



Scottish Government
Riaghaltas na h-Alba
gov.scot

Directorate for Internal Audit and Assurance

Internal Audit Report

Social Security Scotland 2023-24

Review of Internal Controls – Top Error Trends

Directorate for Internal Audit and Assurance

Issue Date: 8-02-2024

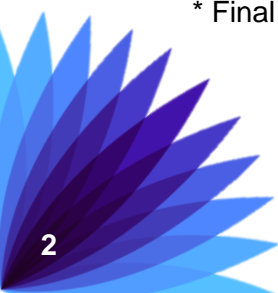
Audit Personnel

Senior Internal Audit Manager:	[REDACTED]
Internal Auditor	[REDACTED]
Assurance Support Officer	[REDACTED]

Report Distribution

Client Accountable Officer*	David Wallace, Chief Executive
External Audit*	Audit Scotland
Deputy Director	James Wallace, Deputy Director Finance
Key Audit contacts	[REDACTED]
Internal Audit Business Support Hub*	<p>[Redacted] Finance Projects and Controls Lead;</p> <p>[Redacted] Senior Internal Control Manager</p> <p>[Redacted] Head of Business Change Management;</p> <p>[Redacted] Head of Fraud and Error Resolution;</p> <p>[Redacted] Head of Client Services Operations;</p> <p>[Redacted] Head of Error Control and Debt Management;</p> <p>[Redacted] Head of Finance;</p> <p>[Redacted] Social Security Directorate Service Manager;</p> <p>[Redacted] Social Security Directorate Service Owner;</p> <p>[Redacted] Quality Assurance and Performance Lead;</p> <p>[Redacted] Head of Operational Capability and Transition;</p> <p>[Redacted] Head of Client Experience and Business Support.</p>

* Final Report only



Contents

1. Introduction	4
1.1. Introduction	4
1.2. Audit Scope.....	4
1.1. Assurance and Recommendations.....	5
2. Management Action Plan	7
2.1. Management Action Plan	7
3. Findings, Good Practice and Improvement Opportunities.....	11
3.1. Good Practice	11
3.2. Improvement Opportunities	11
Annex A Definition of Assurance and Recommendation Categories	15
Annex B – Terms of Reference	16

1. Introduction

1.1. Introduction

This internal audit review of Internal Controls – Top Error Trends formed part of the Audit Plan agreed by the Accountable Officer and noted by the Audit and Assurance Committee on 23 March 2023. 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.

It is important to acknowledge that development and delivery of the systems and processes for Social Security Scotland is being undertaken following an agile methodology. As such Minimal Viable Products (MVPs) for policies, systems and processes for each benefit are designed, built and delivered by Social Security Programme and Policy teams within the Social Security Directorate, with input from Social Security Scotland. Systems and processes are then operationalised by Social Security Scotland. After a period of support and in some instances joint development beyond MVP, systems and processes will transition to Social Security Scotland with an understanding of live running costs and funding arrangements agreed until the end of the Social Security Programme. Once transitioned, it is the responsibility of Social Security Scotland to make arrangements to improve the systems and processes.

It should be noted that SPM Design, as it relates to internal control, has not yet transitioned to Social Security Scotland, as such, whilst the agile approach is delivering minimum viable products, Social Security Directorate remain owners of the system design and therefore responsible for the continued development of system controls and ensuring that the governance, risk management and control arrangements in relation to SPM are appropriate.

1.2. Audit Scope

The scope of this review was to evaluate and report on the controls in place to manage the risk surrounding Social Security Scotland's Internal Control arrangements.

This review followed on from work undertaken in previous years in relation to Internal Controls were focussed on the controls in relation to

- i. Eligibility Criteria
- ii. Post Award Administration

At the time of planning for this audit Social Security Scotland were undertaking some work to understand official error and error trends emerging in relation to the administration of Scottish Social Security Benefits. Through this review we aimed to provide some independent assurance in relation to the systems, processes and controls in place and the governance and risk management arrangements in relation to the top official errors trends that had been identified by Social Security Scotland.

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

1.3. Assurance and Recommendations

Assurance Category	Limited		
	High	Medium	Low
Recommendations Priority	2	1	0

Our review has identified two high and one medium priority recommendations. A limited assurance rating has been provided. 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.

The rationale for this is that the weaknesses in internal controls leading to the top error trends are of a significant nature. We are aware of a desire within Social Security Scotland to improve accuracy and internal controls through the implementation of additional checking regimes, the Internal Controls Steering Group, the Error Control Working Group, Internal Control roles within Social Security Scotland and there is an awareness of the control weaknesses and root causes of errors. [REDACTED].

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

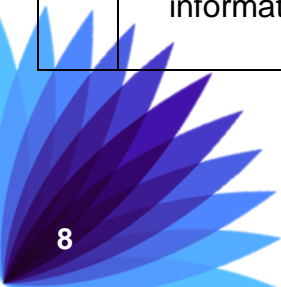
2. Management Action Plan

2.1. Management Action Plan

Our findings are set out in the Management Action Plan below.

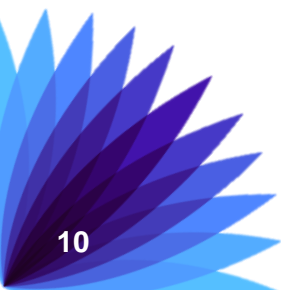
No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
1	<p>Issue: Ownership & Oversight of processes</p> <p>We found instances of:</p> <ul style="list-style-type: none"> • A lack of clarity over who is responsible for making improvements. • An inability to obtain current process maps of systems and processes due to lack of ownership and clarity of who holds these. • Siloed working with a lack of awareness of what control improvements are being progressed by which team. • Lack of clarity on which teams were taking forward developments for known issues. <p>Risk: [REDACTED].</p>	<p>Management should ensure all live and continuous improvement processes have clear and documented ownership supported with appropriate process maps and considerations of crosscutting impacts.</p>	<p style="text-align: center;">H</p>	<p>Response: Agreed</p> <p>The key findings fall into three groupings:</p> <ol style="list-style-type: none"> 1. Responsibilities that are for Social Security Scotland because the product or service has fully transitioned from Programme. <p>Action: These findings will be referred to the relevant Agency owners to inform their improvement plans/activities and we will centrally monitor action.</p> <p>Owner: [REDACTED]</p> <ol style="list-style-type: none"> 2. Responsibilities where capabilities, systems or staff are not yet in place. 	<p>Ongoing</p>

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
				<p>Action: These items will be added to the [REDACTED].</p> <p>Owner: [REDACTED],</p> <p>3. Product, services or staff not yet transitioned from Programme.</p> <p>Action: Requirements outstanding at the point of transition will be captured through the transition process as part of the Legacy Portfolio as part of transfer to live.</p> <p>Owner: [REDACTED]</p>	
2	<p>Issue: Internal controls approach and methodology</p> <ul style="list-style-type: none"> • [REDACTED]; • Lack of management information. Further information can be found here. 	<p>Management should consider the weaknesses identified and ensure mechanisms are put in place to implement</p>	H	<p>Response: Agreed</p> <p>Action: A sound system of internal control for any particular business area is the responsibility of that business area. We will remind business</p>	April 2024



No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	<p>Risk: [REDACTED].</p>	<p>internal controls to reduce the opportunity for error.</p> <p>[REDACTED] there should be action taken to understand the impact and ensure there is effective processes to minimise the risk this poses to the Social Security Scotland.</p>		<p>owners of their responsibility with regards first line of defence.</p> <p>Social Security Scotland has [REDACTED] and taking action to raise better awareness in this area.</p> <p>Action Owner: 1st Line: Relevant Business Area 2nd Line: [REDACTED]</p>	
3	<p>Issue: Weaknesses in controls specific to top error trends [REDACTED].</p> <p>Risk: [REDACTED].</p>	<p>Management should undertake an exercise to prioritise or accept risk in relation to the control weaknesses identified.</p> <p>Where action is to be taken management must ensure there is clear plan</p>	M	<p>Response: Agreed</p> <p>Action: Social Security Scotland use a range of internal reviews and assurance mechanisms to identify control weaknesses. Where weakness is identified and an on-system improvement is possible, this would be added to the [REDACTED].</p>	Ongoing

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
		<p>for this to ensure there is clarity of ownership and responsibility for the required development, this work is appropriately prioritised and management can oversee and track progress through to completion to ensure required internal controls are implemented to reduce the amount of error in these five areas.</p>		<p>Social Security Scotland accept that [REDACTED]. We will co-ordinate this action as part of our work on the Agency change model.</p> <p>Action Owner: [REDACTED]</p>	



3. Findings, Good Practice and Improvement Opportunities

3.1. Good Practice

- 3.1.1. We noted there has been an increased focus within Social Security Scotland and Social Security Directorate on internal controls, with new teams in place to drive forward development of internal controls where there is an ability to do so.
- 3.1.2. We also identified work streams ongoing within business areas across Social Security Scotland to proactively stop error, identify the root cause of errors and highlight internal control weaknesses including within the Error Control Working Group, Internal Controls Steering Group and Product Owner teams.
- 3.1.3. Through our fieldwork we were able to confirm that Social Security Scotland are aware of the high risk, high impact error trends and have an awareness of the gaps in internal controls which result in errors. The Error Control Working Group is used as a forum to highlight top errors and data is gathered monthly on the most frequently occurring errors. However, we do note that to determine this they utilise a variety of sources and rely on manual collation of this information.
- 3.1.4. For the five error trends we focussed on in our review, [REDACTED], we were able to confirm that there was some form of relevant training on Pathways and consolidation and guidance via the Knowledge Management Hub available to Client Advisors which provides direction on the processes to be followed.
- 3.1.5. Within the release management space, there continues to be defined release management processes and controls for Social Security Scotland to sign off on new products or updates before they go ahead. Whilst we have noted this as good practice, [REDACTED].
- 3.1.6. There are routes for lessons learnt and support post go live in Social Security Directorate and Social Security Scotland which provide a route for internal control weaknesses to be raised.

3.2. Improvement Opportunities

Ownership & Oversight of Processes

- 3.2.1. For the elements of benefit administration that we were considering during this review we noted that there is a lack of clarity over who is responsible for dealing with improvements and/or gaps in controls and implementing any actions emerging. There is a clear willingness from business areas within Social Security Scotland to want to improve controls, [REDACTED].

- 3.2.2. Throughout fieldwork, we found it difficult to obtain current process maps of systems and processes designed by Social Security Programme due to lack of ownership and clarity over whether such documentation exists, who holds those process maps which have been documented and who could provide them for our review.
- 3.2.3. Whilst we are aware that a joint ownership approach has been established in relation to the single prioritised backlog and transition of products from Social Security Directorate into Social Security Scotland’s ownership is ongoing, we also found there to be no clear allocation of ownership/accountability within the operating model for either individual benefits or crosscutting areas. As Social Security Scotland become responsible for the full benefit system, there is a need for clarity on all processes and controls whether developed by the Social Security Programme or by the Live Services Team as processes will continue to require ongoing development and maintenance.
- 3.2.4. There are also examples of siloed working in development with a lack of awareness across teams of who is responsible for implementing control improvements across both Social Security Scotland and Social Security Programme, particularly in live benefits.
- 3.2.5. We also noted examples of instances where [REDACTED]. Some examples were:
- [REDACTED].
 - Similarly, there are Content Design teams in Social Security Scotland and in Programme, but there is a lack of clarity over responsibility for development of guidance content for some products.
 - [REDACTED].
 - Some Product Owners in Social Security Directorate [REDACTED].

Internal controls approach and methodology

- 3.2.6. [REDACTED].
- 3.2.7. [REDACTED].
- 3.2.8. [REDACTED].
- 3.2.9. [REDACTED].
- 3.2.10. [REDACTED].
- 3.2.11. [REDACTED].
- 3.2.12. [REDACTED].



- 3.2.13. From our review of the Internal Knowledge Management (IKM) Hub we were able to confirm that there is a vast amount of guidance available to colleagues in Social Security Scotland, however we found it difficult to navigate and locate specific guidance on each error trend. We also found that the IKM Hub was not the most user friendly for searching and locating guidance and therefore does not aid identification of relevant guidance to support understanding. Client Advisors are also creating their own local guidance which means local processes are being developed which deviates from the agreed process and creates inconsistencies. The Knowledge Management Hub should be the single source of information and accurately reflect the agreed processes.
- 3.2.14. There is also a gap in responsibility for ensuring policy is correctly translated into the established processes and subsequent guidance and training by Social Security Directorate as they design and develop products to ensure the policy intention is effectively implemented and that policy and guidance are fit for purpose.
- 3.2.15. There is a culture developing within Social Security Scotland of errors being dealt with by downstream teams rather than limiting errors occurring and correcting them at source. We also noted that in some instances there was a lack of awareness of the impact errors have on the organisation and teams downstream. For example, the costs/impact as a result of errors leading to the need to have increased resources in teams such as the Payment Correction team, Payments Exceptions team and Interventions teams which are focussed on error correction. There is also impact on operational staff time, taking time away from the ability to process applications and pay benefits. Official error also impacts Social Security Scotland's ability to recover overpayments due to clients not being liable in instances where overpayments have been created due to official error.
- 3.2.16. [REDACTED].
- 3.2.17. [REDACTED].

Weaknesses in controls specific to top error trends

- 3.2.18. Our testing focussed on five top error trends, as identified from data provided by the Error Control Working Group. Of the five error trends we looked at, there were control weaknesses identified. Due to the sensitive nature of the findings we have set out the detail of these in a separate annex and shared this directly with management. We acknowledge that there is already an awareness of these

internal control gaps, however at the time of our fieldwork there were no clear plans for resolution. (see [recommendation three](#))

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 2023-24

Internal Controls Official Error Trends

Directorate for Internal Audit and Assurance

Issue Date: 21-07-2023



Key Audit Contacts

Audit Year:	2023-24
Client Accountable Officer:	David Wallace, Chief Executive
Deputy Director	James Wallace, Deputy Director Finance and Corporate Services
Client Audit Contact(s):	[REDACTED]
Senior Internal Audit Manager:	[REDACTED]
Internal Audit Manager:	[REDACTED]
Internal Auditor(s):	[Redacted] Finance Projects and Controls Lead; [Redacted] Senior Internal Control Manager [Redacted] Head of Business Change Management; [Redacted] Head of Fraud and Error Resolution; [Redacted] Head of Client Services Operations; [Redacted] Head of Error Control and Debt Management; [Redacted] Head of Finance; [Redacted] Social Security Directorate Service Manager; [Redacted] Social Security Directorate Service Owner; [Redacted] Quality Assurance and Performance Lead; [Redacted] Head of Operational Capability and Transition; [Redacted] Head of Client Experience and Business Support.

Estimated Reporting Timescale

Fieldwork Starts:	24 th July 2023
Fieldwork Ends:	22 nd September 2023
Draft Report Issued:	6 th October 2023
Final Report Issued:	27 th October 2023
Estimated Resource Days:	40 Days

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 21 March 2023.

1.2. This review follows on from work undertaken in previous years in relation to Internal Controls. In previous years we have focussed on the controls in relation to

- iii. Eligibility Criteria
- iv. Post Award Administration

1.3. There is an ongoing risk in relation to the continuation of activities which are not fully understood and assessed to determine the impact on the organisations control environment. Social Security Scotland are currently undertaking some work to understand official error and error trends emerging in relation to the administration of Scottish Social Security Benefits. We aim to provide some independent assurance in relation to the systems, processes and controls in place and the governance and risk management arrangements in relation to this risk area. In particular we will look to focus on:

- System generated errors;
- Automation generating more errors;
- Assurances received from Social Security Directorate, e.g. assurance that products work before they are introduced into Social Security Scotland's live environment;
- Client Advisor guidance and process, how is this developed, tested, controlled; and
- The support provided to colleagues delivering the benefits, e.g. guidance, training, post launch support, etc.

- 1.4. 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.
- 1.5. We held various planning meetings in June with the Finance Projects and Controls Lead, Senior Internal Control Manager, Head of Business Change Management, Head of Fraud and Error Resolution and the Head of Error Control and Debt Management to discuss this audit and the proposed scope of our review.
- 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 controls in place to manage the risk surrounding Social Security Scotland's Internal Control arrangements.
- 2.2. Remit Item 1 – Guidance, Training, Processes and Controls
Focussing on the error trend outcomes we will review guidance, training, processes and system functionality in relation to the main errors which are being identified to provide independent assurance over the controls in place in relation to these elements of the benefit administration process.

Key Risks:

- Incorrect or inconsistent practices that result in increased risk of fraud and/or error, including inaccurate determinations and payments, due to:
 - Insufficient or inaccurate guidance for Social Security Scotland colleagues;

- Insufficient or ineffective training including initial induction, role specific routeways, refresher training and update training when processes/systems are changed;
 - Insufficient or ineffective system controls in place to ensure the correct processes are followed and prevent errors being made when processing benefits;
 - Reliance on manual processes, controls and workarounds which can be circumvented or done incorrectly;
 - Insufficient or ineffective systems and/or processes for Payment Correction Cases;
 - Insufficient approval and checking processes to minimise the risk of errors not being identified; and
 - System automation and functionality which is not accurate and effective or functioning as expected.
- Lack of knowledge and/or understanding of gaps in the guidance, training, processes and controls leading to an inability to manage the risks this poses and implement effective mitigating controls.

2.3. Remit Item 2 – New Products, System Developments and Hot Fixes

Review of processes established for testing and releasing new products and/or system developments to assess the governance, risk management and controls in place to prevent new releases and hot fixes impacting live service delivery.

Key Risks:

- Insufficient arrangements for obtaining assurance that new products or updates work before they are introduced leading to defects being release into Social Security Scotland's live environment creating errors and impacting the administration of benefits.
- Insufficient or ineffective processes for the development and testing of guidance leading to guidance updates being inaccurate or insufficient resulting in inconsistent or incorrect ways of working impacting benefit determinations and payments; and
- Known bugs, defects and technical backlog elements being inappropriately prioritised leading to required improvements not taking place impacting the

ability for Social Security Scotland to administer benefits efficiently and effectively and minimise the risk of fraud and/or error.

- Insufficient or ineffective support for colleagues delivering the benefits following a new release or update leading to an inability to deliver benefits and achieve strategic objectives.

3. Approach

- 3.1. We will undertake the audit in compliance with the Internal Audit Charter and Memorandum of Understanding agreed between Internal Audit and Social Security Scotland.
- 3.2. At the conclusion of the audit a customer satisfaction questionnaire will be issued to the main client audit contact. Internal Audit appreciate feedback and to facilitate continuous improvement, we would be grateful if you could complete and return the questionnaire.
- 3.3. Management is reminded of our need for timely access to people and responsiveness to information requests, to enable the reporting timetable to be met.