

Audit and Assurance Committee

Date of Meeting	Tuesday 14 May 2024
Subject	Internal Audit Annual Assurance Statement
Agenda No.	5
Prepared By	Directorate for Internal Audit and Assurance
Purpose	Discuss

1. Background

- 1.1. This report summarises Internal Audit's work relating to Social Security Scotland during 2023-24 and provides our overall assurance opinion on the Organisation's risk management, governance and control arrangements throughout the year.

2. Key Points

- 2.1 We are providing a “**reasonable**” assurance marking on Social Security Scotland's risk management, governance and control arrangements.
- 2.2 Social Security Scotland engaged fully with Internal Audit throughout the year which enabled the successful delivery of the full audit plan during the year.
- 2.3 By the end of the year Internal Audit had undertaken 14 Assurance reviews, 11 Follow Ups and various pieces of Advisory work.

3. Conclusion

- 3.1 Members are invited to comment on the 2023-24 Annual Assurance Opinion.



Directorate for Internal Audit and Assurance

Annual Assurance Report

Social Security Scotland 2023-24



Directorate for Internal Audit and Assurance

Issue Date: 7-05-2024

Audit Personnel

Senior Internal Audit Manager:	[Redacted]
Internal Audit Manager:	[Redacted]

Report Distribution

Chief Executive (Accountable Officer)	Draft presented, discussed and agreed on 9 th May 2024
Audit and Assurance Committee	For information and comment on 14 th May 2024

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1. Annual Assurance Opinion 2021-22

1.1. Our overall assurance opinion for last year is Reasonable.

Please see [Annex B](#) for definition of all Assurance Categories.

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.

1.2. Social Security Scotland, whilst still growing and developing, is an established organisation focussed on the delivery of Scottish Social Security Benefits. With this maturity, over the past year management have been considering their ways of working and approach to governance, risk management and internal control, taking action where it was identified improvement was required. This has included amending the internal governance structure, improving the strategic risk management activities and ensuring a continued focus on error and quality within the benefit administration process. Whilst action has been taken, these are still to be embedded and ongoing focus on these areas will be essential to ensure the action taken is effective and meets the ongoing needs of the Agency as it continues to mature and as we progress with transition through to Programme closure.

1.3. Throughout the year we have undertaken a variety of assurance and advisory activities and officers have engaged with us and supported us with our delivery of this work. Findings from our fieldwork have highlighted a significant amount of good practice and we are pleased to note a continued focus on improving the governance, risk management and internal controls embedded in the day to day activities of the organisation. Examples noted include evidence of continued action being taken where weaknesses have been identified so that improvements are progressed; a focus on the activities to value the error in benefits being administered by Social Security Scotland and the strengthening of the quality checking and compliance regimes and the joint working between Social Security Directorate (Programme) and Social Security Scotland on the Single Prioritised Backlog. Although many items do still remain in the

backlog and this will require significant focus of resources in order to progress these activities.

- 1.4.** Whilst we are noting a significant amount of good practice, we have also identified a range of recommendations and suggestions for improvement which management have accepted. These findings and recommendations relate to various weaknesses in the governance, risk management and internal control environment. Some themes are emerging of areas which consistently feature in a number of our assurance and advisory activities. This includes gaps in guidance; procedural non-compliance with processes in relation to notes, audit trails, letters, etc.; divisional and branch risk management weaknesses; limitations with Management Information, lessons learned and continuous improvement activities; weaknesses in some systems, processes and controls; and reliance on the correct process being followed rather than controls which ensure compliance and accuracy.
- 1.5.** Social Security Scotland are currently focussed on managing a number of significant risks, which includes transition from Social Security Programme – the need for a continued focus on this and the risks this poses for Social Security Scotland, such as capacity, capability, financial implications, transfer of risk, requirement for ownership and continued development, etc. Aligned with this is risk related to Programme closure; continued roll out and launch of devolved benefits, Carers Support Payment initial pilot launched in November 2023, with further roll out and transfer of cases from the Department for Work and Pensions in 2024 and Pension Age Disability Payment pilot will be launched in October 2024; productivity and efficiency; the need to demonstrate value for money; reputational concerns; and the ability to deliver and continue to develop and improve the services within the current financial resources available.

2. Introduction

- 2.1.** This report summarises Directorate for Internal Audit and Assurance (DIAA) work during the year and provides an overall assurance opinion on Social Security Scotland's risk management, control and governance arrangements. Its primary aim is to provide the Accountable Officer and the Audit and Assurance Committee with our professional opinion. External Audit colleagues may also take this opinion and the content of this report into consideration when carrying out their work. Also, this report

will help form the basis of a general report on our work which will be considered, in due course by the Scottish Government Audit and Assurance Committee (SGAAC).

2.2. Our work carried out over the past year has been undertaken in accordance with UK Public Sector Internal Audit Standards (PSIAS), the Institute of Internal Auditors (IIA), International Professional Practices Framework (IPPF) and with the standards set out in the Scottish Public Finance Manual (SPFM). These standards require us to provide an objective opinion supported by sufficient, reliable and relevant evidence. We ensure this through the established Internal Audit client team's roles and responsibilities; i.e. Senior Internal Audit Manager acting as Head of Internal Audit and Internal Audit Manager, who are appropriately qualified and experienced to carry out the work.

2.3. To determine the overall assurance opinion we take a number of factors into account, not solely the audit activities undertaken throughout the year (see [Table 1](#) for more detail on this) but also the [overarching assurance landscape](#). This includes any work undertaken in relation to shared services by other DIAA Internal Audit Teams.

2.4. Reports and outputs have also been agreed by Senior Management and presented to the Audit and Assurance Committee throughout the year.

2.5. In order to develop an integrated approach to our assurance, relevant final outputs from Internal Audit, the Digital Assurance Office and Portfolio, Programme and Project Assurance have been shared between our assurance teams.

3. Audit Activities

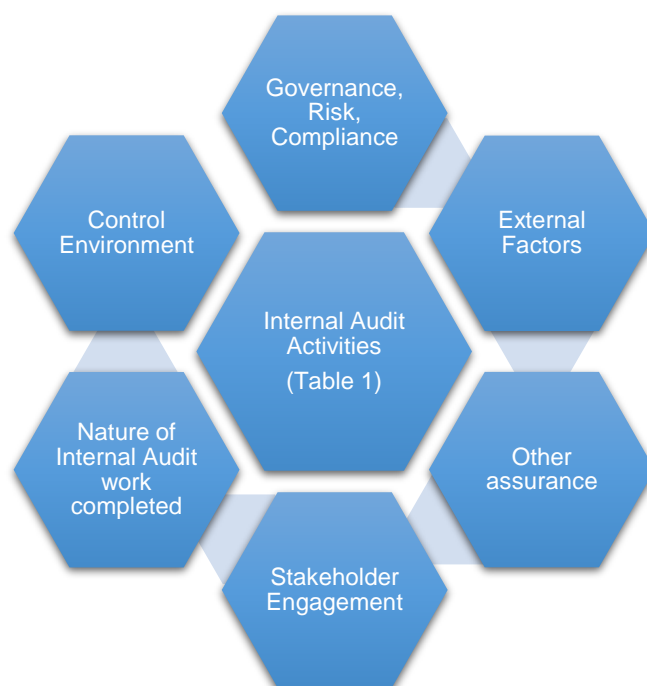
3.1. The below table sets out the delivery and outcomes of relevant activities carried out over the past year.

3.2. [Table 1: Audit Activities 2021-22](#)

Category	Title	Outcomes
Assurance Review	Client Services Delivery Compliance	Reasonable Assurance
Assurance Review	Integration Space	Substantial Assurance
Assurance Review	Procurement	Reasonable Assurance
Assurance Review	Winter Heating Benefits	Reasonable Assurance
Assurance Review	Safeguarding	Limited Assurance
Assurance Review	Child Disability Payment – in-depth Follow Up	Limited Assurance
Assurance Review	Internal Controls – Official Error Trends	Limited Assurance
Assurance Review	Adult Disability Payment	Emerging Limited Assurance
Assurance Review	Case Discussions	Emerging Reasonable Assurance
Assurance Review	Strategic Risk and Issue Management	Reasonable Assurance
Assurance Review	Governance	Emerging Reasonable Assurance
Assurance Review	Corporate Transformation and Estates Management	Emerging Reasonable Assurance
Assurance Review	Continuous Improvement	Limited Assurance
Assurance Review	Role Based Access Controls	Emerging Limited Assurance
Advisory	Quality Support Team	A sense check and challenge of the approach being established for quality checking within Client Services Delivery.
Advisory	Monetary Value of Fraud and Error	A review of the processes being established for measuring/estimating the value of error in relation to the benefits being administered by Social Security Scotland.
Advisory	Error Control Working Group	We are participating in the monthly Error Control Working Group set up by Social Security Scotland.
Advisory	Internal Controls Steering Group	We are attend the monthly Internal Controls Steering Group set up by Social Security Scotland.

Advisory	FERU Performance Management	A review of the processes being established for monitoring and reporting on the performance of the various branches within the Fraud and Error Resolution Unit.
Advisory	Corporate Finance Structure and Processes	A review of the current ways of working of the Corporate Finance Teams to determine if any improvements could be made.
Follow Up	Budget Setting	3 Medium recommendations: All fully implemented
Follow Up	SPM Technical Debt	2 High and 2 Medium recommendations: 3 fully implemented, 1 not implemented
Follow Up	IT Supply	1 High and 4 Medium recommendations: 2 fully implemented, 3 partially implemented
Follow Up	Health and Social Care Quality Assurance and Professional Supervision	4 Medium recommendations: 1 fully implemented, 3 partially implemented
Follow Up	Staff Health and Safety/Wellbeing	1 Medium recommendation: Partially implemented
Follow Up	Document Management	5 Medium recommendations: 1 fully implemented, 4 partially implemented
Follow Up	Local Delivery	1 Medium recommendation: Partially implemented
Follow Up	Workforce Planning	4 Medium recommendations: All fully implemented
Follow Up	Incident Management	4 Medium recommendations: All partially implemented
Follow Up	Child Disability Payment	4 High and 1 Medium recommendations: 2 Fully implemented, 3 partially implemented
Follow Up	Disability Benefit Readiness	1 High and 2 Medium recommendations All fully implemented

Annex A – Overarching Assurance Landscape



Landscape Key Categories	Examples of Evidence taken into consideration
Nature of Internal Audit work completed	<ul style="list-style-type: none"> • Table 1 provides detail on the Assurance Audits, Follow Ups and various advisory reviews undertaken during the year and the outcome of each of these activities. • Two reviews planned for 2023/24 did not go ahead. These were: <ul style="list-style-type: none"> ○ A review of Transition, cancelled as timing was not appropriate. A review of Transition and Programme Closure is now scheduled to take place in 2024/25; and ○ Review of embedding and enhancement – this was due to provide assurance in relation to a planned period of embedding and enhancement activity. This planned activity did not go ahead therefore the review was no longer appropriate. • In place of the two cancelled reviews the audits of Role Based Access Controls and Continuous Improvement were added to the plan.

	<ul style="list-style-type: none"> • These changes to the plan were discussed and agreed with senior management and the Accountable Officer and noted by the Audit and Assurance Committee.
Governance, Risk and Compliance	<ul style="list-style-type: none"> • During the year a new Framework document was agreed for Social Security Scotland, setting out the accountability and governance framework for the Agency. • Social Security Scotland have continued to embed changes to the internal governance arrangements as the organisation has matured and the need to adapt and improve has been identified. Changes during the year included the establishment of the Joint Executive Group, set up to allow collective decision making between Social Security Scotland and Social Security Programme, as part of transition and the move towards Programme closure. A decision was also made to disband the Agency Leadership Team, removing this tier from the governance structure and meaning the governance forums sitting below the Agency Leadership Team now report directly to the Executive Team. With this change, this does lead to increased demand on the Executive Team for oversight and decision making, and therefore this should be effectively managed to ensure decisions are being taken at an appropriate level and there is sufficient time and ability to scrutinise and direct the activities and the performance of the organisation. • The organisation's approach to risk management continues to mature. Social Security Scotland's approach to strategic risk management was reviewed during the year and action taken to improve the process for this and the content of the strategic risk register. The Risk Review group membership was also reviewed to ensure appropriate individuals from across the organisation were involved. Evidence from our assurance activities demonstrates continued discussion of risk at all levels of the organisation and consideration of risk as part of planning and decision making, however some weaknesses in relation to risk management at a branch level were identified. Recommendations were made to highlight the need to keep branch and divisional risk registers up to date and ensure mitigating actions were identified and action taken to ensure these were effective in managing the identified risks.

	<ul style="list-style-type: none"> The Audit and Assurance Committee has met as planned throughout the year. The committee has an agreed Terms of Reference which has been reviewed annually and there is a planned schedule of work which has been delivered throughout the year. The membership of the committee has been consistent in the past year and a self-assessment of effectiveness has been undertaken. Throughout the year we have continued to report to the Audit and Assurance Committee. Each quarter we have provided a Progress Report noting progress with our Annual Internal Audit Plan and sharing the final reports from each of the assurance activities, allowing members to scrutinise both our work and the outcomes of this, along with the management responses and proposed actions that management have agreed. We were also able to evidence ongoing advice and support to management by members, such as participation in the review of the strategic risk management arrangements. We noted that only one Risk Deep Dive took place in 2023/24, however we understand that this was due to the ongoing work in relation to strategic risk management and that future deep dives are due to be undertaken on a more frequent basis.
External factors	<ul style="list-style-type: none"> Social Security Scotland operates in an environment in which there are many dependencies on external parties such as the Scottish Government Shared Services, Social Security Directorate, Scottish Government Policy and Legal colleagues and the Department for Work and Pensions. We note in our work that Social Security Scotland do not always have autonomy to mitigate risks themselves, however in many instances we were able to highlight good practice in terms of engagement and joined up working. There were areas where this was not so great and instances where there was lack of clarity on the role and responsibilities of Social Security Scotland and each of these other organisations and where this is the case we recommend that management continue to build and work with these other parties in order to minimise the risk that is posed to Social Security Scotland.
Other Assurance	<ul style="list-style-type: none"> We have liaised regularly with colleagues in Audit Scotland who provide the External Audit service. We have also shared with them the output of all our assurance work.

	<ul style="list-style-type: none"> • Gateway Reviews and work undertaken by the Digital Assurance Office still continue to primarily focus on Social Security Directorate, but Social Security Scotland has participated where appropriate. • The Digital Assurance Office colleagues are engaging with Social Security Scotland to identify where digital assurance activities will be required. This includes both activity arising from the transition from the Social Security Directorate to Social Security Scotland but also consideration of the emerging pipeline of projects owned and delivered by Social Security Scotland.
Stakeholder Engagement	<ul style="list-style-type: none"> • Colleagues across Social Security Scotland continue to engage positively with Internal Audit. This includes engagement on specific assurance work as well as advisory and ad hoc discussions. • There are established schedules for regular engagement between Internal Audit and various teams including Client Services Delivery, Fraud and Error Resolution Unit, Corporate Assurance, Governance, etc. • Internal Audit output, including our reports, findings and recommendations, are always received positively by management with recommendations accepted and clear plans on how they will be implemented detailed in the responses. • Strong leadership and a positive culture continues to be demonstrated by the Executive Team and senior management. The organisation's values clearly sit at the centre of the organisation and all that they do and management lead by example and instil this throughout the teams. • Strong working relations remain between Social Security Scotland and the Social Security Directorate.
Control Environment	<p>Through delivery of our Internal Audit plan we have continued to highlight weaknesses in relation to controls and the processes and systems in place, making recommendations to management, where appropriate.</p> <p>Social Security Scotland is actively working to determine control gaps within the benefit administration process. There has also been work ongoing in relation to error, to identify error trends and from here determine root cause so that action can be taken.</p>

	<p>The Error Control Working Group and the Internal Controls Steering Group are also continuing to operate, bringing together relevant colleagues from across Social Security Scotland, Social Security Programme and Internal Audit.</p> <p>The Fraud and Error Resolution Unit also has teams established who have a focus on internal controls. These teams are working closely with colleagues in both Social Security Scotland and Social Security Directorate to highlight areas of weakness and work with these colleagues to strengthen the systems and internal controls in place.</p> <p>As a more mature organisation with more expertise in place, Social Security Scotland has demonstrated that whilst weaknesses exist they are keen to be proactive to minimise the risks these weaknesses pose to their control environment.</p> <p>There were no instances of External Fraud highlighted to us during the year.</p>
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Annex B – Definition of Assurance Categories

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.