

Audit and Assurance Committee

Date of Meeting	Tuesday 10 November 2020
Subject	Audit Recommendation Update
Agenda No.	7
Paper No.	10.6
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. A report of this nature will be submitted to all Audit and Assurance Committee meetings in order to provide an update of recommendations from all 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, the Agency's Health-check Reviews and Audit Scotland. The following information is provided:
 - the context and purpose of this document including impacts as a result of Covid,
 - a summary of progress,
 - a brief overview of open and closed recommendations,
 - an in depth status update of Internal Audit High Priority recommendations and Health-check Review recommendations,
 - a table noting overall progress of Internal Audit and Agency Health-check Review recommendations.
 - a table noting progress of Audit Scotland Actions and Investigatory Powers Commissioners Office recommendations.
 - Summary of Internal Audit recommendations proposed as ready for closure

3. Conclusions

- 3.1. The Audit and Assurance Committee is invited to note the progress of these recommendations and information contained within this report.
- 3.2. Comment is welcomed from the Audit and Assurance Committee on the formatting and level and depth of information contained within.

4. GOVERNANCE CHECKLIST

Please ensure that you detail which Corporate Plan Strategic Objective the paper contributes to. These strategic considerations should be used to assist you with the content of your paper.

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

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 for how we respond to recommendations and progress will be reporting to both the Senior Leadership Team and Audit and Assurance Committee.



Strategic consideration	Impact
Data	This report does not have any data implications beyond the fact that there are recommendations made relating to data management.
Finance	The report does not have any financial implications beyond the fact that there are recommendations made relating to finance.
Staff	This report does not have any data implications beyond the fact that there are recommendations made relating to staff.
Equalities	Non applicable
Estates	The report does not have any implications for the Agency estate beyond the fact that there may recommendations made relating to estates.
Communications and Presentation	Non applicable

Impact Assessment
Non 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 of current open recommendations from all independent audit activity. It follows on from an extensive exercise carried out to identify the impact of Covid on the implementation of audit recommendations.

2 Context

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

Annex A – Internal Audit Recommendation Tracker

Annex B – Internal Audit Actions Social Security Scotland consider as ready for closure

Annex C – Agency Health-check Review Recommendation Tracker

Annex D – Audit Scotland Recommendation Update Tracker

Annex E – Investigatory Powers Commissioners Office

Annex F – Internal Audit's Definitions of Assurance Ratings and Recommendation Categories

Annex G – Agency Health-check Definitions of Ratings and Recommendations

Annex H – Heat map by Division

All recommendations in **Annex A** are rated as according to Internal Audit scoring. For the purposes of this report, this rating structure has been applied to Internal Audit recommendations only, with all others following their own rating structure.

For the first time in this report, we have also been able to provide an update on Internal Audit recommendations we deem as ready for closure **Annex B**.

Annex G provides a revised Heat map of reports and their assurance levels, broken down by division at the Deputy Director level and rated in accordance with the assurance ratings in **Annex E**.

3 Summary of Progress

At the last Audit and Assurance Committee, we agreed that analysis would be undertaken to highlight all actions complete, but not yet closed by Internal Audit. We have noted this in Annex B.

We have continued to ask each action owner when considering their updates to confirm if COVID continues to have an impact on timescales and have noted responses in Annex A.

As a reminder, the Corporate Assurance Team will not close off any recommendations. This will be done by the Internal Audit Directorate once they have undertaken their formal follow up. If the follow up records a recommendations as 'partially implemented' or 'not implemented', the Corporate Assurance Team will actively seek updates on these on a bi-monthly basis unless a revised target implementation date is specified.

The below table indicates the overall assurance ratings given by Internal Audit reports to date¹.

Overall Assurance Level – Internal Audit Reports	Number of Reports
Substantial Assurance Controls are robust and well managed	4
Reasonable Assurance Controls are adequate but require improvement	12
Limited Assurance Controls are developing but weak	5
Insufficient Assurance Controls are not acceptable and have notable weaknesses	0

To date, five reports have been given a “limited” assurance rating by Internal Audit – Reporting and Assurance Functions, Resilience – Business Continuity, Operations, Debt Management and Wave 1 Benefit In-Depth Review - Best Start Grant. Further updates on the high priority recommendations within these reports is confirmed in section six of this report.

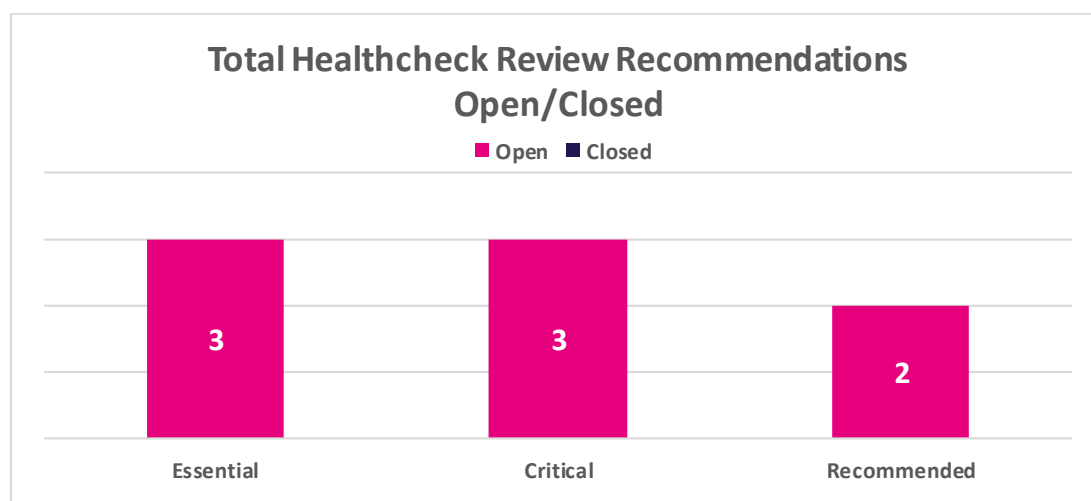
Four new reports have been finalised this quarter, Key Financial Systems (Payment Exceptions and Manual Payments) which was given a Substantial rating, Wave 1 Benefit In-Depth Review - Carer's Allowance Supplement which was given a Substantial rating, Debt Management which given a Limited rating and Wave 1 Benefit in-Depth Review – Best Start Grant which was given a Limited rating. The Carers Allowance Supplement review had no recommendations to take forward.

4 Open Recommendations

The table below covers the recommendations from the two Health-check reviews, completed in 2019 and 2020. Progress continues to be made on the three 2019 recommendations as shown in Annex C.

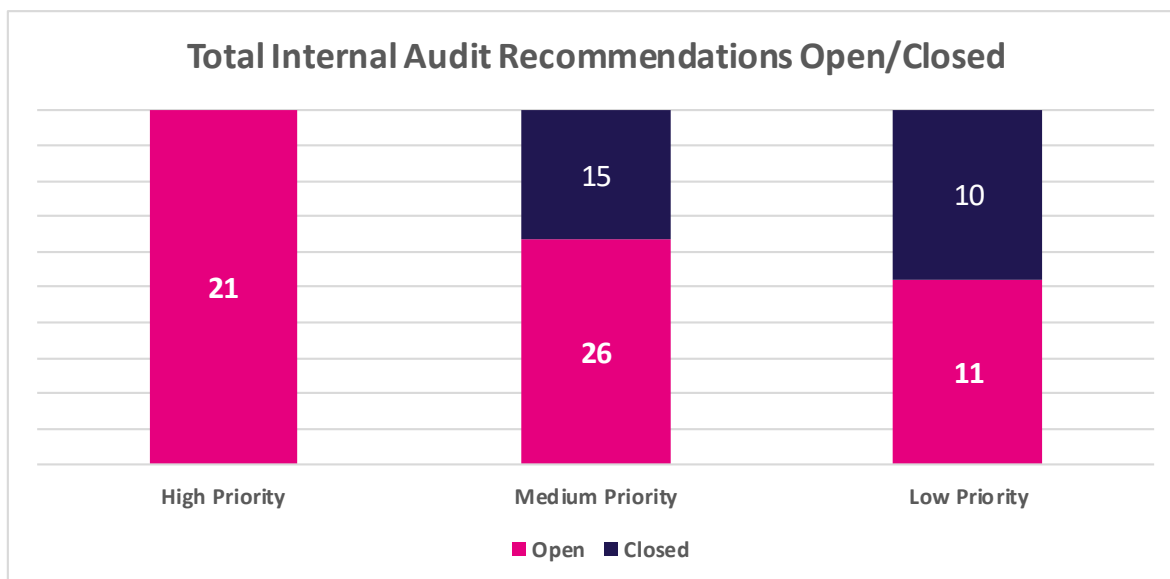
The 2020 recommendations have not been updated since the last report. We have however been in discussion with the Social Security Programme on what will be our final response to these important recommendations. It is likely that we will have a joint response to two of the recommendations that focus on Child Disability Payment. The recommendations are noted for information, but the agreed and final response will be presented to the Committee in February.

Graph 1 – Total Health-check Review Recommendations



The chart above shows the total of open and closed recommendations from Healthcheck review's. Three actions remain open with an essential status, three remain open with a critical status and two remain open with a recommended status.

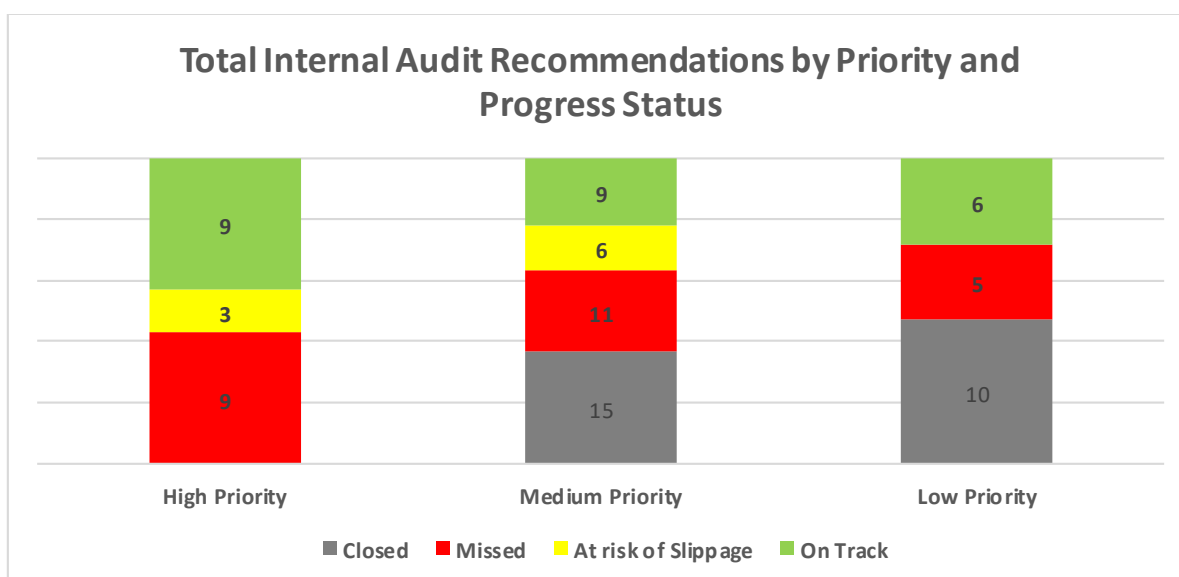
Graph 2 – Total Internal Audit Recommendations Open/Closed



The above chart shows a total of 21 High Priority recommendations remain open, which is four more than the previous report. A total of 15 of the Medium priority recommendations have been closed to date, this includes two recommendations that were partly implemented and are currently being followed up locally. A total of 26 medium recommendations remain open. Finally, a total of 10 low priority recommendations have been closed to date with 11 low priority recommendations remaining open.

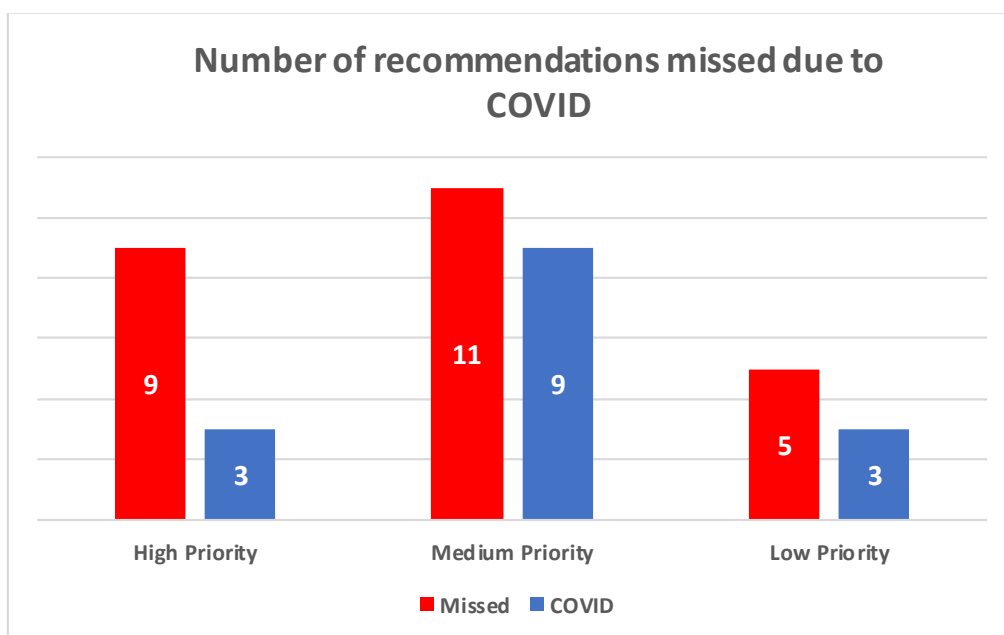
Annex B highlights the open recommendations that have been proposed for closure by the action owners.

Graph 3 – Open Internal Audit Recommendations by Progress Status



For a more comprehensive breakdown of the above, please see **Annex A** which illustrates which report each recommendation sits against and provides an overview of their current status.

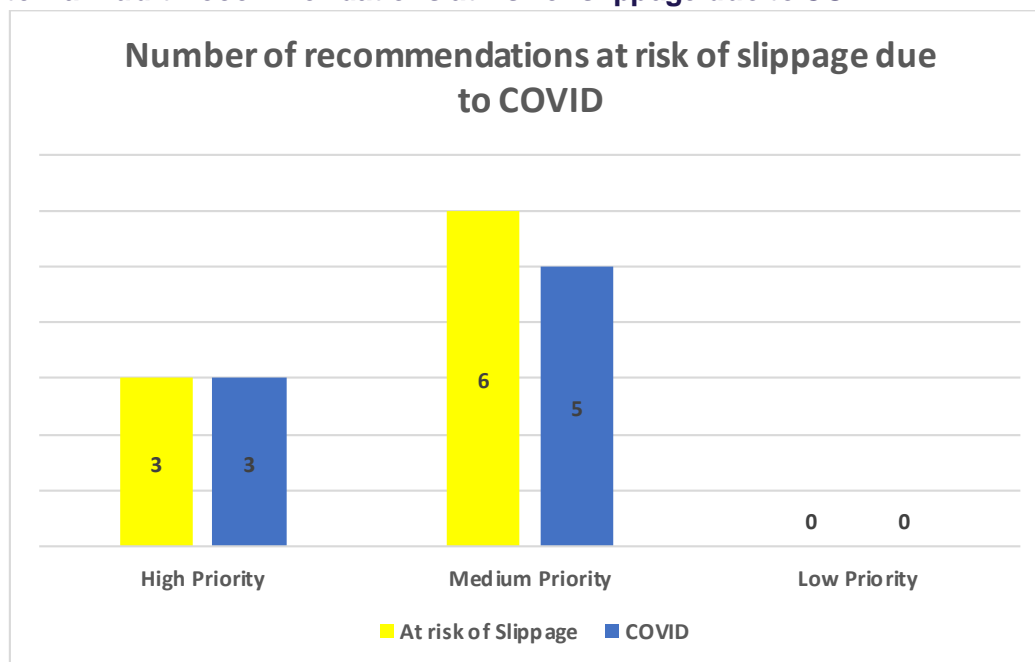
Graph 4 – Internal Audit Recommendations missed due to COVID



The chart above highlights the total number of Internal Audit missed recommendations and the number of these missed due to COVID. In total 15 out of the 25, or 60% of missed recommendations were missed due to COVID.

- Out of a total of 9 missed High priority recommendations, 3 of these were due to COVID.
- Out of a total of 11 missed Medium priority recommendations, 9 of these were due to COVID.
- Out of a total of 5 missed Low priority recommendations, 3 of these were due to COVID.

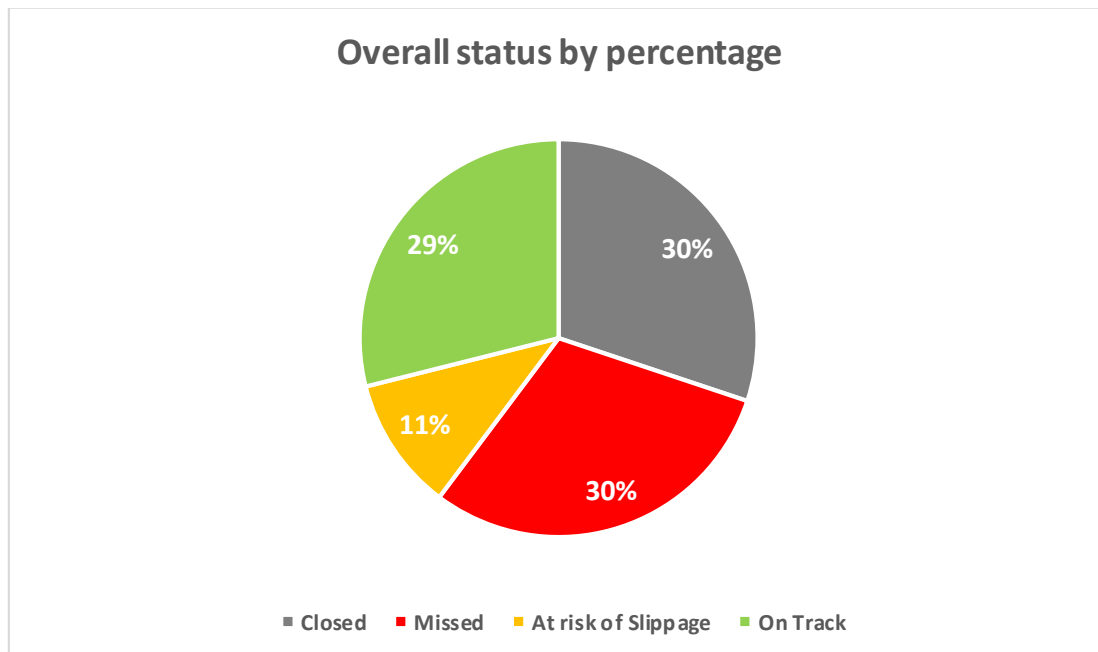
Graph 5 – Internal Audit Recommendations at risk of slippage due to COVID



The above chart shows the total number of Internal Audit recommendations at risk of slippage and the number of these at risk of slippage due to COVID. In total 8 out of the 9, or 89% of the at risk of slippage recommendations were due to COVID.

- Out of a total of 3 at risk of slippage High priority recommendations, all 3 of these are due to COVID.
- Out of a total of 6 at risk of slippage Medium priority recommendations, 5 of these are due to COVID.

Graph 6 – Internal Audit Recommendations overall status by percentage



The above graph provides an overall picture of progress so far on Internal Audit recommendations. In total 33% of all recommendations have been closed to date and 22% of the recommendations are currently in progress and on track.

A total of 33% of the recommendations have missed their individual target deadlines to date and a further 12% of recommendations are currently at risk of slippage.

5 Closed Recommendations

No recommendations have been closed off this quarter. Internal Audit are however currently completing Follow-up reports on Interim Estates Management Arrangements, Travel Management, Reporting and Assurance Functions and Business Planning.

6 High Priority Recommendations Status Update

The below table provides a current status update of the **High Priority** recommendations only, as made by Internal Audit. It is worth noting progress on the Resilience – Business Continuity Planning report continues to be delayed as a result of Covid with revised implementation deadlines proposed.

Resilience – Business Continuity Planning			
Number	Recommendation	Update	Status & Due date
R 1	Business continuity documentation including the Business Continuity Framework and individual plans are still to be completed and published.	<p>The Business Continuity Framework was presented and approved by the Executive Team and Agency Leadership Team in January 2020.</p> <p>The Major Incident Plan has been drafted and is on track for completion by end the start November. Proposals will be presented to the Executive Team on 27 October 2020 before some elements of the plan can be finalised.</p> <p>Suite of plans for individual areas are in progress, this work was heavily impacted by COVID. Business Continuity champions are in place to help facilitate this work.</p> <p>The Incident reporting facility and templates are now in place.</p>	<p>Risk of slippage</p> <p>End Feb 2020 End June 2020 Jun-Dec 2020</p> <p>Revised deadline – end of Nov 2020</p>

R 2	<p>a) At present no exercise has been undertaken to identify the Critical Activities, prioritisation of these and timescales for recovery to enable the continued operation of Social Security Scotland.</p> <p>b) In addition, for third party suppliers who play a role in Social Security Scotland's business continuity and continuation of the critical activities, it is not clear whether agreements with the third party suppliers reflect business continuity needs to ensure the required level of support and service is provided in the event of the business continuity plans being invoked.</p>	<p>Previously identified prioritised activities are including within the paper being presented to the Executive Team on 27 October 2020 for review.</p> <p>Revised date for Service Level Agreements will likely be January 2021- April 2021.</p>	<p>Risk of slippage</p> <p>a) Jun - Dec 2020 b) Jun - Dec 2020</p> <p>Revised deadline – Jan - April 2021</p>
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R 4	<p>Prior to new benefit launches, some impact assessments were undertaken and workarounds were considered in case of failure. However, there has not been any ongoing scenario testing or rehearsals in relation to business continuity since Social Security's inception.</p>	<p>A desktop exercise was conducted in October 2019 and an exercise report was created and issued to those in attendance.</p> <p>Further live incidents occurred in Dec 2019, and lessons learnt and debriefs issues to relevant parties.</p> <p>As a result of COVID, several business continuity solutions have been designed and implemented to allow us to continue delivery of our key services and products.</p> <p>Planned exercising scheduled for Jul 20-Jan 21 has been impacted by COVID.</p>	<p>Risk of slippage</p> <p>Jul 20 – Jan 21 Jul 20 – Jan 21</p> <p>Revised deadline – to be agreed</p>
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Operations – all recommendations were agreed as ‘ongoing’ and are in progress. We hold monthly checkpoints with the team responsible for implementation and receive regular update reports.		
Number	Recommendation	Update
R 2	[Redacted]	<p>Further testing to replicate the verification issue highlighted by Internal Audit, in the test environment was held. This did not reflect original observation and as a result this will be monitored on an ongoing basis.</p> <p>[Redacted]</p> <p>Reported issues with award letters suppressed, have been addressed with an SPM update. Letter suppression, now requires a reason and an alert sent to line managers when this has happened.</p> <p>[Redacted]</p>
R 3	<ul style="list-style-type: none"> Processes and Procedures <p>Through our testing we identified some gaps in current methodologies [Redacted]</p>	<p>A Business Analyst has been assigned to work on a solution for this recommendation.</p> <p>[Redacted]</p> <p>The remaining points are still in progress</p>
R 4	<p>Issue:-</p> <p>SPM & Systems Technical Issues</p> <p>A number of technical issues were identified through-out our testing:</p>	<p>Progress continues to be made on this recommendation.</p> <p>The majority of issues raised by internal audit have either been addressed [Redacted]</p>

	<ul style="list-style-type: none"> Letters generated on SPM with status Not Processed [Redacted] Only being able to view 100 cases (not in any order) in any work queue, for example; suspended cases. 	
R 5	[Redacted]	<p>[Redacted]</p> <p>Operations continue to undertake appropriate line management assurance checks and sample checking on approved and denied cases to identify training issues, gaps in guidance and potential fraudulent activity.</p>
R 6	<p>Issue:- Management Information</p> <p>There is a limited amount of management information available from SPM in relation to benefit applications including:</p> <p>Work queues - for example suspended cases</p> <p>[Redacted]</p> <p>Applications out with processing Service Level Agreements</p>	<p>Work is ongoing to introduce a reporting tool into SPM to assist Operations in having a better overview of applications, assist with management information and allow for improved modelling. The Agency is feeding in requirements as part of this work.</p>

Reporting and Assurance Functions			
Rec	Recommendation	Update	Status & Due date
R 1	<p>Memorandum of Understandings</p> <p>There were a number of Memorandum of Understandings (MOUs) indicated during the review, in place between SSS or SG core and DWP. Our concern is these seem to be in place with individual areas and may not have been collated to ensure that responsibilities under each MOU have been communicated to the relevant business area (including internal audit requirements) or indeed if there are any gaps.</p>	<p>Due to COVID, the number of new/revised Formal Agreements has been very limited. However, the Agreements for Scottish Child Payments are expected to be signed off by End Oct 2020. These agreements will be used to further test the process and to provide a timely reminder of the obligations within agreements.</p>	<p>Missed – in progress</p> <p>Internal Audit Follow Up in progress.</p>
R 2	<p>Quality Assurance and Checking Processes and Controls</p> <p>1) Appropriate action to complete the outstanding (approx. 700) eSEF Management Checks that are pending validation on the system has yet to be finalised and implemented.</p>	<p>Following continuous improvements a final process was agreed, signed off by all relevant stakeholders and implemented w/c 16/3/2020.</p> <p>All Searchlight Users have undertaken refresher training and for new staff the new guidance has been updated.</p> <p>Following implementation three weekly checkpoints are in place to monitor compliance/quality issues and feedback loops have been established. Early findings are that volumes of cases with issues are decreasing monthly, moving forward dialogue will continue to monitor improvements and address issues found.</p>	<p>Missed – ready for closure</p> <p>Internal Audit Follow Up in progress.</p>

		In terms of outstanding checks, there was a partial process in place and as the formal process had not been signed off/agreed then it was felt that we could not go back and validate the cases which go back to September 2018.	
R 2.2	2) We noted also that only one person has access rights to retrieve the data from the eSEF system.	There are a pool of officers in place all based in Dundee Mail room Team.	Missed – ready for closure Internal Audit Follow Up in progress
R 2.3/2.4	3) Currently Counter Fraud and Operations are still developing process and controls, for quality assurance and error detection. [Redacted]	[Redacted]	Missed –in progress Internal Audit Follow Up in progress.
R 2.5	Terminology relating to performance/management / percentage/audit/fraud etc. is inconsistent and confusing across Agency and Programme.	We are continuing to work on the development of an Assurance Framework, however the impact of Covid 19 has slowed pace on the development. Over the past few months further conversations have been had with critical friends across the organisation and it has been agreed a Framework and Routemap will be developed (Agreed at ALT on 12 October 2020). We are stalling work on the mapping, as pilots have demonstrated that this is adding little value at the moment as the organisation grows. Focusing specifically on the recommendation on terminology I do think this has become	Missed – ready for closure Internal Audit Follow Up in progress.

		clearer, and this is not simply through this work. It links into work undertaken by the Social Security Programme Product Owner on Audit, work on the Quality Assurance Framework and other documentation. Definitions are clearer and people's understanding has increased.	
R 3	[Redacted]	[Redacted]	Missed - in progress Internal Audit Follow Up in progress.
R 4	The nature of programme delivery means that Operational Policies are not developed by the Agency prior to processes and controls being designed. This will likely lead to process development which require retrospective amendment.	[Redacted]	Missed - ready for closure Internal Audit Follow Up in progress.

Management of Shared Services

Number	Recommendation	Update	Status & Due date
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R 1	<p>Centralisation of Shared Service Management</p> <p>At present, there is no central person or team in Social Security Scotland that actively has oversight of all shared services and the management and monitoring of these to ensure a consistent and effective approach is taken. The five shared service agreements in place are managed by four individual responsible owners across Social Security Scotland and each responsible owner has their own approach to managing the services received.</p>	<p>Dedicated resource identified and due to be in place following the spending review. Due to the impact of COVID, the spending review was delayed therefore a revised date of late October has been proposed.</p>	<p>Missed, deadline revised to end Oct 2020</p> <p>July 2020</p>
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7 'Essential' and 'Critical' Recommendations Status Update – Agency Health-check Review

The below table provides a current status update of the 'Essential' and 'Critical' recommendations made in the Agency Health-check Review undertaken in 2019. As noted above while we have accepted the recommendations from the 2020 review, a formal response to the recommendations has not yet been submitted as a result of COVID. We are currently engaging with the Social Security Programme on this.

2019 Report				
Rec	Risk	Update	Owner	Status
R1 Critical	The Agency should acquire the resource to provide meaningful frontline contribution to Wave 2 service design and enhancements that affect customer operational experience.	<p>[Redacted]</p> <p>Operations: The exercise to bring in staff for the Child Disability Payment pilot has been completed and the successful candidates are in place. Case Managers have been redeployed to live operations due to the delayed benefit launch. Before the implementation date moved due to the impact of COVID, we offered those on the reserve lists posts and they are due to start in early 2021. All recruitment in Operations was paused for a time but has now recommenced.</p> <p>Operations continue to review requirements based on revised information from Communities Analysis Division to inform our future recruitment plans from Adult Disability Payment onwards</p>	Agency wide	On track
R2 Essential	The Agency should develop measures that demonstrate its efficiency of operation	[Redacted]	Operations/	On track

	consistent with its delivery philosophy.		Strategy & Client Experience	
R3 Critical	Priority should be given to analytical work to improve forecasting of potential expenditure on devolved disability benefits, given the proportion of devolved benefit expenditure this encompasses and the impact any unmet need could have on the Scottish Government's overall financial position in the future.	<ul style="list-style-type: none"> • Significant work has been done over the last few months to assess the potential impact of COVID on benefit expenditure. [Redacted] • Dates are to be confirmed, but the Scottish Fiscal Commission are likely to commence the formal forecasting rounds for their next set of Social Security forecasts shortly. We will be engaging with the Scottish Fiscal Commission throughout the process to support the development of the forecasts and to quality assure. 	Communities Analysis Division	On track

2020 Report	
Rec	Risk
R1 Essential	Social Security Scotland should work with the Social Security Programme to ensure that [Redacted]

R2 Essential	Social Security Scotland should [Redacted]
R3 Recommended	Social Security Scotland should identify the [Redacted]
R4 Critical	Engage with the Social Security Programme to establish [Redacted]
R5 Recommended	[Redacted]

8 Conclusion

COVID continues to have an impact on the progression of a number of our audit recommendations. 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 and highlight to Internal Audit colleagues all further updates in advance of Internal Audit 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 the high priority recommendations have been implemented.

Feedback is sought from the Audit and Assurance Committee to contribute towards ongoing improvement in respect of improving the overall recording and reporting mechanisms to ensure a robust approach to the management of recommendations and to provide assurance to the Accountable Officer.

Current outstanding Internal Audit reports

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Resilience - Business Continuity Planning Final Report: 27/01/20 Follow-up Report: TBC	H				3	These recommendations continue to be progressed, however have all been impacted by COVID.	Operations
	M		1		4		
	L						
Assurance Rating:	Limited						

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Operations Final Report: 06/05/20 Follow-up Report: TBC	H			5		Progress is being made to complete these recommendations with the support of the product lead.	Operations
	M			1			
	L						
Assurance Rating:	Limited						

Title & Date of Publication		Priority Rating	No. Open & Priority				Comments	Owners
			Closed	Missed	On track	At risk of Slippage		
Local Delivery	H					Due to COVID, no further recruitment will be undertaken in the 20/21 financial year. Local Delivery is working closely with Communities Analysis Division and the Workforce Planning Group establishing staffing requirements for 21/22 and beyond.	Operations	
	M		2					
	L							
Final Report: 16/04/20 Follow-up Report: TBC								
Assurance Rating:	Reasonable							

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Carers Allowance Supplement Final Report: 20/10/20 Follow-up Report: Not required	H					No recommendations were made.	Operations
	M						
	L						
Assurance Rating:	Substantial						

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Interim Estates Management Arrangements Final Report: 31/01/20 Follow-up Report: In progress	H						Corporate Services
	M		2			Revised deadlines agreed due to COVID delays. Recommendation 3 now proposed as ready for closure.	
	L		2			Revised deadlines agreed due to COVID delays. Recommendations now proposed as ready for closure.	
Assurance Rating:	Reasonable						

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Management of Shared Services Final Report: 29/01/20 Follow-up Report: TBC	H		1			Post to commence following spending review which has been delayed due to COVID.	Corporate Services
	M			1		As above but still within deadline	
	L			1		As above but still within deadline	
Assurance Rating:	Reasonable						

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Budgets, Expenditure, Monitoring & Reporting Final Report: 18/03/20 Follow-up Report: TBC	H						Finance
	M		2	1		Due to COVID recruitment has paused, new dates have been agreed for two missed recommendations. Recommendation 5 is proposed as ready for closure.	
	L			2		Recommendation 4 is proposed as ready for closure.	
Assurance Rating:	Reasonable						

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Travel Management Final Report: 04/05/20 Follow-up Report: In progress	H						Corporate Services
	M		2			Saltire review is currently on hold due to COVID, working group to review processes in progress.	
	L		1			Initial delay due to COVID, action now fully progressed. Proposed as ready for closure.	
Assurance Rating:	Reasonable						

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Key Financial Systems – Part 1 Final Report: 02/09/20 Follow-up Report: TBC	H						Finance
	M						
	L			1		Implementation confirmed, a full report covering all 3 parts of the review will be issued in quarter 4.	
Assurance Rating:	Substantial						

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Reporting and assurance function Final Report: 26/7/19 Follow-up Report: In progress	H		8			Work continues to be progresses with three recommendations proposed for closure. Internal Audit follow up is in progress.	Agency Wide
	M						
	L						
Assurance Rating:	Limited						

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Business Planning Final Report: 04/04/19 Follow-up Report: In progress	H					The Corporate plan was initially due for Spring 2020; this date has now been moved to Autumn 2020.	Organisational Strategy, Operational Policy and Corporate Assurance
	M		2				
	L						
Assurance Rating:	Reasonable						

Title & Date of Publication		Priority Rating	No. Open & Priority				Comments	Owners
			Closed	Missed	On track	At risk of Slippage		
Change management Final Report: 04/05/20 Follow-up Report: TBC	H					Progress has been made. Due to COVID, there were delays in starting. As a result a review of the timeline has been made	Change and Transformation Team	
	M				2			
	L		2					
Assurance Rating:	Reasonable							

Title & Date of Publication		Priority Rating	No. Open & Priority				Comments	Owners
			Closed	Missed	On track	At risk of Slippage		
Debt Management Final Report: 04/05/20 Follow-up Report: TBC	H			1		New report issued 29 th October 2020	Finance	
	M			3				
	L			1				
Assurance Rating:	Limited							

Title & Date of Publication		Priority Rating	No. Open & Priority				Comments	Owners
			Closed	Missed	On track	At risk of Slippage		
Best Start Grant Final Report: 30/10/20 Follow-up Report: TBC	H			3		New report issued 30 th October 2020	Operations	
	M			3				
	L			1				
Assurance Rating:	Limited							

Title & Date of Publication	Priority Rating	No. Open & Priority				Comments	Owners
		Closed	Missed	On track	At risk of Slippage		
Governance Final Report: 10/01/19 Follow-up Report: 04/06/19	H					Recommendation 2 is partly implemented. Governance mapping work has highlighted the need for consistent approach for all working groups Terms of Reference – work is ongoing to review all Terms of Reference. Expected to be completed end of January 2021.	Strategy & Client Experience
	M	4	1				
	L						
Assurance Rating:	Reasonable						

Internal Audit reports proposed for closure

To provide more detailed and accurate reporting on recommendation status we have produced this annex to outline the internal audit recommendations Social Security Scotland now deem as ready for closure. These recommendations cannot be closed until Internal Audit undertake their follow up reviews, but as these are scheduled for specific time's it can mean that a number of recommendations that are completed are left open until then. The Audit and Assurance Committee are asked to review these and give a view on whether we can now report these as complete.

Report	Assurance Level	Priority level	Recommendation	Update
Reporting & Assurance Functions	Limited	High	<p>Quality Assurance and Checking Processes and Controls:</p> <p>Appropriate action to complete the outstanding (approx. 700) eSEF Management Checks that are pending validation on the system has yet to be finalised and implemented.</p>	<p>Following continuous improvements a final process was agreed, signed off by all relevant stakeholders and implemented w/c 16/3/2020.</p> <p>All Searchlight Users have undertaken refresher training and for new staff the new guidance has been updated.</p> <p>Following implementation, three weekly checkpoints are in place to monitor compliance/quality issues and feedback loops have been established. Early findings are that volumes of cases with issues are decreasing monthly, moving forward dialogue will continue to monitor improvements and address issues found.</p> <p>In terms of outstanding checks, there was a partial process in place and as the formal process had not been signed off/agreed then it was felt that we could not go back and validate the cases, which go back to September 2018.</p>

		High	<p>Quality Assurance and Checking Processes and Controls:</p> <p>We noted also that only one person has access rights to retrieve the data from the eSEF system.</p>	A pool of staff are now in place in the Dundee Mail room Team.
		High	<p>Terminology relating to performance/management / percentage/audit/fraud etc. is inconsistent and confusing across Agency and Programme.</p>	<p>Work continues on the development of an Assurance Framework; however, the impact of COVID has slowed pace on the development. Over the past few months, further conversations have been held with critical friends across the organisation and it has been agreed at the Agency Leadership Team that a Framework and Route map will be developed. We are stalling work on the mapping, as pilots have demonstrated that this is adding little value at the moment as the organisation grows. Focusing specifically on the recommendation on terminology this has become clearer, and this is not simply through this work. It links into work undertaken by the Social Security Programme Product Owner on Audit, work on the Quality Assurance Framework and other documentation. Definitions are clearer and people's understanding has increased. The view is that this recommendation should be closed as this is evidenced across various documents.</p>
		High	<p>The nature of programme delivery means that Operational Policies are not developed by the Agency prior to processes and controls being designed.</p>	[Redacted]

			This will likely lead to process development which require retrospective amendment.	
Change Management	Reasonable	Low	Evidence of Approval: From our review of a sample of three recent change projects we found that in two instances evidence of the approval for the project to proceed had not been retained in the project folder.	This is now complete and managed by Agency/Project Programme Management Office (PMO)
Interim Estates Management Arrangements	Reasonable	Low	Completion of all elements of the Full Business Case: IT/Digital and Security are two categories which need to be considered within the Full Business Case for each property acquisition, however from review of the FBC's it was noted, that the results of these were not included. It was confirmed that the IT/Digital and Security requirements were evaluated by internal specialist teams who prepare their own reports, however there is no reflection of this in the FBC's and these separate reports are not always distributed to the Estates/Accommodation team.	As part of the Follow-up review access to all Business Cases for Social Security Scotland's property acquisition activities and if necessary access to view the security reports has been provided to Internal Audit. Due to the sensitive nature of the security reports, these will not form part of the Business Cases, however are available to all property acquisition stakeholders who have a business need to view them.
		Medium	Completion and Storage of Lease Documentation: Some of the options notices and occupancy agreements viewed were not	As part of the Internal Audit Follow Up access to the occupancy agreements register was provided to Internal Audit.

			fully completed and/or signed off by both parties , despite the locations to which they relate being occupied by Social Security Scotland staff. Whilst it is acknowledged that the buildings being occupied by Social Security Scotland are primarily leased by public bodies, an inability to have key documentation in place between Social Security Scotland and its landlords could lead to an inability to deliver business objectives and reputational damage.	
		Low	<p>Lessons Learned:</p> <p>Although planned for the future, there has been no formal, documented exercise on lessons learned to support the evaluation of the Estates project and to assist with future projects.</p>	A Lessons Learned workshop took place on 18 August 2020. Outputs from the workshop are being taken forward by the Accommodation team and outputs are shared with the Property Project Team to include as part of their Project Initiation Documentation.
Budgets, Expenditure, Monitoring & Reporting	Reasonable	Low	<p>Use of contracts:</p> <p>A quarter of the ePC card transaction were with the supplier [Redacted]. Whilst the transactions were generally low value, it is important that ePC Card Holders are aware that where possible, they must make use of existing contracts to purchase items.</p>	Process is now in place to review this spend at individual budget holder meetings.
		Medium	<p>ePC Card – Split Payments:</p> <p>We identified one genuine split transaction whereby one invoice was paid in two</p>	Updated communications have been issued to users and the wider organisation to remind them on the correct process to follow

			transactions to circumvent the transaction control limit.	
Key Financial Systems – Part 1	Substantial	Low	Retention of Source Data: Source data from the bank, used for the month end reconciliations, is not retained. It is considered best practice to retain source data to ensure that this has not been altered prior to reconciliation.	Guidance documents have been updated to include the additional instruction to download the pdf document and has been shared with Internal Audit.

Agency Healthcheck Review Recommendations Progress Tracker

Priority Grading Key	C	Critical				E	Essential	R	Recommended
Title & Date of Publication	Priority Rating	Number Open & Priority Grading				Comments			
		Closed	Missed	On track	At risk of Slippage				
Agency Healthcheck Reviews May 2018 February 2019 March 2020	C			2		Five of the recommendations on track are from the most recent review. Our response to the most recent review is in its final stage taking account of the impact of COVID on those recommendations.			
	E	1		7					
	R			2					
Assurance Rating:	Amber / Green	Please see Annex C for definition							

Audit Scotland

The recent Annual Audit Report from Audit Scotland provided a follow up of recommendations from 2018/19 which have been documented below. Audit Scotland have agreed the first three recommendations are now considered complete. Recommendations 4-6 have been superseded by recommendations on the new 2019/20 action plan.

Audit Scotland Recommendations 2018/19 – Action Plan			
Recommendation number and Issue	Status	Comments	Owners
1. SPM System Controls	Complete	The issues with the SPM system have now been resolved.	Deputy Director for Finance and Corporate Services
2. Assurance from Department for Work and Pensions	Complete	There has been a significant amount of work put in to understanding the processes within DWP. Social Security Scotland has regular calls with a nominated contact within the DWP to ensure that on-going communication.	Deputy Directory for Strategy and Client Experience
3. Fixed Asset Register	Complete	The asset register has been updated for 2019/20.	Finance
4. Residency	On-going (see action 5 2019/20)	Social Security Scotland continues to use postcode as the determinant of residency. One instance was identified, during controls work, where an incorrect postcode was used when paying a funeral support payment. Postcode as a measure of residency should be kept under review.	Organisational Strategy, Operational Policy and Corporate Assurance

5. Preventing Fraud and Error	On-going (see action 6 2019/20)	Social Security Scotland has implemented error and fraud processes. With the new home working practices, there are additional measures required to address the risk of error or fraud.	Fraud and Error Resolution Unit
6. Monitoring Fraud and Error	On-going (see action 1 2019/20)	Social Security Scotland is working to understand the levels of error and fraud in Scottish benefits. This must continue to include the benefits that transferred on 1 April 2020.	Fraud and Error Resolution Unit
7. Medium to Long Term Financial Planning	On-going	Social Security Scotland has prepared a 4-year forecast. This will need to be updated and further developed to reflect the impact of the Covid-19 pandemic.	Deputy Director for Finance and Corporate Services
8. Performance Management Arrangements	On-going	Performance management arrangements are being developed, with progress impacted by the Covid-19 pandemic.	Organisational Strategy, Operational Policy and Corporate Assurance

Audit Scotland Recommendations 2019/20 – Action Plan

Number	Issue/Risk	Recommendation	Agreed Management action/timing
1.	<p>Measuring error and fraud</p> <p>Error and fraud 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 error and fraud estimates as well as developing its own arrangements for the benefits being delivered directly.</p> <p><i>Error and fraud measurements are insufficient to support the development</i></p>	Social Security Scotland should continue to develop its approach to measuring error and fraud and engage with the DWP to understand and plan for the impact of changes in the measurement of error and fraud estimates.	<p>Work to explore methodologies in use across the public sector to estimate fraud and error started in 2019 but was paused due to Covid-19. This will recommence as quickly as possible. We are currently engaged with DWP analysts and statisticians.</p> <p>[Redacted]</p> <p>December 2021</p>

	<i>of the social security system and the preparation of the annual report and accounts.</i>		
2.	<p>Long-term planning</p> <p>Social Security Scotland has developed a medium-term plan within the four-year financial forecast. They have not yet fully developed longer-term planning for key areas such as finance, workforce, estates and IT which will be critical to the success of the Scottish social security system. The four-year financial forecast should be continually developed to take a longer-term view.</p> <p><i>Without robust longer-term planning there is a risk that key decisions may not fully consider different scenarios or the potential implications.</i></p>	<p>Longer-term planning should continue to be developed and implemented in key areas such as finance, workforce, estates and IT.</p>	<p>More capacity is now in place to allow us to develop these plans. From 1 April 2021 we will have responsibility for Chief Digital Office and so will start to develop our longer-term IT plans. We are still heavily reliant on the Social Security Directorate's programme that is developing our systems and processes, but we will be looking to further develop our medium-term plans to a longer-term view.</p> <p>James Wallace Dec 2021</p>
3.	<p>Delivery and financial plans</p> <p>The Covid-19 pandemic has impacted on the delivery of Wave Two benefits and raised significant financial pressures for the Scottish Government which will need to be balanced alongside existing commitments such as social security.</p> <p><i>The significant uncertainty prevents the successful delivery of the revised timetable.</i></p>	<p>Social Security Scotland needs to work with the Scottish Government, its social security programme and DWP to ensure its operational needs and capacity are reflected in revised delivery and financial plans for Wave Two benefits.</p>	<p>Agreed</p> <p>James Wallace Dec 2021</p>

4.	<p>Improvement of Digital Systems</p> <p>Social Security Directorate Programme uses agile approach which will often result in a minimum viable product being available. This may lead to a significant volume of technical debt and workarounds in the interim. There is currently a back log of digital work that is outstanding for Social Security Scotland systems, with this new technical debt adding to it.</p> <p><i>There is a risk that further technical debt will be added to the already significant list of issues to be addressed.</i></p>	<p>Social Security Scotland should work on ensuring the MVP meets their needs and is fully tested. Consideration should also be given to reducing technical debt, especially in areas where manual workarounds are needed.</p>	<p>Responsibility for addressing the existing technical debt is with the Social Security Directorate Programme. We expect that for benefit services this will be addressed by March 2021 and we have put in place systems to monitor progress. The remaining work, to address continuous improvement, continues to be logged and prioritised for future action. Again, this is the responsibility of the Social Security Directorate's Programme. Its Programme Organisational Readiness and Continuous Improvement team work closely with our Live Service team and will support this and ensure that we are better placed to supplement the delivery of continuous improvement activity to the services in accordance with our risks and priorities..</p> <p>[Redacted]</p> <p>March 2021 (Technical Debt only)</p>
5.	<p>Performance Reporting</p> <p>The 2019/20 performance report presents a fair picture of Social Security Scotland's performance. There is room to improve the presentation by introducing infographics and a clearer assessment of performance against agreed targets.</p> <p><i>Performance information is not reported in a way that supports the overall assessment and enables lessons to be learned and action taken.</i></p>	<p>Performance reporting needs to be further developed and implemented to support the assessment and scrutiny of performance by stakeholders.</p>	<p>Agree that there is scope to focus and connect statistical information and research findings more closely with narrative assessment to provide a more balanced story of our performance.</p> <p>The building blocks of a more focussed and better connected assessment are now in place – our revised Corporate Plan will be published in the Autumn setting out our strategic framework with clear linkages to our Charter, the first report on our Charter Measurement Framework will be published alongside this year's Annual Report, work to embed a more</p>

			<p>joined-up business planning process for 2021-22 is well underway, and our first all-client survey is now out in the field.</p> <p>Next year's Performance Report should be able to bring these things together, in a more coherent and joined-up way, structured around the Charter Measurement Framework and our annual business plan for 2021-22, providing a narrative that clearly explains progress against business plan priorities and the measures in the Charter Measurement Framework.</p> <p>[Redacted]</p> <p>June 2021</p>
6.	<p>Residency</p> <p>Social Security Scotland continues to use postcode as the determinant of residency. An issue was identified as part of the controls work that identified one instance where an incorrect postcode was used when paying out a funeral support payment. Postcode as a measure of residency should therefore be kept under review.</p> <p><i>There is a risk that residency status is not been appropriately assessed.</i></p>	<p>Processes for determining the residency of applicants should be reviewed. All risks arising from the approach should be identified and understood.</p>	<p>The policy and procedures regarding residency are currently for the Social Security Directorate to determine.</p> <p>The Social Security Programme, within the Directorate, have advised that they have reviewed the controls for determining residency and the controls currently in place will be enhanced for all existing and future benefits by December 2020.</p> <p>James Wallace December 2020</p>
7.	<p>Preventing error and fraud</p>	<p>Social Security Scotland needs to fully understand any risks arising from the evidence standards it applies, and not</p>	<p>Fraud and error operational teams are established and working well. However the impact of Covid-19 has meant that there have</p>

	<p>The newly implemented home working practices introduced as a result of Covid-19 means that additional building blocks will be required to ensure that they are not susceptible to higher levels of error or fraud.</p> <p><i>There is a risk that there are higher levels of error and fraud with the remote working policies in place.</i></p>	<p>yet being able to undertake investigation activity in the way it planned. This will become increasingly important as more complex benefits begin to be delivered in future years.</p>	<p>been some constraints on fraud investigation activities. Preparatory work in readiness for the launch of additional benefits is well underway, with investment in training planned along with ongoing recruitment of additional specialist staff. Our statutory Code of Practice for Investigations is in place and the Social Security Assistance (Investigation of Offences) (Scotland) Regulations 2020 have provided considerable advancement in our fraud investigatory capability. A risk assessment, which included assessment of both internal and external fraud and error risks, was undertaken quickly when decision was taken to deploy remote working across the organisation. Additional measures, improvements to existing provisions and an increased focus on monitoring and checking has been deployed.</p> <p>[Redacted]</p> <p>December 2021</p>
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Investigatory Powers Commissioner's Office (IPCO) Report – Key Findings

The table below is an update on progress made on the list of recommendations published from the Investigatory Powers Commissioner's Office Inspection Report (September 2019).

The Audit and Assurance Committee are asked to approve the close of recommendation 2 and 3.

Number	Recommendation	Updates
	[Redacted]	[Redacted]
	[Redacted]	[Redacted]
	[Redacted]	[Redacted]
	[Redacted]	[Redacted]

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

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.

Recommendations

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

Agency Healthcheck Review – Delivery Confidence Assessment RAG

The below table applies to the recommendations made in Annex C and in Section 7 “‘Essential’ and ‘Critical’ Recommendations Status Update – Agency Healthcheck Review” (pp.20-24)

RAG	<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.

Internal Audit Recommendation Heat map

The below Heat Map provides an overview – the colour grading structure is applied as per the definitions given in Annex C and offers a general Internal Audit recommendation priority landscape, broken down by Deputy Director Divisions.

