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Directorate for Internal Audit and Assurance

Annual Assurance Report

Social Security Scotland 2020-21

Directorate for Internal Audit and Assurance

Issue Date: 11-05-2021

Audit Personnel

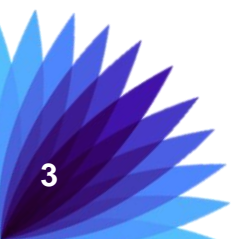
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Report Distribution

Chief Executive (Accountable Officer)	Emerging opinion discussed and agreed on 27 April 2021.
Audit and Assurance Committee	For information and comment on 18 May 2021

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1. Annual Assurance Opinion 2020-21

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

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

<p>Reasonable Assurance</p> <p>Controls are adequate but require improvement.</p>	<p>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.</p>
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1.2. Social Security Scotland has been operating for less than three years and as such is still a developing organisation, but we are able to highlight the positive culture, progress being made with maturing their approach to governance and risk management and active participation in focussed work to develop internal controls.

1.3. During 2020/21 we undertook 16 Assurance Reviews, nine follow up audits and also various pieces of advisory work. From this work we identified a lot of good practice and, in particular, an obvious enthusiasm for doing the right things well which is evident from senior management to operational staff. Internal Audit's relationship with Social Security Scotland has continued to remain strong. We continue to see a positive approach to accepting and implementing our recommendations for improvement and staff throughout Social Security Scotland actively engage with Internal Audit and other assurance providers. Throughout the Covid-19 pandemic Social Security Scotland has continued to deliver existing benefits, bring in new staff and launch three new benefits during the difficult year.

1.4. We have provided five limited assurance opinions through the year, with these reviews highlighting some areas of concern with regards to policy and guidance, system development and capabilities and management information. In order to maintain a reasonable assurance rating in the future it is essential that the positive approach to development of risk, control and governance arrangements continues throughout the organisation. With the launch of disability benefits in the forthcoming year it is essential that work continues to develop SPM, the main system utilised for the administration of Social Security Scotland's benefits in order to allow the effective

delivery of higher value recurring benefit payments and minimise the risk of fraud or error occurring.

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 in place. It's 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). Please see [Annex B](#) for further information on Internal Audit Strategic Matters.
- 2.2.** 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.
- 2.3.** Reports and outputs have also been agreed by Senior Management and presented to the Audit and Assurance Committee throughout the year.
- 2.4.** 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 2020-21

Category	Title	Outcomes
Assurance Review	Operations	Reasonable Assurance
Assurance Review	Key Financial Systems	Reasonable Assurance
Assurance Review	Wave 1 Benefits – Carer's Allowance Supplement	Substantial Assurance
Assurance Review	Debt Management	Limited Assurance
Assurance Review	Wave 1 Benefits – Best Start Grant	Limited Assurance
Assurance Review	Programme Links	Limited Assurance
Assurance Review	Wave 1 Benefits - Young Carer Grant	Reasonable Assurance
Assurance Review	Information Management	Reasonable Assurance
Assurance Review	Wave 1 Benefits – Funeral Support Payment	Reasonable Assurance
Assurance Review	SPM Review	Limited Assurance
Assurance Review	Stakeholder Engagement	Reasonable Assurance
Assurance Review	Wave 1 Benefits – Job Start Payment	Reasonable Assurance
Assurance Review	Scottish Child Payment - Application Processes	Limited Assurance
Assurance Review	Child Winter Heating Assistance	Reasonable Assurance
Assurance Review	People Advice / Health and Safety	Reasonable Assurance
Assurance Review	Counter Fraud Governance	Reasonable Assurance
Advisory Review	Workforce Planning	Consideration of current arrangements, feedback on operation of Workforce Planning Committee.
Advisory Review	Travel Expenses Query	Advice given on application of guidance
Advisory Review	Strategic Culture	Work is still ongoing – looking at current culture of the organisation. Aiming to provide suggestions for future

		improvements and ways to maintain positive culture which has been established as the organisation grows and matures.
Advisory Review	SPM Self-Referral Process	Advice on proposed approach to be taken
Advisory Review	Covid-19 Recovery and planned return to the offices	Review of approach being taken to prepare for return to the offices including consideration of guidance, risk assessments, floor plans, etc.
Advisory Review	Productivity and Efficiency	Work ongoing – initial discussions on work being undertaken by Social Security Scotland and how Internal Audit can support this.
Advisory Review	Governance	Discussions with new Governance and Strategy Team Leader and ongoing work on governance restructure and improvements.
Advisory Review	Risk Management – Risk Appetite and Tolerance Discussions	Consideration of approach taken in relation to risk appetite and risk tolerance scoring.
Advisory Review	Risk Management – Review of Strategic Risk Register Refresh Process	New approach adopted to categorising strategic risks and documenting them in the strategic risk register. Internal Audit provided feedback on the proposed approach.
Advisory Review	Fraud and Error Resolution Unit – Ongoing discussions and engagement	Discussions regarding various processes being established and understanding of ongoing work and updates taking place.

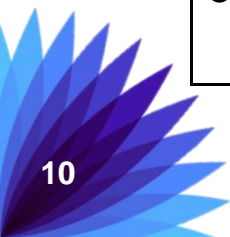
Advisory Review	Decision Support Team	Various discussions and feedback on proposed methodologies to be established by this team.
Advisory Review	100% Approval Checks	Participation in discussions in relation to move away from 100% approval checks.
Follow Up	Business Planning	2 recommendations: 2 implemented
	Development of KPIs	2 recommendations: 1 implemented 1 superseded
	Interim IT Systems – Support and Maintenance	5 recommendations: 5 implemented
	General Data Protection Regulation	6 recommendations: 6 implemented
	Risk Management	4 recommendations: 3 implemented 1 partially implemented
	Travel Management	3 recommendations: 1 implemented 1 partially implemented 1 not implemented
	Management of Shared Services	3 recommendations: 1 implemented 2 partially implemented
	Interim Estates Management	4 recommendations: 3 implemented 1 partially implemented
	Local Delivery Arrangements	2 recommendations: 2 implemented

Annex A – Overarching Assurance Landscape



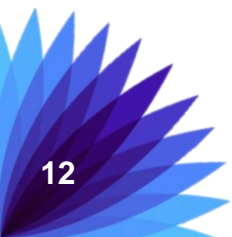
Landscape Key Categories	Examples of Evidence taken into consideration
Nature of Internal Audit work completed	<ul style="list-style-type: none"> • Table 1 activities detailing 16 Assurance Audits, 9 Follow ups and various advisory reviews. • Two audits were deferred, one considering Productivity and Efficiency and the other looking at the Quality Assurance Framework. Some advisory work was undertaken in relation to both of these areas and also further work is planned in 2021/22 and 2022/23.
Governance, Risk and Compliance	<ul style="list-style-type: none"> • A new Governance and Strategy Team Leader appointed at the start of 2020

	<ul style="list-style-type: none"> • Social Security Scotland have been reviewing their internal governance arrangements. • Approach to risk management is developing, previous internal audit work undertaken on arrangements and ongoing advisory activity to provide further support as needed. Also some additional work undertaken by EY to aid further development. • Senior Leadership structure has been further strengthened through the appointment of the Accountable Officer and a further layer of management below the Deputy Director Level. • Executive Advisory Body and Audit and Assurance Committee have continued to operate and mature.
External factors	<ul style="list-style-type: none"> • Despite not having mature Business Continuity and Major Incident Plans, Social Security Scotland continued to deliver, launch new benefits and recruit new staff throughout the Covid-19 Pandemic. • Approach to delivery has been altered where required to enable home working. • Some advisory work undertaken in relation to return to the offices for some staff during the year.
Other Assurance	<ul style="list-style-type: none"> • We have liaised regularly with colleagues in External Audit



	<ul style="list-style-type: none"> • Gateway Reviews and other work undertaken by the Digital Assurance Office have primarily focussed on Social Security Directorate, but Social Security Scotland has participated where appropriate and Internal Audit are aware of the outcome of these reviews and consider this as part of our ongoing work with Social Security Scotland.
Stakeholder Engagement	<ul style="list-style-type: none"> • Positive engagement with the Senior Management throughout Social Security Scotland. • Strong leadership and positive culture being developed. Work ongoing to determine how this can be maintained in the future, as the organisation grows, new benefits are delivered, system improvements are made and progress is made towards Business as usual ways of working. • Good working relations between Social Security Scotland and the Programme.
Control Environment	<p>We are aware of ongoing work being undertaken by Social Security Scotland, in relation to Internal Controls and the need for these to be understood and strengthened where appropriate.</p> <p>There were no instances of Fraud highlighted to us during the year.</p>

	Work is progressing in developing strong Counter Fraud Governance arrangements.
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Annex B – Internal Audit Strategic Matters

- In addition to paragraph [2.1](#), 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 SPFM. These standards require us to provide an objective opinion supported by sufficient, reliable and relevant evidence. We ensure this through the established IA client team's roles and responsibilities; i.e. Head of Internal Audit (Lead Senior Internal Audit Manager) and Internal Audit Manager, who are appropriately qualified and experienced to carry out the work.
- Members have previously been provided with both the IA Charter and Strategy which define strategic performance criteria. In addition, the standard of our work is subject to independent validation through an annual review by Audit Scotland to ensure compliance with PSIAS in adopting a risk based audit approach in planning and undertaking our work.
- As part of the IA quality assurance and improvement programme an External Quality Assessment (EQA) was undertaken in early 2019. The key messages from our report were that overall IA have demonstrated good compliance with standards.
- An Internal Quality Assessment (IQA) is also undertaken on an annual basis. This was carried out in early 2020 using the Internal Audit Quality Assessment Framework (IAQAF) tool created specifically for evaluation the quality of the service provided by IA. The main areas covered were:
 - Assessment of IA compliance with the PSIAS, with evidence retained to substantiate our findings.
 - Comparison with previous internal assessment findings

- Identification of areas for improvement where non-compliance with PSIAS was found.
- At the time of writing this report, the results of the IQA are still being finalised for 2021. These will be shared with the committee at a later date.

Annex C – Definition of Assurance Categories

<p>Substantial Assurance</p> <p>Controls are robust and well managed</p>	<p>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.</p>
<p>Reasonable Assurance</p> <p>Controls are adequate but require improvement</p>	<p>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</p>
<p>Limited Assurance</p> <p>Controls are developing but weak</p>	<p>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.</p>
<p>Insufficient Assurance</p> <p>Controls are not acceptable and have notable weaknesses</p>	<p>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.</p>