

Audit and Assurance Committee

Date of Meeting	Tuesday 11 February 2020
Time	10:30 – 14:00
Location	Meeting Room 4.7, Dundee House

Attendees

Present

Russell Frith (RF)	Chair, Non-Executive Member
Jessica Burns (JB)	Non-Executive Body Member
Douglas Hutchens (DH)	Non-Executive Body Member (by telephone)
Elaine Noad (EN)	Non-Executive Body Member
David Wallace (DW)	Accountable Officer, Chief Executive
Miriam Craven (MC)	Deputy Director for Strategy and Client Experience
James Wallace (JW)	Deputy Director of Finance and Corporate Services (by telephone)
NB	Deputy Head of Finance
CB	Strategy, Policy and Assurance Lead
MF	Fraud and Error Lead
NM	Corporate Assurance Lead

Audit Scotland:

MT	Assistant Director
CG	Senior Audit Manager

Internal Audit Directorate, Scottish Government

IB	Senior Internal Auditor
LS	Internal Auditor

In attendance

SM	Risk Co-Ordinator (Item 2 only)
AR	Product Lead (for item 2 only)

EM Delivery Manager (for item 2 only)
LM Senior Service Development Manager (for item 10 only)

Secretariat

IB(2) Governance and Business Co-Ordinator

Observers

RM Assistant Risk Coordinator

Apologies

LH Corporate Assurance Manager

FI Senior Auditor

1. Welcome and Conflicts of Interest

- 1.1. The Chair welcomed everyone to the meeting, introductions were made around the table.
- 1.2. No conflicts of interest were recorded.

2. Risk Deep Dive

- 2.1. SM introduced the deep dive on Strategic Risk AS-R064, which was selected by the Audit and Assurance Committee. The risk is “if we have no IT capacity to deliver on-going improvements, or clear the technical debt for current benefits, we will fail to mature our services, resulting in poor service delivery, low staff morale and engagement, inefficiency and increased costs with reputational damage to Social Security Scotland.”
- 2.2. AR and EM presented the overview of the risk and its current and planned mitigations.
- 2.3. EM highlighted the key elements of the risk, noting within an agile environment and the pace of delivery, that there will always be a list of outstanding requirements known as technical debt.
- 2.4. AR discussed the actions in place to mitigate the risk including a seven month improvement window, a Continuous Improvement Initiative and more generally building extra capacity within Social Security Scotland to work on development areas.
- 2.5. They are also implementing a mini release process that involves small regular releases to reduce the technical backlog.
- 2.6. Overall this risk will continue to evolve as priorities change so will be kept under review. The current risk score is however within tolerance.
- 2.7. There was a question on the relationship with the Social Security Programme. It was noted that this is a combined team effort with the Chief Digital Officer, Social Security Scotland and Programme colleagues.
- 2.8. There were also questions on lessons learnt, resourcing and business continuity. It was advised that resourcing is increasing and that yes lessons learnt were being captured and taken into account in the development of new benefits. Assurance was also given that the team were equipped to deal with any outages.
- 2.9. DW added context and advised that at the minute Social Security Scotland get technical expertise from the Chief Digital Office, and that as we grow we will be building capacity so we have our own technical team in the future.
- 2.10. MT advised Audit Scotland is also there to support our work and IB Internal Audit will closely align with the Chief Digital Officer to provide that additional level of assurance.

3. Minutes and Action Tracker

- 3.1. The minutes and actions were discussed from the Audit and Assurance Committee meeting held on 19 November 2019.
- 3.2. There was one minor change highlighted and once made the minutes will be published on the Social Security Scotland Website.
- 3.3. The updated Action Tracker was noted and it was agreed to remove two of the ongoing actions which no longer need to be formally tracked.

Action	IB(2)	To remove AP – 13/11/2018 – 14 and AP – 19/02/2019 – 01 from the Tracker.
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4. Financial Update and Annual Accounts

- 4.1. NB gave an overview of the Financial Report, addressing the feedback from the Audit and Assurance Committee meeting on the 19 November 2019. The current report now explains the variation against operating and benefit expenditure. NB advised there will be further changes to the report as we take on further devolved benefits.
- 4.2. NB highlighted a slight underspend on Operational Expenditure, Carers Allowance and Funeral Support Payment. This is being analysed but she did note that this position may change as there is still recruitment to be completed. Benefit expenditure is also below planned, but this is expected to increase by the end of March 2020.
- 4.3. DH raised a query about VAT, seeking assurance that we would be able to recover this. NB advised that they are currently awaiting guidance on this and will update the Committee in due course.
- 4.4. NB provided the narrative for the 2019 -2020 Approach to Accounts Preparation and Accounting Policies. Noting the Finance Team conducted a lessons learned exercise on the 2018 – 2019 Annual Report and Accounts Process with colleagues including Audit Scotland.
- 4.5. CB has been working with NB on the format of the Annual Performance Report. It is intended that this year will present a story of Social Security's year aligned with The Charter Measurement Framework. The report will also need to be accessible and inclusive.
- 4.6. The committee confirmed they are content with the timeline and that the Accounting Policies are appropriate for the 2019 – 2020 accounts.

Action	NB	To update Committee on organisations VAT position.
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5. Error, Fraud and Debt Update

- 5.1. MF gave an update which focused on Error, Fraud and Debt, highlighting key points from 2019/20 Quarter 3.
- 5.2. MF highlighted the levels of Fraud and Error are currently low. Processes in place to prevent Fraud are working well including work flow management and they are collaborating with Operations, especially the role of the approvers, to identify errors with claims.
- 5.3. A prototype Dashboard representing the current work of Fraud and Error was presented and the Committee agreed this would be helpful.

Action	MF	To implement comments/feedback on content of report ahead of next meeting.
Action	MF/NB	To consider adding fraud debt into the Finance Report.

6. Fraud and Error Code of Practice

- 6.1. Section 76 of the Social Security (Scotland) Act stipulates that a Code of Practice for Fraud Investigations must be published and laid in Parliament. Social Security Scotland Code of Practice for Investigations will be published on the 14 February 2020. The non-statutory version was published last year.
- 6.2. The Code of Practice for Investigations was noted by the committee.

7. Risk Management Update

- 7.1. CB provided an update on Risk Management to the Committee.
- 7.2. CB noted the key point is the review of Social Security Scotland's Risk Management Strategy, which is now twelve months old and was agreed at the first Audit and Assurance Committee meeting on the 13 November 2018.
- 7.3. CB highlighted the need to be proactive in our management of risk. CB noted the approach to our risk appetite should be how much risk can we manage rather than trying to reduce all risk. To inform this the Risk Review Group are currently reviewing the risk appetite and the descriptors for each risk category.
- 7.4. CB asked the committee if they would like to be involved in the review, this was agreed.
- 7.5. The committee expressed the need to consider a deep-dive session and or workshop to further discuss the risk associated with the Wave 2 benefits. It was agreed that officials would take this away and consider the best approach to

involving both the Audit and Assurance Committee and Executive Advisory Body in this task.

Action	SM	Take forward the Review of the Risk Management Strategy. Liaise with Risk Review Group.
Action	MC/CB/IB(2)	Consider structure of a deep-dive session specifically on Wave 2.

8. Audit Recommendation Update

- 8.1. NM provided an Audit Recommendations update. She advised that further engagement with action owners is intended in the next quarter to close off outstanding recommendations and ensure progress is being made.
- 8.2. This report also provides an update on Audit Scotland recommendations as requested by the Committee.
- 8.3. DH asked if the committee should recommend the closure of an action. NM advised Internal Audit undertake follow up reviews, and report on closed actions. The Corporate Assurance function follow up on any outstanding and will report on these within this report.

Action	AP	To meet with action owners to make sure recommendations are moving forward.
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9. Internal Audit Directorate Update

- 9.1. LS advised that the 2019 – 2020 plan is progressing well, with Quarter 4 work in progress.
- 9.2. All terms of reference have been agreed for quarter 4 reviews.
- 9.3. There was a follow up undertaken on The Risk Management Review. One has been fully implemented and three partially implemented.
- 9.4. LS advised Internal Audit has been restructured to create a dedicated Scottish Government Core Plan team. This change will have no impact on us and aims to promote a more strategic and joined up approach. IB will lead on this for Social Security Scotland.
- 9.5. Internal Audit Reports on Business Continuity, Shared Services and Interim Estates were presented. These were noted and it was asked that where timescales for actions are further than December 2020, these be split down into specific milestones. The Corporate Assurance Function will follow this up.

Action	NM	Contact Action Owners to highlight action tracking and critical activity.
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10. Internal Audit Plan 2020/2021

- 10.1. IB presented to the committee the proposed, risk-based, Internal Audit Plan for 2020/2021.
- 10.2. IB highlighted that the Internal Audit Plan was built with the input the Accountable Social Security's Deputy Directors and the Committee. The Audit Plan is responsive and flexible, it can be updated and changed, following discussion with Social Security's Senior Management to reflect the changing risk environment. The Audit and Assurance Committee would be advised of any changes.
- 10.3. DH asked IB how the Audit Plan linked in with Programme. How do we get the Assurance that we have taken ownership of the risks? IB advised this can be factored in, stating there is a similar proposal in the Scottish Government Delivery Plan.
- 10.4. Further areas of review were highlighted by the Committee, and these will be considered as the Internal Audit Plan evolves over the year.

11. Audit Scotland Update

- 11.1. CG provided an update on behalf of Audit Scotland.
- 11.2. CG outlined the Draft Audit Plan for Social Security Scotland highlighting the key audit risks and work that will be undertaken in each area.
- 11.3. CG outlined the timescale for the Audit, including presentation to the Audit and Assurance Committee.
- 11.4. CG advised the Audit Fees are £155,165
- 11.5. The Chair noted the quality and direction of the External Audit plan which is currently reflecting the changing nature of Social Security Scotland.
- 11.6. DW noted that the Audit Plan is appropriate for scale and sits well with the work being done now and is right for the future.

Action	CG	To amend naming error. To change Funeral Expenses to Funeral Support Payment.
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12. Any Other Business



12.1. No other business was recorded.

Date of next meeting: Tuesday 19 May 2020

Action(AP)/Decision(DP)	Detail	Owner	Due Date	Status
AP – 19/02/2019 – 05	Fraud Code of Practice to be considered for future meeting.	JW	May 2019 – see status column.	Code of Practice included as agenda item at February committee meeting
AP – 19/11/2019 – 03	To design a programme of future risk deep dives to be discussed at each Committee meeting.	SM	Next Meeting	In progress
AP – 19/11/2019 – 07	To share register of compliance with Executive Advisory Body Members	LH	Next Meeting	In progress
AP – 17/09/2019 – 08	To invite Executive Advisory Body Members for volunteers to become a Critical Friend for Assurance Mapping.	LH	Next Meeting	In progress
AP – 19/11/2019 – 09	To implement comments/feedback on content of report ahead of next meeting.	EP	Next Meeting	In progress

Action(AP)/Decision(DP)	Detail	Owner	Due Date	Status
AP – 19/11/2019 – 10	To pick up Shared Services Review with EN following meeting.	LS and JIJ	After Meeting	In progress
AP – 19/11/2019 – 11	To implement comments/feedback on content of Terms of Reference ahead of next meeting.	LH	After Meeting	In progress
AP – 11/02/2020 - 12	To remove AP – 13/11/2018 – 14 and AP – 19/02/2019 – 01 from the Tracker	IB(2)	After Meeting	Completed
AP – 11/02/2020 - 13	To update Committee on organisations VAT position.	NB	Next Meeting	In Progress
AP – 11/02/2020 - 14	To Implement comments/feedback on content of report ahead of next meeting.	MF	Next Meeting	Complete
AP – 11/02/2020 - 15	To consider adding fraud debt into the Finance Report	MF/NB	Next Meeting	In Progress

Action(AP)/Decision(DP)	Detail	Owner	Due Date	Status
AP – 11/02/2020 - 16	Take forward the Review of the Risk Management Strategy. Liaise with Risk Review Group	SM	After Meeting	In Progress
AP – 11/02/2020 - 17	Consider structure of a deep-dive session specifically on Wave 2	MC/CB/IB(2)	After Meeting	In Progress
AP – 11/02/2020 - 18	To meet with action owners to make sure recommendations are moving forward	AP	After Meeting	In Progress
AP – 11/02/2020 - 19	Contact Action Owners to highlight action tracking and critical activity	NM	After Meeting	In Progress
AP – 11/02/2020 - 20	To amend naming error. To change Funeral Expenses to Funeral Support Payment	CG	After Meeting	Complete

