



Social Security Scotland  
Tèarainteachd Shòisealta Alba

Social Security Scotland  
Annual Report of the Audit  
and Assurance Committee to  
the Executive Advisory Body  
and the Accountable Officer

Dignity,  
fairness,  
respect.



## **Social Security Scotland Annual Report of the Audit and Assurance Committee to the Executive Advisory Body and the Accountable Officer**

### **Foreword**

Welcome to Social Security Scotland's Annual Report of the Audit and Assurance Committee (the Committee). Throughout you will see how our role contributes to the achievement of Social Security Scotland's strategic objectives, in particular, efficiency and alignment: ensuring efficiency and aligning our activities with wider public sector for the benefit of the people we serve.

This report covers the period from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 along with the completion of the 2019/20 [Annual Report and Accounts](#). This is our first report covering a full financial year and discusses the good work undertaken to embed the Committee into the organisation's wider Governance Framework and set a challenging work programme covering a range of important areas.

During the year Social Security Scotland has started to deliver a number of new benefits and has increased in size significantly. The balance of our work has therefore also altered to increase the focus on operational delivery of benefits as well as preparations for the delivery of future benefits.

Overall, we are pleased with the progress made in this reporting year, and look forward to furthering the development of the Committee in 2020/21

## **Financial Year 2019-2020**

### **1. Introduction**

This report is addressed to the Executive Advisory Body and the Accountable Officer with the aim of assisting with the preparation of the Governance Statement and helping provide assurance to the Executive Advisory Body and, ultimately, the Accountable Officer as appropriate.

The report summarises the key items of business conducted by the Committee over the period 1 April 2019-31 March 2020. During this time the Committee has met 4 times. A calendar of business for the committee during this period is detailed in Annex A.

The Committee is independent of Social Security Scotland's management and the membership consists of four Non Executive members. The focus for this year was the approval of the organisation's first Annual Report and Accounts, introduction of reports on Fraud, Error and Debt and a focus on actions resulting from independent assurance activity (including Internal Audit) being followed through.



From Social Security Scotland meetings were attended by the:

- Accountable Officer
- Deputy Director for Finance and Corporate Services
- Leads from Corporate Assurance, Risk, Finance and Fraud and Error.

This year Social Security Scotland introduced a new Deputy Director management structure. In the early half of 2019 the Head of Governance Strategy had attended these meetings. This role has now been superseded by a new Deputy Director for Strategy and Client Experience, however we have agreed the Deputy Director for Finance and Corporate Services will be the lead for the Audit and Assurance Committee.

There were also always representatives from Audit Scotland, the external auditors, and the Scottish Government Internal Audit Directorate.

We also as appropriate have observers attend the meeting either from within Social Security Scotland or the wider Social Security Directorate.

The revised [Terms of Reference](#) for the Committee was approved at the November 2019 meeting, and is based on best practice and consistent with the Audit Committee Handbook issued by the Scottish Government. The revised Terms of Reference is now available on the corporate website.

The standard items discussed at each meeting includes:

- Minutes of previous meeting and action tracker
- Conflicts of interest
- Risk management update
- Financial update
- Fraud and Error update
- Internal Audit update
- Audit Scotland update
- Update on Independent Assurance Actions.

Following each meeting the minutes are submitted to the Executive Advisory Body as the formal report of business. We have also agreed for 2020/21 that we shall proactively publish all meetings papers.



## 2. Audit Committee Work During the Year

### Internal Audit

At each meeting the Committee receives a report from the Internal Audit Directorate, detailing its work since its last report.

Advice was given in January 2020 on the Audit Plan for 2020-2021, specifically on the themes for consideration and on prioritisation, taking account of the work undertaken during 2019-2020 and the planned introduction of Scottish Child Payment and Wave 2 benefits during 2020-2021.

We also review the final reports of all Internal Audit Reviews, and have welcomed the opportunity to discuss these with the lead officer from within Social Security Scotland. This has allowed us to broaden our understanding of work across the organisation and identify specific areas for follow up.

With a focus on maintaining critical services and the ongoing impact on Social Security Scotland due to Covid-19 it was agreed to postpone the 2020-2021 Internal Audit Plan, however we are aware this will be continually reviewed and a revised plan based on the impact presented to the Committee in due course. Internal Audit Directorate will provide support to ensure relevant controls are in place for any amended practices within Social Security Scotland at this time.

The Corporate Assurance Team provides a regular assurance report to the Committee, which provides us with greater oversight of the implementation of recommendations to ensure they are complete. With increased capacity in the Corporate Assurance Team work in this area will be expanded to include further interrogation of the recommendations and progress. Internal Audit themselves also continue to monitor progress.

The Committee has taken assurance from the delivery of the agreed Internal Audit Plan for the year 2019-2020. The reports provided assurance that controls are being designed appropriately, but it is acknowledged that Social Security Scotland is continually growing, and in some areas the baseline controls delivered by the Social Security Programme require further improvement.

Social Security Scotland has a positive relationship with the Internal Audit Directorate and this is reflected in the presentation of reports to the Committee. A series of Audit is Your Friend sessions promoted the benefits of Audit across Social Security Scotland and increased requests for advisory work.

### External Audit

In February the Committee was presented with the 2020/2021 Audit Plan prepared by Audit Scotland, which outlines the key audit risks for Social Security Scotland and the planned audit work that will be undertaken in each area. Following this we also considered Audit Scotland's Report on its interim work on financial systems and processes and noted the recommendations for further development and improvement of systems together with managements responses.



The audit process, despite the impact of Covid-19 ran smoothly and the Committee is satisfied with, and confident in, the working relationship with external audit. The Committee considered the external auditor's opinion and the Annual Audit Report at its meeting on 20 October 2020.

We noted the unqualified opinion on the truth & fairness of the accounts and on most of the other matters on which the auditor reports. We recognise that the auditor modified his opinion on the regularity of expenditure on Carer's Allowance and that the Auditor General had decided to submit a section 22 report to the Scottish Parliament. The Committee also considered the auditor's Annual Audit Report and management responses. Progress on these actions will be reported to the Committee over the next financial year.

### **Risk Management**

The risk function has been developed over 2019/2020 with guidance from the Audit and Assurance Committee members and informed by an Internal Audit Review.

We welcomed the establishment of a Risk Review Group which provides oversight and analysis of Social Security Scotland's risk landscape for support and escalation.

A reporting cycle is being implemented to allow action owners to update their risks more regularly and provide greater assurance to both the Risk Review Group and Audit and Assurance Committee.

The committee are invited to select risks from the strategic risk register to interrogate further at deep dive sessions held during each committee meeting. Two have been held and a timetable for further sessions is under consideration.

Based on the evidence presented at meetings, we believe that there is an appropriate risk strategy in place and we are pleased with the progress being made to embed a positive risk culture.

In response to Covid 19 Social Security Scotland has amended its working arrangements to allow the vast majority of its staff to work from home. Management have recognised that this increases control risks in some areas and have put in place additional monitoring and checks to mitigate these risks whilst enabling the continuity of service to clients.

### **Financial Reporting**

The Committee receives a Financial Update paper at every meeting, and the format of this was agreed with the Committee. Advice was also given on the Accounting Policies and we noted the Counter Fraud Strategy.

The Social Security Assistance (Investigation of Offences) (Scotland) Regulations 2020 and the Statutory Code of Practice for Investigations were endorsed by the Social Security Committee of the Scottish Parliament.



The Committee note the complex financial position of Social Security devolution, and welcome the additional material that is being supplied to them to aid understanding including information on the annual reporting process.

### **Fraud, Error and Debt Reporting**

The Committee receives regular reports on error, fraud and debt recovery work in Social Security Scotland, and the format of this was agreed with the Committee.

The Committee is pleased to see levels of fraud and error continue to be low, with preventative controls working well. Progress is expected to continue towards enhanced capabilities within this area.

### **3. Conclusions**

The Audit and Assurance Committee can never give absolute assurances to the Executive Advisory Body or the Accountable Officer. However, based upon

- the work of the Committee during this year
- the continual growth of Social Security Scotland
- the assurances that we have received as set out above.

we are of the view that Social Security Scotland has the appropriate systems in place that are designed to give the Executive Advisory Body and Accountable Officer the necessary assurance in relation to the Governance Statement.

The Committee considers that it has an appropriate balance of skills and will keep its performance under review. In terms of skills, there is also an open door policy that should any members identify areas of development or seek information on a specific topics, then this can be requested through the Committee secretariat function.

Through committee self-assessment, areas for improvement were identified. An action plan is now in place to address issues raised.

The committee held private sessions with the internal and external auditors. In addition to this the committee have undertaken an evaluation of both Internal and External Audit, using the Institute of Chartered Accounts of Scotland (ICAS) Guide for Evaluating your Auditor.

As Chairman of the Committee, I know I can access the Accountable Officer, staff and our internal and external representatives when required.

We are pleased with the progress to date of Social Security Scotland in establishing its Risk Management Function, Finance capability and other approaches in respect of public sector compliance. The calendar of business for the Committee is also developing and we have introduced regular Fraud and Independent Assurance update reports.



We note again the qualified opinion from Audit Scotland in respect of the regularity of the Carer's Allowance payments. This is not unexpected and we are aware that Social Security Scotland will continue to work with the Department for Work and Pensions on this matter. We also note the agreed action plan within the annual audit report and will support Social Security Scotland in responding to these actions and monitoring their progress.

As the organisation recovers from the impact of Covid-19, and continues to deliver further new benefits, including Scottish Child Payment, we look forward to supporting the organisation in what will be another challenging year.

## **Annex A – Audit and Assurance Committee Calendar of Business 2019/2020**

### **14<sup>th</sup> May 2019**

1. Welcome including conflicts of interest
2. Minutes of previous meeting and action tracker
3. Financial Update
4. Fraud Update
5. Risk Management Update
6. Compliance Register Update
7. Internal Audit Progress Update
8. Internal Audit Annual Assurance
9. Audit Scotland Update
10. Audit and Assurance Committee Annual Report
11. Draft Governance Statement
12. Agency Gateway Review
13. Audit Scotland Report – Implementing the devolved powers
14. Social Security Programme – Overview of Risk Management Function



### **17<sup>th</sup> September 2019**

1. Pre-Meeting – Non Executive Members and Internal/External Audit
2. Welcome including conflicts of interest
3. Minutes of previous meeting and action tracker
4. 2018-19 Annual Report and Accounts
5. Audit Scotland – Annual audit plus supporting papers
6. Updated Audit and Assurance Committee Annual Report
7. Financial Update
8. Error and Fraud Q1 Update
9. Risk Management Update plus supporting papers.
10. Business Continuity Update
11. Audit recommendations update
12. Internal Audit update
13. Review the efficiency of Internal/External Audit

### **19<sup>th</sup> November 2019**

1. Welcome including conflicts of interest
2. Risk Deep Dive
3. Minutes and Action Tracker
4. Financial Update
5. Error, Fraud and Debt Update
6. Investigatory Powers Commissioner's Office (IPCO) Report Update
7. Risk Management Update
8. Register of Compliance Update
9. Audit Recommendations Update
10. Internal Audit Update
11. Audit Scotland Update
12. Audit and Assurance Committee Self-Assessment
13. Assessment of Extremal Audit





**11<sup>th</sup> February 2020**

1. Welcome including conflicts of interest
2. Risk Deep Dive
3. Minutes of previous meeting and action tracker
4. Financial Update and Annual Accounts
5. Error and Fraud and Debt Update
6. Fraud and Code of Practice
7. Risk Management Update
8. Audit Recommendations Update
9. Internal Audit Directorate Update
10. Internal Audit Plan 2020/2021
11. Audit Scotland Update