



Audit and Assurance Committee

Date of Meeting	22 November 2022
Subject	Audit Recommendation Update
Agenda No.	7
Prepared By	Corporate Assurance Team
Purpose	Note

1. Background

- 1.1. The Audit and Assurance Committee are invited to note the progress of audit recommendations contained within this report.
- 1.2. We will report to the Audit and Assurance Committee regularly to update members on the status of recommendations from our independent audit activity.

2. Key points

- 2.1. The report sets out the open and closed recommendations which have been made by independent audit reports. This includes Internal Audit reports, Health-check Reviews and Audit Scotland. The following information is provided:
 - Total Internal Audit Recommendations Progress to date;
 - An overview of open Internal Audit recommendations that have missed deadlines or are at risk of slippage;
 - A brief overview of outstanding High, Medium and Low priority Internal Audit recommendations;
 - A breakdown of Internal Audit Recommendations that are missed or at risk of slippage
 - A table noting progress of Audit Scotland actions;
 - A table noting progress of Health-check actions.

3. Conclusions

- 3.1. The Audit and Assurance Committee is invited to note the progress of these recommendations and information contained within this report. Comments are also invited in relation to the revised content and format of the report.

4. GOVERNANCE CHECKLIST



Strategic Objective	Contribution
<p>Dignity, fairness and respect</p> <p>Delivering a service with dignity, fairness and respect at its core.</p>	<p>This report does not have any direct contributions, however audit recommendations will frequently contribute towards each of these objectives.</p>
<p>Equality and tackling poverty</p> <p>Promoting equality and tackling poverty.</p>	
<p>Efficiency and alignment</p> <p>Ensuring efficiency and aligning our activities with wider public sector for the benefit of the people we serve.</p>	
<p>Economy, society and environment</p> <p>Contributing to our economy, society and protection of our environment.</p>	



Strategic consideration	Impact
Environment	This report does not have any environmental implications beyond the fact that audit recommendations may be made relating to the environment.
Governance	The Corporate Assurance Team manage the progress of external audit/assurance recommendations. Governance structures are in place to manage the corporate response to recommendations. Progress is reported to the Agency Leadership Team, Executive Team and Audit and Assurance Committee.
Data	Individual audit recommendations may impact on data management.
Finance	Individual audit recommendations may impact on finance.
Staff	Individual audit recommendations may impact on staff.
Equalities	Individual audit recommendations may impact on equalities.
Estates	Individual audit recommendations may impact on estates.
Communications and Presentation	Not applicable

Impact Assessment
Not applicable



Social Security Scotland – Audit Recommendation Update

1 Purpose

The purpose of this document is to provide the Audit and Assurance Committee with an update on recommendations from all independent audit activity.

2 Context

The Audit Recommendation Trackers provide a mechanism for recording, managing and updating all recommendations from independent audit and assurance activity. Recommendations are broken down by each review, giving the overall assurance rating and illustrating the number of recommendations made and priority ratings they hold. Further information is contained within the following annexes:

Annex A – Audit Scotland Recommendation Update Tracker.

Annex B – Internal Audit’s Definitions of Assurance Ratings and Recommendation categories.

Annex C – Health-check Definitions of Ratings and Recommendations.

3 Summary of Progress

The Corporate Assurance Team have continued to work with action owners to facilitate implementation of recommendations across all divisions. Implementation is however the responsibility of each area.

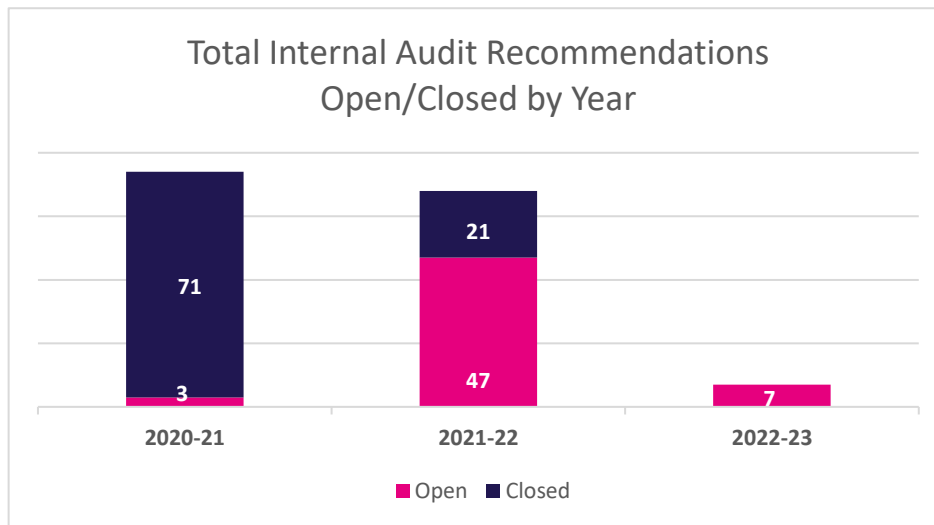
1 new report has been finalised for IT Supply during this quarter 3 further reports are currently at management response draft stage.

The below table indicates the overall assurance ratings given by Internal Audit reports to date, with an additional breakdown for 2021-22 and 2022-23.

Overall Assurance Level – Internal Audit Reports	Total number of reports	2021-22	2022-23
Substantial Assurance Controls are robust and well managed	5	2	
Reasonable Assurance Controls are adequate but require improvement	36	12	1
Limited Assurance Controls are developing but weak	11	3	
Insufficient Assurance Controls are not acceptable and have notable weaknesses	0	0	



4 Total Internal Audit Recommendations Progress to date



The graph above shows a breakdown by year of the open and closed recommendations.

- 2020-2021 recommendations – 71 of the recommendations have now been closed and 3 remain open. The 3 open recommendations are from the Stakeholder Engagement review, which is currently at follow up stage.
- 2021-2022 recommendations – 47 of the recommendations are open and 21 are closed, we expect more to close over the next reporting period as Internal Audit complete follow up reports.
- 2022-23 recommendations – 7 new recommendations have been opened.

Although not shown in the graph, it is important to note that a further 24 recommendations are currently considered to be only partially implemented, this is down 5 from the previous report. These are recommendations that have been reviewed by Internal Audit as part of a follow up review and are considered to be closed for Internal Audit purposes, but further action is required. These recommendations are monitored locally by the Corporate Assurance team and added to the closures count once fully completed.

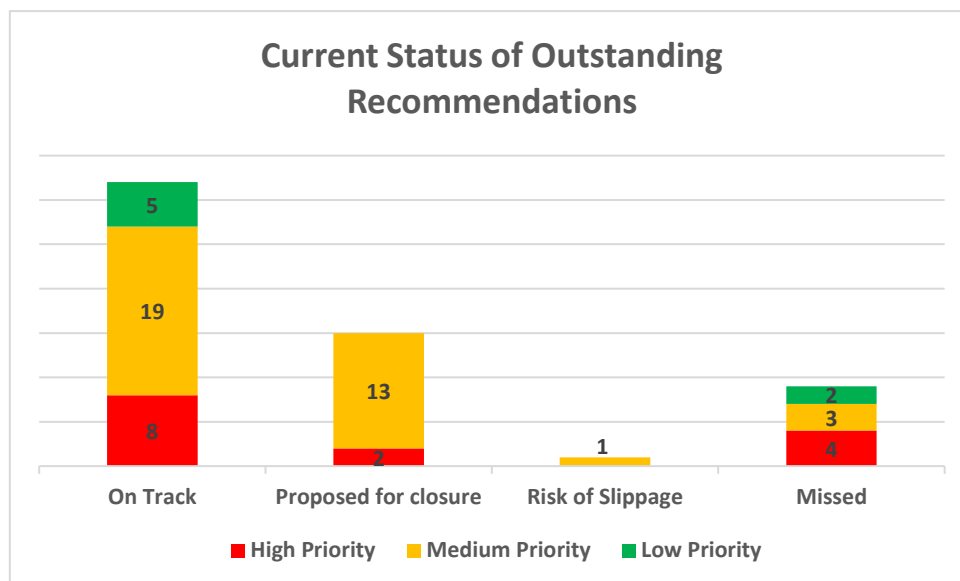
5 Open Recommendations that have initially missed, or are at risk of slippage, on their deadline.

The below table provides an overview of open Internal Audit recommendations which have initially missed their deadlines or are at risk of slippage.



Internal Audit Report	Assurance	Missed	Risk of slippage
Client Services and Delivery			
Client Experience	Reasonable	1	0
Finance and Corporate Services			
Budget Setting	Reasonable	1	0
Recruitment	Reasonable	2	0
Strategy, Change, Data and Engagement			
Equality and Diversity	Reasonable	3	0
Stakeholder Engagement	Reasonable	0	0
Payment Correction Cases	Advisory	2	0
Chief Digital Office			
SPM 2021-22	Limited	0	1

6 Current Status of Outstanding High, Medium and Low Priority Recommendations



The above chart shows the breakdown of all Open Internal Audit recommendations. For High Priority recommendations, 8 are on track and 4 recommendations have missed the deadline. 2 of these are from the Equality and Diversity review, 1 is from the Client Experience review and 1 is from the Payment Correction cases Advisory work. There are 2 High Priority recommendations currently proposed for closure.

For Medium Priority recommendations, 19 are on track, 3 have missed deadlines, 13 are proposed for closure and 1 is at risk of slippage. The Medium Priority recommendations that have missed the deadlines are from the Budget Setting and Recruitment reviews and the Payment Correction



Cases Advisory work. The Medium Priority recommendation that is at risk of slippage is from the SPM 2021-22 review.

For Low Priority recommendations, we have 5 on track and 2 have missed the deadline. The Low Priority recommendations that missed the deadline are from the Recruitment and Equality and Diversity reviews.

We have been provided revised deadlines by action owners where available for the recommendations that have missed their original deadline. The table below provides a current status update for the Internal Audit recommendations which have missed their deadlines or are at risk of slippage.

Internal Audit Recommendations - Missed or at Risk of Slippage.

Budget Setting			
Rec	Recommendation	Update	Status
BS2 - Medium Recommendation	<p>Establish a mechanism to communicate to all related parties (Programme, DG Exchequer and DG Communities) additional budgetary information around budget processes, assumptions, estimates and associated risks. Specifically, this mechanism could be used to ensure budgetary information is appropriate escalated through to DG Exchequer.</p> <p>Earlier communication, including explaining draft workings, would create a transparent and clear budget story and greater “buy in” from related parties.</p>	<p>This was raised at the October 2022 Central Finance Liaison Group and the audit report circulated to members to keep this recommendation in view. There have been some improvements in the way in which the Portfolio manage these issues but still more to be done at the centre for this and no action has been undertaken. New proposed date of completion is expected to be March 2023.</p>	<p>Missed - Deadline June 2022</p>

Recruitment			
Rec	Recommendation	Update	Status
R1 - Medium Recommendation	<p>Recruitment should work with Workforce Planning to produce a plan, overlaid on the existing workforce plan, that shows when staff are expected to start, when recruitment will have to commence and the hiring managers responsible for initiating the recruitment.</p>	<p>October saw the introduction of enhanced recruitment controls in order to ensure the organisation had the correct resource in line with our delivery expectations. This has meant a review of delivery strategies is now taking place once again as we look to ensure the business has reflected full on internal resource availability before we look to continue any external recruitment activities. Previous activity from August's update remains pertinent as the business is now better prepared to be agile. These new strategies will</p>	<p>Missed – at follow up stage</p>

		be driven by decisions from finance and Workforce Planning partners.	
R5 – Low Recommendation	The recruitment team should look to develop a recruiting strategy or similar alongside or as an addition the workforce planning strategy.	As above, this is currently at follow up stage.	Missed – at follow up stage

SPM 21-22

Rec	Recommendation	Update	Status
SPM 4 – Medium Recommendation	Management should, alongside other access control improvements recommended in our previous review of SPM, ensure controls are implemented to prevent users outwith the Service Desk making changes to SPM users and ensure all users only have access to system functionality which is relevant to their role.	[Redacted]	At risk of slippage – Deadline March 2023

Client Experience Team

Rec	Recommendation	Update	Status
CET2 – High Recommendation	a) Management should put controls in place to minimise the risk to Social Security Scotland or seek assurance from the Social Security Directorate that there are key contacts in place to assist with progressing the development of systems and processes for Client Experience.	A and B - The service desk tickets, that have been checked by Subject Matter Experts within the Client Experience team, are due to be delivered and discussions are ongoing to confirm the delivery date these will be released in. C - The feedback dashboard ticket is in production and discussions are continuing to confirm the	Part A is missed – Deadline - Dec 2021 Part B is missed –

	<p>b) Outstanding system issues should be escalated via management, emphasising the impact of outstanding issues, and secure clear timescales of a resolution which supports business needs.</p> <p>c) Once system issues are resolved, Client Experience should move away from manual reporting processes and ensure functionality which supports the Social Security Operations and Delivery Analysis Unit to generate automated SPM reports.</p>	<p>delivery date.</p> <p>Until a window of release is agreed, we cannot give a timeframe for completion.</p>	<p>Deadline - Dec 2021</p> <p>Part C is missed – Deadline - March 2021</p>
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Equality and Diversity			
Rec	Recommendation	Update	Status
ED1 – High Recommendation	<p>Management should review existing Equality & Diversity activities across Social Security Scotland and ensure that:</p> <p>a) activities are joined up and aligned across the whole of the organisation. Following this, staff across Social Security Scotland should be made aware of their specific roles and responsibilities in relation to Equality, Diversity and Inclusion.</p> <p>b) there is sufficient resilience across Social Security Scotland to ensure there are no single points of failure and there is sufficient support and knowledge to ensure equality and diversity activities are undertaken as required.</p>	<p>We have faced significant challenges attracting suitable candidates to fill our C1 and B3 vacancies. Diversity and Inclusion Manager appointed to People Advice team July 2022 and started work on aligning activity across the organisation. The C1 and second B3 roles remain unfilled after two unsuccessful recruitment rounds. A further attempt is currently being made to attract candidates using more targeted methods. This has impacted on our ability to deliver against the recommendations within the original timescale set.</p> <p>a) We are currently refreshing the Terms of Reference for our Internal and External Equalities Networks to ensure that we are making best use of</p>	Missed – At follow up stage

		<p>the skills and knowledge available to us via these routes and have a broad cross-section of expertise to draw upon.</p> <p>(b) The key challenge is around finding suitably qualified and experienced staff to fill our remaining diversity vacancies as this impacts on our ability to deliver everything we plan to do. In the meantime, we will continue to prioritise key activities to ensure we are able to maximise our effectiveness given the resource we have. The closing date for applications for the C1 post is 26 October and interviews will be held in November 2022.</p> <p>Deadline now extended to April 2023.</p>	
ED2 – Low Recommendation	Where publication of any strategy becomes delayed, this should be reflected in timescale commitments within the strategy action plan, prior to publication, to ensure all target timescales are SMART (Specific, measurable, achievable, realistic and timely).	<p>The progress report against the actions in the Equality Strategy has been drafted and is waiting for final sign off, as well as a decision about the review process for a new document.</p> <p>The report will be published in November 2022.</p>	Missed – at follow up stage
ED5 – High Recommendation	We recommend that there should be an improved governance mechanism to monitor Equality Impact Assessments across individual business areas and the organisation as a whole. This should include robust controls to provide the accountability, governance and oversight of Equality Impact Assessments and ensure that assessments are undertaken where required, completed to a high quality and embedded within development and decision making processes.	New Equality Impact Assessment guidance has been drafted and reviewed with relevant stakeholders. This is currently being reviewed by Communications for final sign off and publication. We maintain an ongoing relationship with our Equality Impact Assessment contact in the Mainstreaming Equality Unit in Scottish Government. They have shared their updated	Missed – at follow up stage

		<p>guidance so we can ensure ours is consistent while remaining relevant to our own work and projects.</p> <p>We keep track of all active Equality Impact Assessments and Equality Impact Assessments where we receive a declaration that one isn't needed.</p> <p>The Corporate Assurance is due to provide an update to the Executive Team in November on Equality Impact Assessments and offer support to ensure they are reviewed and approved correctly. Our Business Support teams are providing ongoing support to improve completion rates in their business areas.</p>	
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Payment Correction Cases (Advisory)			
Rec	Recommendation	Update	Status
PC1 – High Recommendation	<p>Where there is shared ownership a lead owner should be identified between Social Security Scotland and Social Security Directorate.</p> <p>Once lead ownership is established there should be clear processes for decision making ensuring relevant input from appropriate stakeholders within Social Security Directorate and Social Security Scotland. This includes Social Security Directorate ensuring the scope of relevant teams considers both Low Income Benefits as well as forthcoming Disability and Carers benefits. Work should not be undertaken</p>	<p>Work in this space is still on going and has not yet concluded. We will continue to work jointly to come to a resolution in the coming months.</p>	<p>Missed – Deadline Aug 2022</p>

	in silos to avoid duplication or omissions and ensure all risks and impacts are considered.		
PC2 – Medium Recommendation	Social Security Scotland should seek assurances that an appropriate an action plan is developed which addresses risks and issues identified by both management and this report to establish a plan to improve weaknesses. Such a plan should include plans to improve system processes and controls to mitigate manual workarounds, decisions required and lack of management information.	As above.	Missed – October 2022



7 Closed Internal Audit Recommendations

No Follow up reviews were completed by Internal Audit in this period. 4 Follow up reviews are currently in process for the Stakeholder Engagement, Equality and Diversity, Recruitment and Chief Digital Office Transition into Social Security Scotland reviews.

A review of older recommendations was completed by Internal Audit, which resulted in a small number of recommendations being closed with a further small number likely to be superseded by upcoming reviews.

The Corporate Assurance Team will continue to internally monitor and report on the partially implemented recommendations, and will ask for evidence to ensure they are completed.

8 Agency Health-check review

The recommendations from the Health-check reviews, completed in 2019 and 2020, have all been closed off by the assessors. The 2022 report and action plan were shared by correspondence with recommendations added to the this report.

Conclusion

The Corporate Assurance team will continue to liaise with recommendation owners, specifically those with a rating of high, to track and report all outstanding recommendations. This will support more targeted discussion with Internal Audit colleagues on any follow up work.

This report will continue to be used to capture all independent audit and assurance activity. The continuous tracking and reporting of progress to the Audit and Assurance Committee will ensure that the committee has the means to monitor how effectively high priority recommendations have been implemented.

Annex A: Audit Scotland

Issue/Risk	Status
<p>1. SPM system may not be appropriate for the more complex benefits The use of an Minimum Viable Product approach means that the initial system that is delivered may not contain all of the required functionality. As the benefits being delivered increase in complexity the need for system controls increases. There is a risk that the Minimum Viable Product is not delivering the minimal functionality to support the Scottish social security system.</p> <p>Recommendation The establishment of a generic baseline Minimum Viable Product should be finalised as soon as possible to support the delivery of a robust core system for the roll out of new benefits.</p>	On track.
<p>2. The technical backlog continues to increase The extent of the technical backlog continues to increase impacting on system functionality and the arrangements for fraud and error. There is a risk that the system functionality is adversely impacted from the reliance on manual work-arounds particularly as the more complex benefits become operational.</p> <p>Recommendation A structured approach should be introduced to address the increasing technical backlog and ensure a strong system control environment is in place to support fraud and error prevention and detection.</p>	On track.
<p>3. Fraud and error arrangements Fraud and error are an inherent risk in a social security system that is driven by individual claims. Social Security Scotland is still reliant on the DWP for many fraud and error estimates as well as developing its own arrangements for the benefits being delivered directly. There is a risk that fraud and error arrangements are not sufficiently developed in advance of the launch of disability and carer's benefits.</p> <p>Recommendation The Fraud and Error team must develop its understanding of the associated risks of fraud and error within the range of benefits being delivered, including those currently delivered by the DWP.</p>	On track.
<p>4. Financial planning The financial impact of the pandemic on Social Security Scotland will extend across several years and the impact is not yet fully understood and reflected in the financial planning. There is a risk that without robust long-term financial plans Social Security Scotland may not adequately capture the underlying cost implications of decisions.</p>	Cleared.

<p>Recommendation Social Security Scotland must revise its financial planning to reflect the long-term impact of the Covid-19 pandemic on benefit delivery arrangements and underlying costs.</p>	
<p>5. Workforce planning The Workforce Strategy has not yet been finalised and should cover both numbers and skillsets to meet the needs of the more complex benefits. There is a risk that without a long-term workforce plan Social Security Scotland will not be able to deliver future benefits to the current timetable.</p> <p>Recommendation A long-term workforce plan, built on the current timetable for benefit delivery, must now be prepared. This should support wider decision making to ensure that there is a sustainable workforce to deliver the Scottish social security system.</p>	On track.
<p>6. Residency Social Security Scotland are implementing new tailored guidance for each new benefit. The guidance will be complex, and staff will need adequate training. There is a risk that guidance and training for residency status for upcoming benefits will not be robust enough.</p> <p>Recommendation The new residency rules for future benefits will be more complex. Guidance needs to be correctly applied by staff to ensure that residency criteria is assessed fairly and consistently.</p>	On track.
<p>7. Performance Management Performance management arrangements are not adequately developed to support robust decision making. There is a risk that Social Security Scotland will not be able to demonstrate value for money.</p> <p>Recommendation Robust and transparent performance management arrangements should be further developed to support decision making and ensure the delivery of a quality benefits service.</p>	On track.

Annex B: Healthcheck

Ref No.	Recommendation	Status
R1	The Agency should work with Programme on the revision of the Programme Business Case.	Open
R2	The Agency should ensure that the Continuous Improvement function is designed, with all associated costs, including the impacts of Technical Debt, fully identified in the Programme Business Case or other suitable artefact (or if appropriate a separate business case).	Open
R3	Comprehensive transition roadmaps, including target outcomes for each component of the current Programme and future Agency capability should be agreed with the Programme. An overall Transition Strategy with jointly agreed guiding principles should also be developed.	Open
R5	The planning and preparations for transition management should reflect the state required at the commencement of the Embedding and Enhancement period and the level of progress to be made by its conclusion.	Open
R5	The Agency, in conjunction with programme, should develop an End of Programme Operating Model by the end of the Embedding and Enhancement period.	Open
R6	The Programme, in conjunction with the Agency, should give consideration to the development of a method of traceability to evidence how Programme and Agency delivery has contributed to National Outcomes and achieving a positive and supportive client experience.	Open
R7	Areas of transition where there may be competing requirements should be identified early with agreement reached on associated planning assumptions.	Open
R8	There should be clarity regarding the scope of Minimum Viable Product, further programme delivery, acceptance criteria and Continuous Improvement.	Open
R9	Workforce planning should consider alternative recruitment arrangements involving both Programme and Agency to support future transition arrangements. For example, the potential for roles to be jointly recruited with the Programme with the posting being initially with the Programme before transitioning to the Agency.	Open

R10	The programme, supported by the Agency, should determine the range of relationships and management arrangements required with DWP and schedule their implementation.	Open
R11	The Agency and the Programme, should plan the transition from the DWP Central Payments System, including contingency arrangements.	Open

Annex C: Definition of Assurance Ratings and Recommendation Categories

Internal Audit use the following grading structure and this has been applied to all Internal Audit recommendations within this report.

Assurance

<p>Substantial Assurance</p> <p>Controls are robust and well managed</p>	<p>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.</p>
<p>Reasonable Assurance</p> <p>Controls are adequate but require improvement</p>	<p>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.</p>
<p>Limited Assurance</p> <p>Controls are developing but weak</p>	<p>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.</p>
<p>Insufficient Assurance</p> <p>Controls are not acceptable and have notable weaknesses</p>	<p>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.</p>

Recommendations

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

Annex D: Agency Health-check Review – Delivery Confidence Assessment RAG

The below table applies to the recommendations made in Section 7 “‘Essential’ and ‘Critical’ Recommendations Status Update – Agency Healthcheck Review”

<u>RAG</u>	<u>Criteria Description</u>
Green	Successful delivery of the programme/project to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery.
Amber /Green	Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.
Amber /Red	Successful delivery of the programme/project is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and establish whether resolution is feasible.

Each recommendation given in the Agency Healthcheck Review has been given Critical, Essential or Recommended status. The definition of each status is as follows:

Critical (Do Now) – To increase the likelihood of a successful outcome it is of the greatest importance that the programme/project should take action immediately.

Essential (Do By) – To increase the likelihood of a successful outcome the programme/project should take action in the near future.

Recommended – The programme/project should benefit from the uptake of this recommendation.