checks of benefit applications each quarter. To enable independence we will, where possible, work with colleagues in the Fraud and Error Adjudication Team.
- 6.3. We will hold regular discussions with the Heads of Operations, Operations Support Lead and other relevant officers as appropriate as we undertake our fieldwork, issuing updates throughout the year to report our findings from each set of testing. We will then provide a formal report summarising all findings at the end of the audit year, which will contain an overall assurance opinion and be tabled to the Audit and Assurance Committee.
- 6.4. Due to current Scottish Government remote working requirements, this review will utilise eRDM Connect for sharing documents and screen sharing technology as necessary. Methods of undertaking fieldwork will be amended as appropriate.
- 6.5. Social Security Scotland is reminded of our need for timely access to all systems and teams involved in the delivery of benefits and responsiveness to information requests, to enable the reporting timetable to be met.