

Audit and Assurance Committee

Date of Meeting	27 February 2024
Time	10:00 – 12:30
Location	Agnes Husband House Ground Floor Conference Room and Video Conference – Microsoft Teams.

Attendees

Present

Non-Executive Members

Russell Frith (RF)	Chair, Non-Executive Member
Naghat Ahmed (NA)	Non-Executive Member

Social Security Scotland

David Wallace (DW)	Accountable Officer, Chief Executive
James Wallace (JW)	Deputy Director, Finance and Corporate Services
Gayle Devlin (GD)	Deputy Director, Health and Social Care
LS	Risk and Assurance Team Leader
DP	Head of Strategy and Corporate Support
MF	Head of Fraud and Error Resolution
SM	Risk Team Manager
MB	Corporate Assurance Manager
SG	Corporate Finance Lead

Internal Audit

LC	Senior Internal Audit Manager
PM	Internal Audit Manager
LB	Assurance Support Officer

Audit Scotland

PG	Audit Director
LD	Senior Audit Manager
PM	Audit Manager



Observers

UA

Diversity and Inclusion Lead

HE

Risk Coordinator

Apologies

Barry Matheson(BM)

Non-Executive Member

MH

Internal Audit Manager

Secretariat

GE

Corporate Assurance Coordinator

1. Welcome and Conflicts of Interest.

- 1.1. The Chair (RF) welcomed everyone to the meeting and noted the apologies as listed above.
- 1.2. RF and DW both formally thanked James Wallace for all his work and support with the Audit and Assurance Committee and Social Security Scotland over the last five years as he moves temporality to a new role with the Director General.
- 1.3. No conflicts of interest were noted.

2. Minutes and Action Tracker.

- 2.1. The minutes from the November 2023 Audit and Assurance Committee have been agreed and are awaiting publication.
- 2.2. All actions are complete.

3. Audit Scotland Audit Plan 2023-24.

- 3.1. PG presented the Audit Scotland Audit Plan for 2023-24 noting the following:
 - The Audit Scotland team will remain unchanged, this is positive and ensures continuity in the audit process.
 - Materiality level is set at 1% of gross expenditure and is £54 million. This will be revised once the unaudited accounts are received.
 - Performance materiality has been assessed at 60% of planning materiality and is £33 million.
 - Reporting threshold, which was previously capped at £250,000, has been increased to £500,000.
 - A high level breakdown of the three significant risks of material misstatement to the financial statements.
 - Social Security Scotland management have plans in place for the wider scope risks. These will be monitored and reported throughout the year.
 - The original target date for reporting the consolidation of Scottish Government accounts was August 2024. This date is not achievable and reporting will now be complete by 8 October 2024. This is due to the reliance on assurances from the National Audit Office not being available until after the target date for the transactions and balances on benefits administered by the Department for Work and Pensions on behalf of Social Security Scotland.
 - The agreed audit fee for 2023-24 is £438,680.

- 3.2. RF thanked Audit Scotland for the opportunity to contribute to the plans development and highlighted it aligns with his expectations.
- 3.3. RF queried if the estimation of official error of Fraud and Error for Best Start Foods will be included in this year's Annual Report and Accounts. JW confirmed inclusion will be dependent on completion of work by the analysts team, if not finalised, it will be omitted.
- 3.4. The Committee thanked PG and Audit Scotland and noted the update.

4. Internal Audit Plan 2024-25.

- 4.1. LC presented a verbal update for the Internal Audit Plan for 2024-25 and noted the following:
 - The Executive Team and Non-Executive Members recently received a draft annual audit plan. The Executive Team are due to discuss the proposed plan at their Meeting on the 5 March. Following this meeting feedback will be shared with Internal Audit. The formal plan will be finalised and provided to the Accountable Officer and Non-Executive Members for agreement.
 - The final plan will be shared with all Committee members through correspondence.
- 4.2. RF requested clarification on the focus of the proposed recruitment audit. LC confirmed the purpose of the audit is to explore potential risks and impacts of new technology, for example the use of Artificial Intelligence by applicants during application and recruitment processes.
- 4.3. The Committee was satisfied with the range of audit suggestions and noted the update.

Action	LC	Once finalised, share the Internal Audit plan with members of the Audit and Assurance Committee.
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5. Directorate for Internal Audit and Assurance Update.

- 5.1. LC presented the Directorate for Internal Audit and Assurance update and noted the following:
 - All 2023-24 Audits are in progress with the aim of all fieldwork being complete and draft reports issued prior to the year end. These will be presented, alongside the annual assurance rating, at the May 2024 Committee meeting.

- 5.2. LC presented two final Internal Audit reports, this included the assurance ratings, a breakdown of recommendations and the findings:
- Review of Safeguarding – limited assurance.
 - Review of Internal Controls Official Error Trends – limited assurance.
- 5.3. RF highlighted it is crucial that members of the Executive Advisory Body and Audit and Assurance Committee have a deeper understanding of programme transition, system development and prioritisation. RF will raise this at the March 2024 Executive Advisory Body.
- 5.4. RF questioned the Safeguarding recommendation implementation dates, and whether these are achievable? GD confirmed whilst these are attainable there are interdependencies with system development work and capacity to gather data.
- 5.5. The Committee discussed the link of safeguarding audit recommendations to associated risk work:
- JW confirmed that work to address the core of the safeguarding risk will be ongoing.
 - As part of the 2024-25 Business Plan, priority is given to discovery work that will scope improvements to safeguarding processes and guidance and contribute to current risk mitigation and control.
 - The risks from the Safeguarding audit are reflected in the Strategic Risk Register with current mitigations being tactical. While wider data sharing controls are not within our control, new Safeguarding (Data Sharing) regulations were laid in January 2024 which will support this work.
 - Work is ongoing to develop relationships with the Department for Work and Pensions which will help support vulnerable clients.
- 5.6. The Chair thanked LC and the Committee noted the contents of the report.

6. Social Security Scotland Finance Update.

- 6.1. SG provided the Committee with an update on the Social Security Scotland December 2023 financial results and noted the following:
- Following Spring Budget Revision, the Scottish Government implemented enhanced spending controls due to fiscal pressures. Operational Expenditure is £1.4 million under plan as a result of deliberate savings made with marketing spending, overtime, training and within the Chief Digital Office.
 - Benefit Expenditure, Capital Expenditure and Depreciation Charges are on track for the end of the financial year.
 - The Benefit Forecasting Review Group continue to scrutinise and monitor Benefit Expenditure.
 - We are seeing an increase within Child Disability Payment, this is still within tolerances.

- Central Finance continues to be updated around Benefit Expenditure. A meeting is scheduled with the Chief Financial Officer in the coming weeks in anticipation of the end of the financial year, to support them managing the corporate position.
- 6.2. RF highlighted the report shows an increase in Attendance Allowance in March 2023. SG will investigate and answer the Committee through correspondence.
- 6.3. NA requested clarity around costs in projects transitioning. SG explained the differentiation between costs within Social Security Scotland and the costs within Social Security Programme.
- 6.4. The Chair thanked SG and the Committee noted the contents of the report.

Action	SG	Provide reasoning for the increase in Attendance Allowance to RF.
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7. Social Security Scotland Risk Management Update

- 7.1. SM provided the Committee with an update of Risk Management activity noting the following:
- Work continues to mature the risk management approach. A monthly reporting cycle is in place and any changes to the risk profile is being directly communicated to risk owners.
 - The Risk Register is being provided to the Executive Team on a regular basis.
- 7.2. SM advised the Committee of the following changes to the risk profiles:
- Risk CR-001 - Workforce Planning and Organisational Design and Risk CR-005 - Performance, Culture and Inclusion have both increased due to known issues.
 - CR-003b – The Financial Management score has been reduced as parliamentary activity has been completed.
 - CR-006 - The Technology Risk has been rephrased and renewed by Andy McClintock and his senior management.
 - CR-009 - Delivery For Clients. After an assessment with action owners, the residual score has increased.
 - The Safeguarding and Internal Controls Official Error Trends Internal Audit reports are linked within the Strategic Risk Register.
 - Four new Corporate Risks have been added to the Strategic Risk Register. These are Management Information and Performance (Data), Protective Security, Fraud and Data Protection.
- 7.3. RF welcomed the addition of a Fraud risk highlighting its importance for Social Security Scotland.

- 7.4. DW and RF both praised SM and the Risk Team for the significant work undertaken on the Risk Management Strategy and Strategic Risk Register. DW confirmed the Risk Register is robust enough to be a standing item at the Director General Portfolio Sponsor meeting. LS will provide an update at the next Audit and Assurance Committee to confirm the mechanisms in place to escalate risks within the Director General.
- 7.5. The Chair thanked SM and the Committee noted the contents of the report.

Action	LS	Provide an update at the May 2024 Audit and Assurance Committee to confirm the mechanisms in place to escalate risks within the Director General.
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8. Social Security Scotland Fraud and Error Resolution Update

- 8.1. MF presented the Counter Fraud, Error Interventions and Debt Management and Payment Resolution quarter three reports and noted the following:
- [Redacted]
 - Accommodation has been secured in Inverness, providing the team with four locations for Counter Fraud activity. Recruitment for this office is ongoing, marking a positive development that allows our Inverness colleagues to collaborate together onsite for the first time.
 - The volume of incoming intelligence continues to increase, work is ongoing to prioritise the workload. Adult Disability Payment continues to be prominent.
 - Recoveries and Recharge are addressing attrition with a recruitment exercise being undertaken in quarter three and four. Further recruitment is needed.
 - Design has been completed for the automation of reconciliation of inbound payments. Introduction is expected in March 2024. This will save 1.1 FTE allowing colleagues to focus on other high value activities.
 - Work has commenced to estimate the levels of official error for Best Start Foods with fieldwork ongoing and progressing well.
 - The Disability Benefits Error Interventions team have completed consolidation work and have started working on live cases. Work undertaken includes Proactive Error Detection sampling.
- 8.2. RF queried, on behalf of BM, the status of enforced deductions on the Single Prioritised Backlog. MF stated deployment is expected in the next operational year. Updates were given on the backlog scoring and the blockers being addressed.
- 8.3. MF advised the Committee of intelligence dissemination to Police Scotland when information unrelated to benefit fraud is reported through our channels.

8.4. RF asked if there are any plans to formally consider a Debt Provision at year end and if for overpayment referrals, any accounting is being actioned for these? MF and SG both confirm work is ongoing to understand these cases in more detail but this is presently very difficult as no system management information is available to allow the composition of the backlog of overpayment referrals to be analysed.

8.5. RF thanked MF and the Committee noted the contents of the report.

9. Social Security Scotland Audit Recommendations Update.

9.1. LS presented the Audit Recommendations update and noted the following:

- Internal Audit are currently progressing follow up reports, which in turn, should clear recommendations specifically those “proposed for closure”.
- An update on the Productivity and Efficiency Internal Audit recommendation will be provided to the Committee through correspondence.
- More Internal Audit reports will be finalised in quarter four, this will lead to a significant increase of recommendations. It is expected this will be balanced out with recommendations being closed.
- Business Planning and Prioritisation work is currently underway, a full review of recommendations will be undertaken to understand if all recommendations are achievable. The Risk Team and Corporate Assurance team will work together to monitor and report.

9.2. RF requested Internal Audit reports continue to be sent to Non-Executive members once finalised.

9.3. The Chair thanked LS and the Committee noted the contents of the report.

Action	LS	Provide an progress update, through correspondence, for the Productivity and Efficiency Internal Audit recommendations.
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10. Any Other Business.

10.1. RF noted that the Committee would undertake a deep dive on Quality later in the day and no other business was recorded.

10.2. RF thanked everyone in attendance and concluded the meeting.

Date of next Meeting – 14 May 2024

Action(AP)	Detail	Owner	Due Date	Status
AP – 27/02/2024 - 01	Once finalised, share audit plan with members of the Audit and Assurance Committee.	LC	Next Meeting	Complete
AP – 27/02/2024 - 02	Provide reasoning for the increase in Attendance Allowance to RF.	SG	Next Meeting	Complete
AP – 27/02/2024 - 03	Provide an update at the May 2024 Audit and Assurance Committee to confirm the mechanisms in place to escalate risks within the Director General.	LS	Next Meeting	
AP – 27/02/2024 - 04	Provide an progress update, through correspondence, for the Productivity and Efficiency Internal Audit recommendations.	LS	Next Meeting	