

## Audit and Assurance Committee

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| <b>Date of Meeting</b> | Tuesday 15 February 2022           |
| <b>Time</b>            | 10:00 – 12:30                      |
| <b>Location</b>        | Video Conference – Microsoft Teams |

## Attendees

### Present

#### Non-Executive Members

|                     |                             |
|---------------------|-----------------------------|
| Russell Frith (RF)  | Chair, Non-Executive Member |
| Elaine Noad (EN)    | Non-Executive Body Member   |
| Naghat Ahmed (NA)   | Non-Executive Body Member   |
| Barry Matheson (BM) | Non-Executive Body Member   |

#### Social Security Scotland

|                            |   |
|----------------------------|---|
| David Wallace (DW)         | Accountable Officer, Chief Executive              |
| James Wallace (JW)         | Deputy Director of Finance and Corporate Services |
| Lisa Baron-Broadhurst (LB) | Programme Director, Social Security               |
| DP                         | Head of Strategy and Corporate Services           |
| MF                         | Head of Fraud and Error Resolution                |
| NB                         | Head of Finance                                   |
| JC                         | Corporate Assurance Lead                          |
| MB                         | Corporate Assurance Manager                       |
| SM                         | Risk Manager (Item 6 only)                        |
| GD                         | Head of Corporate Strategy and Communications     |
| JM                         | Operational Lead (Item 5 only)                    |



BG Head of People Services (Item 5 only)

### **Audit Scotland**

PG Audit Scotland

CG Audit Scotland

### **Internal Audit Directorate, Scottish Government**

IB Senior Internal Auditor

LS Internal Auditor

### **Secretariat**

GE Corporate Assurance Coordinator

### **Apologies**

Miriam Craven Deputy Director, Strategy, Change, Data & Engagement

KC Head of Client Services Operations

AO Chief Executive Business Support Manager

HE Risk Coordinator

GH Finance Business Partner

### **Observers**

JM Internal Audit Manager

RH Business Support Officer

NC Risk Coordinator (Item 5 only)



## 1. Welcome and Conflicts of Interest

- 1.1. The Chair welcomed everyone to the meeting and noted apologies as listed above.
- 1.2. No conflicts of interest were noted.

## 2. Minutes of Previous Meeting and Action Tracker

- 2.1. The Audit and Assurance Committee endorsed the minutes of the meeting on the 09 November 2021.
- 2.2. All actions within the tracker have been updated.

## 3. Social Security Scotland Annual Reports and Accounts Lessons Learned

- 3.1. DP provided a verbal update on the Social Security Scotland Annual Reports and Accounts Lessons Learned. DP noted the following:
  - Producing a high quality corporate document takes significant effort and resources.
  - Effort has been made to improve graphically represented information to track performance against indicators.
  - An Editorial Board is being used to utilise trend analysis and improve information.
  - Governance Team have a stronger project management role within the Agency for document control.
- 3.2. RF highlighted the next report should include timeliness and accuracy of benefit application processing.
- 3.3. EN requested the report should contain performance statistics and research papers within appendixes. DP accepted the feedback.
- 3.4. DW asked who the wider audience is for this report. CG highlighted it is not possible to identify audience however a strong report needs to be published regardless.
- 3.5. The committee thanked DP and noted the contents of the report.

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| Action | DP | EN requested the report should contain performance statistics and research papers within appendixes |
| Action | DP | Engage with External Audit for involvement with the Editorial Board.                                |

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| Action | DP | Include timeliness and accuracy of application processing to report. |
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3.6.

#### 4. Audit Scotland Audit Plan 2021-22

4.1. FI provided the Audit Scotland Update as at 4 February 2022 and noted the following:

- Looking to bring timetable back to pre-pandemic timeline with a September 2022 sign off. Conversations have taken place to make sure this is manageable.
- Planning Materiality is set at 1 percent of gross expenditure. Performance Materiality is set at 60 percent of Planning Materiality. Clearly Trivial is set at £100,000, this is a lower level to capture Operating Expenditure and lower level of benefit.
- Identified early thinking on Financial Statement Risk and Wider Dimension risk.
- Risk of Material Misstatement due to Fraud in benefit expenditure, this is a significant risk however in line with practice.
- Strong control environment to support Fraud and Error prevention.
- Will take consideration from Internal Audit Equality and Diversity report.
- Section 23 report are looking at wider dimension risk which will reduce wider dimension work.

4.2. FI confirmed the Audit Fee has a marginal increase on the previous year.

4.3. FI confirmed the Annual Audit plan will be sent via correspondence and will offer the committee an opportunity to discuss if required.

4.4. FI confirmed the audit team remains the same as the previous year with a minor change in core audit team following one members promotion. This will be beneficial for consistency.

4.5. FI confirmed the team are behind on planning however planning will be brought into line during Internal Controls work.

4.6. RF asked what work you are doing in terms of best value. CG confirmed having building blocks in place and having strategic documents.

4.7. The committee thanked Audit Scotland and noted the contents of the report.

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| Action | FI | Send Annual Audit Plan to committee members. |
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## 5. Internal Audit Directorate Update

5.1. IB provided the Internal Audit update and noted the following:

- Three final reports are being presented today – this is five in total for this year's audit plan, with four draft reports have also been issued.
- Quarter three work is complete and Internal Audit are working through quarter four work. Some reviews were rescheduled at the request of management into quarter four, meaning Internal Audit have a heavy workload, however are on track to deliver the full Audit Plan before the end of March 2022.
- Internal Audit are continuing to utilising EY support and with an extra Internal Audit Manager providing further support.
- The Equality and Diversity Audit report received a reasonable assurance level.
- The 2022-23 Draft Internal Audit Plan is still being discussed with management and will be shared with Non-Executive Members via correspondence when completed.

5.2. RF requested clarity around the overall volume of work for next year's Audit Plan. IB confirmed the Audit Plan volume will be similar to 2021-22 and confirmed Internal Audit will plan work around the new benefit launches.

5.3. RF highlighted ten Audit reports could be too many to be presented at the next meeting. IB agreed to send available finalised reports to Non-Executive Members via correspondence prior to the next meeting to reduce committee workload and where appropriate reduce the detail within reasonable and substantial assurance reports to focus on those of limited assurance rating or of significant concern.

5.4. LS noted the three reports included in the Internal Audit Report:

- Equality and Diversity.
- Scottish Child Payment In-depth.
- Learning and Development.

5.5. The committee thanked Internal Audit and noted the contents of the report.

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| Action | IB/Corporate Assurance Team | Provide 2022-2023 Draft Internal Audit Plan for comment to Non-Executive Members via correspondence once final response from Management received.                      |
| Action | IB/Corporate Assurance Team | Send available finalised reports via correspondence to Non-Executive Members to reduce committee workload and where appropriate to reduce detail within reasonable and |

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|  |  | substantial assurance reports to focus on significant concerns. |
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## 6. Social Security Scotland Risk Management Update

- 6.1. SM noted the update of risk management activity included;
- A general update on the new Strategic Risk Register which has recently been created.
  - Linking Principle Risk's to the Business Plan to support management with risk decision making and the proposal to reduce Principle Risks to People, Finance and Technology.
  - Risk team are working closely with Programme to ensure risks are tracked and mirrored and built into guidance, processes and systems.
  - Action owners are more confident breaking down risks and identifying risks that effect other business areas.
- 6.2. RF requested at the next meeting SM provide a breakdown of risks showing how the risk is scored, what controls are in place and planned action.
- 6.3. NA requested the next report contains control actions, next steps and if they are effective.
- 6.4. JW informed the committee along with SM, the Strategic Risk Register is being significantly reworked utilising the Risk Review Group.
- 6.5. The committee thanked SM and noted the contents of the report.

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| Action | SM | SM provide a breakdown of risks showing how risk is scored, what controls are in place and planned action. |
| Action | SM | Report to contain control actions and next steps.  |

## 7. Social Security Scotland Programme Update

- 7.1. LB provided the committee with a Social Security Programme update and noted the following:
- Social Security Scotland is moving to a complex phase with disability benefits beginning roll out, Social Security Programme will continue working with Social Security Scotland Agency highlighting it is critical and essential to have a strong relationship.



- Social Security Scotland Agency are involved with Governance Boards to ensure interests are addressed at all stages of benefit design from planning to launch.
  - Social Security Programme are working closely with Social Security Scotland Agency to align Risks.
  - Continuous improvement continues on Minimum Viable Products with Social Security Agency informing Social Security Programme of requirements.
  - Social Security Programme are focusing on making manual process automated and improving internal controls, these system updates will be provided through interim and mini releases.
  - Complying with Human Rights and Equality legislation are embedded in all work Social Security Programme undertake.
- 7.2. EN thanked LB for the update and noted the internal controls procedures are reassuring.
- 7.3. The Chair thanked LB for her contribution to the meeting and will consider an invitation for future attendance.

## **8. Below the line Paper / Any Other Business**

- 8.1. EN highlighted there are some outstanding audit recommendations from 2018-19 and 2020-21. IB confirmed work will continue with the Corporate Assurance team reviewing these and some may be superseded and no longer valid.
- 8.2. Thanks were expressed to Social Security Scotland colleagues, Internal Audit and Audit Scotland for the work completed for today's meeting.
- 8.3. No other business was recorded.

**Date of next Meeting – 17 May 2022**

| Action(AP)/Decision(DP)     | Detail  | Owner     | Due Date   | Status   |
|-----------------------------|---|-----------|------------|----------|
| <b>AP – 15/02/2022 – 01</b> | Report should contain performance statics and signpost to other business areas performance statists in appendix's or other papers | <b>DP</b> | 17/05/2022 | Ongoing  |
| <b>AP – 15/02/2022 – 02</b> | Engage with External Audit for involvement with the Editorial Board.  | <b>DP</b> | 17/05/2022 | Ongoing  |
| <b>AP – 15/02/2022 – 03</b> | Include timeliness and accuracy of application processing to report.  | <b>DP</b> | 17/05/2022 | Ongoing  |
| <b>AP – 15/02/2022 – 04</b> | Send Annual Audit Plan to committee members.  | <b>FI</b> | 17/05/2022 | Complete |
| <b>AP – 15/02/2022 – 05</b> | Share 2022-2023 Audit Plan via correspondence once completed.   | <b>IB</b> | 17/05/2022 | Complete |



| Action(AP)/Decision(DP)     | Detail   | Owner     | Due Date   | Status    |
|-----------------------------|--|-----------|------------|-----------|
| <b>AP – 15/02/2022 – 06</b> | Send four reports via correspondence to reduce committee workload and to reduce detail on reasonable and substantial assurance to focus on significant concerns. | <b>IB</b> | 17/05/2022 | Complete  |
| <b>AP – 15/02/2022 – 07</b> | SM provide a breakdown of risks showing how risk is scored, what controls are in place and planned action.   | <b>SM</b> | 17/05/2022 | Completed |
| <b>AP – 15/02/2022 – 08</b> | Report to contain control actions and next steps.  | <b>SM</b> | 17/05/2022 | Completed |