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Directorate for Internal Audit and Assurance

Internal Audit Report

Social Security Scotland 2021-22

Internal Controls – Benefit Eligibility

Directorate for Internal Audit and Assurance

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* Final Report only

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1. Introduction

1.1. Introduction

This internal audit review of Social Security Scotland, Internal Controls – Benefit Eligibility formed part of the Audit Plan agreed by the Accountable Officer and noted by the Audit and Risk Committee on 09 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 support 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 internal controls in place to manage the risks surrounding Social Security Scotland's arrangements for establishing and verifying the eligibility of all applications and recipients of Scottish social security benefits.

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

1.3. Assurance and Recommendations

Assurance Category	Reasonable		
	High	Medium	Low
Recommendations Priority	0	1	0

Our review has identified one medium recommendation only, and so 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 overall processing and review of applications with regards to determining eligibility is operating effectively, however there are areas where the process could be improved to address weaknesses.

Though we have raised one recommendation as part of this review, a further finding has been raised in section 3.1 Findings concerning the reliance on Department for

Work and Pensions data. No recommendation is given here as it was covered in the Residency review of March 2022.

A further observation is made in section 3.1 Findings concerning [Redacted]. However as this is in line with guidance and policy it is outwith Social Security Scotland's scope to change. We have therefore not raised any associated recommendations.

Furthermore, we have raised two improvement opportunities in section 3.3 relating to integrating Department for Work and Pensions data with SPM and managing efficiency improvements to the application processing. No formal recommendation has been raised for integration of Department for Work and Pensions data as this is an area that is being investigated. No formal recommendation has been raised for managing efficiency improvements as these are not a current priority given the ongoing roll out of new benefits.

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](#).

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

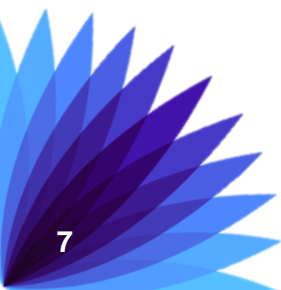
2. Management Action Plan

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: <u>Manager Review Rates</u></p> <p>Certain benefits receive 100% manager review checks on all applications. There has been analysis work on some benefits and manager review levels were changed as a result. However, there is no overarching approach to determine manager review rates. Review of 100% of applications might be inefficient and unwarranted for certain benefits and for more experienced staff.</p> <p>Risk:</p>	<p>Social Security Scotland should establish an overarching approach or framework for manager reviews of applications, where manager review requirements are determined on a benefit and individual staff level. The following factors should be considered when determining review rates:</p> <ul style="list-style-type: none"> - Complexity of benefit - Individual's experience with specific benefits 	M	<p>Response: We are satisfied that the evidence supports 100% checks where these are in place. We agree a targeted approach guided by a framework for all benefits is appropriate to be developed and we have set up a new group that will focus on development.</p> <p>Action: A framework will be produced.</p>	November 2022

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	<p>There is a risk of inefficient application processing due to number of checks and limited quality assurance resource.</p> <p>There is a risk that quality assurance reviews are ineffective due to the high number of applications being processed</p>	<ul style="list-style-type: none"> - General experience of individual - Individual's error rate - Error rate for each benefit 		<p>The Social Security Programme have recently established a Business User Support Forum where consideration will be given to improvements to address inefficiencies – this should include the delivery of enhanced system capture of Management Information required to support deployment of a framework.</p> <p>Action Owners: [Redacted]</p>	



3. Findings, Good Practice and Improvement Opportunities

3.1. Findings

3.1.1. Manager Review Rates

During our fieldwork we noted that certain benefits receive 100% manager review checks on both approved and denied applications such as:

- Child Disability Payment
- Funeral Support Payment (we note the plan to remove reviews of Client Advisor decisions, with the compliance review remaining)

100% manager review checks on applications might lead to potentially ineffective reviews due to limited resources available. Extensive checks might also be potentially unnecessary where Client Advisors have sufficient experience and likelihood of error is lower.

We are aware that the Client Services Delivery team along with the Fraud and Error team are carrying out work on error analysis and the potential for reducing manager reviews performed on certain benefits. The aim of this exercise is to determine if the current review levels are appropriate or if review levels should be changed for certain benefits.

We understand that Social Security Scotland is working on a Quality Assurance Framework, however this framework has a focus on second line of defence controls, rather than first line controls such as manager reviews.

We recommend that Social Security Scotland should establish an overarching approach or framework for manager reviews, where review requirements are determined on a benefit and individual staff level considering various factors. Any such approach or framework would likely involve input from multiple teams and personnel and should be aligned to any greater Quality Assurance Framework to ensure control across the lines of defences are working together properly.

Please see Recommendation 1

3.1.2. Self-declaration used to confirm eligibility

During our benefits walkthroughs and testing of eligibility controls, we found that for three of the eleven benefits tested, Social Security Scotland relies on self-declaration to confirm compliance with some of the eligibility criteria, specifically:

- Funeral Support Payment – [Redacted]

- [Redacted]
- Young Carer's Grant [Redacted] However, we also understand that checks for this might be difficult to implement due to the nature of the eligibility criteria.
- Job Start Payment – [Redacted].

The process to determine eligibility based on self-declaration is aligned to guidance and policy. Therefore, the decision and the acceptance of associated risk are outwith Social Security Scotland's purview, and not within its scope to overrule. We therefore do not offer a recommendation for Social Security Scotland to take forwards in relation to this.

Though Social Security Scotland may not be in a position to change the policy and guidance, the organisation may wish to raise or challenge the decision where it believes the associated risks have increased. Factors such as applications and payments exceeding expected values or increased instances of rejected applications may be indicators for Social Security Scotland to analyse the associated risks and raise concerns with policy. This would be a proactive step on Social Security Scotland's part.

A finding regarding reliance on self-declaration has been raised before as part of an in-depth review of the Job Start Payment benefit. During that review Social Security Scotland determined that taking the matter further was not required as it would not be cost effective to gather additional evidence due to the low financial risk associated with this benefit.

3.1.3. **Reliance on Department for Work and Pensions data**

As part of the application checking process, Client Advisors verify a large amount of the application data against the Department for Work and Pensions system such as an applicant's name, address, date of birth and benefits that applicant receives / has received. If data on Department for Work and Pensions is not accurate, this poses a risk that applications using this data may be incorrectly approved or rejected.

A finding in relation to this has been raised in the Residency review completed in March 2022, and so we have not raised a recommendation in this report. The recommendation per the Residency review is for Social Security Scotland to seek to obtain official confirmation of the processes used to verify data on which Social

Security Scotland places reliance. The recommendation has been accepted and has an action date of 01/06/2022.

3.2. Good Practice

3.2.1. Guidance in place for benefit processing

Guidance on application processing is in place for all benefits on the Knowledge Hub. During benefit walkthroughs with client advisors, almost all Client Advisors referenced the guidance available on the Knowledge Hub. We reviewed part of the guidance during our fieldwork and found that it provides a clear explanation of steps to follow when processing benefits.

3.2.2. IT testing of SPM automated eligibility controls

There is regular testing of the IT controls on SPM determining eligibility for each benefit. The IT controls for each benefit have been tested prior to the launch of the benefit, however when a new benefit is released, the IT controls for all other benefits are also tested.

3.3. Improvement Opportunities

3.3.1. Integration between SPM and Department for Work and Pensions

We are aware that there are plans in place for a better integration between SPM and the Department for Work and Pensions. The aim is for SPM to automatically reconcile its application data against Department for Work and Pensions, only requiring manual checks where there is a discrepancy between the two. This would significantly reduce the amount of manual checks performed by Client Advisors on applications.

This would greatly improve efficiency and decrease the risk of manual error so we recommend that Social Security Scotland continues work on its current plans for the integration.

3.3.2. Review of benefit processes on SPM

User research is continuously carried out where system analysts work with the Client Services Delivery teams to identify any issues or improvement opportunities within the processes on SPM. Actions which relate to the launch of new benefits can be implemented quickly. However, currently there isn't an established route for

implementing actions that would improve efficiency but are not critical to the administration of the benefits.

We recommend that Social Security Scotland establishes a structured approach to prioritising and implementing all actions, including efficiency improvements, coming out of the process reviews for when a more steady state of benefits has been reached and resource is available for efficiency improvements.

Annex A 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 B – Terms of Reference



Directorate for Internal Audit and Assurance

Internal Audit Terms of Reference

Social Security Scotland 2021-22

Internal Controls - Benefit Eligibility

Key Audit Contacts

Audit Year:	2021-22
Client Accountable Officer:	David Wallace, Chief Executive
Client Audit Contact(s):	James Wallace, Deputy Director Finance and Corporate Services [Redacted], Head of Finance [Redacted], Head of Fraud and Error Resolution [Redacted], Head of Strategy, Policy and Corporate Support Leanne Carson, Deputy Director Programme Management and Delivery Division (SSD) Lesley Forbes, Deputy Director Programme Management and Delivery Division (SSD) [Redacted], Service Owner Design Standards and Information Services (SSD)
Head of Internal Audit:	[Redacted]
Internal Audit Manager:	[Redacted]
Internal Auditor	[Redacted] [Redacted] [Redacted] [Redacted]

Estimated Reporting Timescale

Fieldwork Starts:	October 2021
Fieldwork Ends:	February 2022
Draft Report Issued:	March 2022
Final Report Issued:	March 2022
Estimated Resource Days:	60

1. Introduction

- 1.1. This internal audit review forms parts of our planned audit coverage agreed by the Accountable Officer and noted by the Audit and Assurance Committee on 09 February 2021.
- 1.2. To aide understanding it is important to clearly set out the relationship between Social Security Scotland and the Social Security Directorate (Programme). Social Security Directorate is responsible for developing the policies and designing and building the new Scottish social security services and is delivering the components on an incremental day to day basis through an agile environment. Minimal Viable Products are designed by the Social Security Directorate, in collaboration with Social Security Scotland from early discovery through to transition when Social Security Scotland will be supported to develop these as necessary.
- 1.3. To be eligible for benefits administered by Social Security Scotland an individual must meet certain eligibility criteria. As part of the determination process for any benefit, an assessment to confirm the applicants eligibility must be undertaken, to confirm that they meet each element of the eligibility criteria. As such it is essential that Social Security Scotland has robust controls in place to assess and verify an applicant's eligibility status. This includes assessment for any new claims as well as for ongoing claims maintenance and change of circumstances.
- 1.4. The Social Security Scotland Strategic Risk Register includes the following risks related to this review:
 - *IF Social Security Scotland is not provided with policy and product to deliver effective internal control systems for the delivery of benefit products which are secure by design THEN Social Security Scotland may experience increased levels of error and fraudulent activity both internal and external RESULTING IN financial loss and reputational damage for Social Security Scotland.*
 - *IF the digital solution, as it relates to making payments, for all benefits (live and still to launch) does not include robustly tested and effective internal controls THEN the Agency may experience increased levels of Fraud & Error*

and/or payment service failure RESULTING IN financial loss and missed/delayed client payments and resulting reputational damage.

- 1.5. We held a planning meeting in May 2021 with key contacts for this audit to discuss the proposed scope of this review. We also sought input from the Deputy Director Finance and Corporate Services
- 1.6. Our key risks below have been developed through these discussions and our knowledge of Social Security Scotland and its objectives

2. Scope

- 2.1. To evaluate and report on the internal controls in place to manage the risks surrounding Social Security Scotland's arrangements for establishing and verifying the eligibility of all applications and recipients of Scottish social security benefits.
- 2.2. Internal controls are critical in the process of setting and achieving operational, strategic, compliance and reporting objectives. This review will assess, for each live benefit, the internal system and process controls in place to verify the eligibility of claimants to ensure benefits are only paid to individuals who meet the eligibility criteria. This will include consideration of how statute in relation to this has been interpreted, the actions being taken by Social Security Scotland to verify eligibility and the sources upon which Social Security Scotland place reliance. We will assess whether the processes in place to actually provide the verification of eligibility is effective or whether there are weaknesses in this. We will also consider the balance achieved in relation to controls being in place and the drive to launch each of the new benefits and the extent to which the internal control arrangements are able to keep pace with benefit launches.
- 2.3. **Remit Item 1 – Processes and Controls**
To assess the system and manual processes and controls in place for verifying eligibility as part of initial determination, change of circumstances, case maintenance or redetermination stages and assess for efficiency and effectiveness.

Key Risks:

- Processes undertaken are ineffective resulting in checks being completed which do not ensure eligibility of a client or application which could result in fraudulent or erroneous payments being made to those who are not eligible.
- Eligibility verification processes and controls are ineffective or circumvented leading to stages of the process being missed which could result in fraudulent or erroneous payments being made to those who are not eligible.
- Processes and controls for eligibility verification requiring manual intervention, which could be easily circumvented, leading to instances of fraud or error.
- System automated processes and controls are inaccurate or ineffective, resulting in incorrect determinations in relation to eligibility which results in reputational damage and the financial hardship of individuals who are eligible or financial loss to Social Security Scotland.
- Insufficient internal controls in place to identify and process changes to a benefit recipient's circumstances which may affect eligibility and lack of proactive checks as part of ongoing claims maintenance, including insufficient action in relation to the processing of reported change in circumstances, to verify eligibility resulting in payments being made to ineligible individuals.
- Processes and controls for establishing eligibility at redetermination stage are ineffective or inefficient, leading to incorrect redetermination decisions being made which results in reputational damage and the financial hardship of individuals who are eligible or financial loss to Social Security Scotland.
- Insufficient controls to ensure the source evidence used to substantiate information on which eligibility is based is accurate and legitimate, resulting in financial loss and reputational damage due to fraudulent and/or erroneous payments being made.
- Lack of knowledge and/or understanding of gaps in the processes and controls for eligibility checks at all stages of the application process, leading to acceptance of these without full understanding of the immediate and long-term impacts on Social Security Scotland and the risks they pose.
- New benefits are launched with insufficient internal controls in place due to drive to launch each new benefit on time leading to financial loss and reputational damage due to fraudulent or erroneous payments being made.
- Knowledge of good practice and lessons learned from current live benefits not being captured and utilised to shape forthcoming Disability and Carer

Benefits, leading to new benefits being delivered which do not have sufficient controls in place to ensure benefits are only provided to those eligible.

3. Approach

- 3.1. We will undertake the audit in compliance with the Internal Audit Charter and Memorandum of Understanding agreed between the Directorate for Internal Audit and Assurance and Social Security Scotland.
- 3.2. This will primarily be a desktop based review where we will compare legislation with policy, processes and controls. We will look at each live benefit individually and map out the eligibility criteria and obtaining evidence of the verifications and controls in place for each of these. This will be supported by some discussion with key contacts where appropriate and substantive testing to confirm that processes are deployed as expected and result in the desired outcome. We will conduct the audit throughout the year looking at each of the live benefits. We will hold regular discussions with key contacts throughout the year, as appropriate, as we undertake our fieldwork, issuing management letters 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.
- 3.3. Whilst the current Scottish Government remote working requirements continue, this review will be undertaken remotely and we will utilise eRDM Connect for sharing documents and screen sharing technology as necessary. Methods of undertaking fieldwork will be amended as appropriate.
- 3.4. Social Security Scotland is reminded of our need for timely access to people/systems and responsiveness to information requests, to enable the reporting timetable to be met.