



Audit and Assurance Committee

Date of Meeting	Tuesday 19 May 2020
Subject	Audit and Assurance Committee Annual Report
Agenda No.	6
Paper No.	7.5
Prepared By	Russell Frith
Purpose	Discuss

1. Background

- 1.1. Attached is a copy of the draft annual report of the work of the Audit and Assurance Committee for the period from 1 April 2019 to 31 March 2020.

2. Key Points

- 2.1. Audit Committees are required to produce annual reports. The annual report is a key part of the Agency's corporate governance. It provides independent advice, opinion and assurance to the Accountable Officer and Executive Advisory Body about the quality, effectiveness and completeness of the control mechanisms operating in Social Security Scotland. It's conclusions will help the Accountable Officer to complete their governance statement that is included in the organisation's annual report and accounts, and provides advice to the Executive Advisory Body about areas which may merit their attention in the next period.

3. Conclusions

- 3.1. Members are invited to comment on the draft report. Any comments will be incorporated into a final draft which will be presented alongside the annual report and accounts later in 2020.



GOVERNANCE CHECKLIST

Strategic Objective	Contribution
Dignity, fairness and respect Delivering a service with dignity, fairness and respect at its core.	
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.	The annual report is a key part of the Social Security Scotland's corporate governance. It provides independent advice, opinion and assurance to the Accountable Officer and Executive Advisory Body about the quality, effectiveness and completeness of the control mechanisms operating in the organisation..
Economy, society and environment Contributing to our economy, society and protection of our environment.	



Social Security Scotland Annual Report of the Audit and Assurance Committee to the Executive Advisory Body and the Accountable Officer

Foreword

Welcome to Social Security Scotland's Annual Report of the Audit and Assurance Committee (the Committee). Throughout you will see how our role contributes to the achievement of Social Security Scotland's strategic objectives, in particular, efficiency and alignment: ensuring efficiency and aligning our activities with wider public sector for the benefit of the people we serve.

This report covers the period from 1st April 2019 to 31st March 2020 along with the completion of the 2019/20 Annual Report and Accounts. This is our first report covering a full financial year and discusses the good work undertaken to embed the Committee into the organisation's wider Governance Framework and set a challenging work programme cover a range of important areas.

During the year Social Security Scotland has started to deliver a number of new benefits and has increased in size significantly. The balance of our work has therefore also altered to increase the focus on operational delivery of benefits as well as preparations for the delivery of future benefits.

Overall, we are pleased with the progress made in this reporting year, and look forward to furthering the development of the Committee in 2020/21

Financial Year 2019-2020

1. Introduction

This report is addressed to the Executive Advisory Body (EAB) and the Accountable Officer with the aim of assisting with the preparation of the Governance Statement and helping provide assurance to the Executive Advisory Body and, ultimately, the Accountable Officer as appropriate.

The report summarises the key items of business conducted by the Committee over the period 1 April 2019-31 March 2020. During this time the Committee has met 4 times.



The Committee is independent of Social Security Scotland's management and the membership consists of four Non Executive members. The focus for this year has the approval of the organisation's first Annual Report and Accounts, introduction of reports on Fraud, Error and Debt and a focus on actions resulting from independent assurance activity (including Internal Audit) being followed through.

From Social Security Scotland meetings were attended by the:

- Accountable Officer
- Deputy Director for Finance and Corporate Services
- Leads from Corporate Assurance, Risk, Finance and Fraud and Error.

This year Social Security Scotland introduced a new Deputy Director management structure. In the early half of 2019 the Head of Governance Strategy had attended these meetings. This role has now been superseded by a new Deputy Director for Strategy and Client Experience, however we have agreed the Deputy Director for Finance and Corporate Services will be the lead for the Audit and Assurance Committee.

There were also always representatives from Audit Scotland, the external auditors, and the Scottish Government Internal Audit Directorate.

We also as appropriate have observers attend the meeting either from within Social Security Scotland or the wider Social Security Directorate.

The revised Terms of Reference for the Committee was approved at the November 2019 meeting, and is based on best practice and consistent with the Audit Committee Handbook issued by the Scottish Government. The revised Terms of Reference is now available on the corporate website.

The standard items discussed at each meeting includes:

- Minutes of previous meeting and action tracker
- Conflicts of interest
- Risk management update
- Financial update
- Fraud and Error update



- Internal Audit update
- Audit Scotland update
- Update on Independent Assurance Actions

Following each meeting the minutes are submitted to the Executive Advisory Body as the formal report of business. We have also agreed for 2020/21 that we will proactively publish all meeting papers within 12 weeks of the meeting taking place.

2. Audit Committee Work During the Year

Internal Audit

At each meeting the Committee receives a report from the Internal Audit Directorate, detailing its work since its last report.

Advice was given in January 2020 on the Audit Plan for 2020-2021, specifically on the themes for consideration and on prioritisation, taking account of the work undertaken during 2019-2020 and the planned introduction of Scottish Child Payment and Wave 2 benefits during 2020-2021.

We also review the final reports of all Internal Audit Reviews, and have welcomed the opportunity to discuss these with the lead officer from within Social Security Scotland. This has allowed us to broaden our understanding of work across the organisation and identify specific areas for follow up.

With a focus on maintaining critical services and the ongoing impact on Social Security Scotland due to Covid-19 it was agreed to postpone the 2020-2021 Internal Audit Plan, however we are aware this will be continually reviewed and a revised plan based on the impact presented to the Committee in due course. Internal Audit Directorate will provide support to ensure relevant controls are in place for any amended practices within Social Security Scotland at this time.

The Corporate Assurance Team provides a regular assurance report to the Committee, which provides us with greater oversight of the implementation of recommendations to ensure they are complete. With increased capacity in the Corporate Assurance Team work in this area will be expanded to include further interrogation of the recommendations and progress. Internal Audit themselves also continue to monitor progress.

The Committee has taken assurance from the delivery of the agreed Internal Audit Plan for the year 2019-2020. The reports provided assurance that controls are being designed appropriately, but it is acknowledged that Social Security Scotland is



continually growing, and in some areas the baseline controls delivered by the Social Security Programme require further improvement.

Social Security Scotland has a positive relationship with the Internal Audit Directorate and this is reflected in the presentation of reports to the Committee. A series of Audit is Your Friend sessions promoted the benefits of Audit across Social Security Scotland and increased requests for advisory work.

External Audit

In February the Committee was presented with the 2020/2021 Audit Plan prepared by Audit Scotland, which outlines the Key Audit Risks for the Agency and the planned audit work that will be undertaken in each area.

The audit process appears to be running smoothly and the Committee is satisfied with, and confident in, the working relationship with external audit.

This section will be completed in due course to reflect the outcome of external audit's work.

Risk Management

The risk function has been developed over 2019/2020 with guidance from the Audit and Assurance Committee members and informed by an Internal Audit Review.

We welcomed the establishment of a Risk Review Group which provides oversight and analysis of Social Security Scotland's risk landscape for support and escalation.

A reporting cycle is being implemented to allow action owners to update their risks more regularly and provide greater assurance to both the Risk Review Group and Audit and Assurance Committee.

The committee are invited to select risks from the strategic risk register to interrogate further at deep dive sessions held during each committee meeting. Two have been held and a timetable for further sessions is under consideration.

Based on the evidence presented at meetings, we believe that there is an appropriate risk strategy in place and we are pleased with the progress being made to embed a positive risk culture.



In response to Covid 19 Social Security Scotland has amended its working arrangements to allow the vast majority of its staff to work from home. Management have recognised that this increases control risks in some areas and have put in place additional monitoring and checks to mitigate these risks whilst enabling the continuity of service to clients.

Financial Reporting

The Committee receives a Financial Update paper at every meeting, and the format of this was agreed with the Committee. Advice was also given on the Accounting Policies and we noted the Counter Fraud Strategy.

The Social Security Assistance (Investigation of Offences) (Scotland) Regulations 2020 and the Statutory Code of Practice for Investigations were endorsed by the Social Security Committee of the Scottish Parliament.

The Committee note the complex financial position of Social Security devolution, and welcome the additional material that is being supplied to them to aid understanding including information on the annual reporting process.

Fraud, Error and Debt Reporting

The Committee receives regular reports on error, fraud and debt recovery work in Social Security Scotland, and the format of this was agreed with the Committee.

The committee is pleased to see levels of fraud and error continue to be low, with preventative controls working well. Progress is expected to continue towards enhanced capabilities within this area.

3. Conclusions

Note this section will be completed further once we receive our audit opinion.

The Audit and Assurance Committee can never give absolute assurances to the Executive Advisory Body or the Accountable Officer. However, based upon

- the work of the Committee during this year
- the continual growth of Social Security Scotland
- the assurances that we have received as set out above

we are of the view that Social Security Scotland has the appropriate systems in place that are designed to give the Executive Advisory Body and Accountable Officer the necessary assurance in relation to the Governance Statement.



The Committee considers that it has an appropriate balance of skills and will keep its performance under review. In terms of skills, there is also an open door policy that should any members identify areas of development or seek information on a specific topics, then this can be requested through the Committee secretariat function.

Through committee self-assessment, areas for improvement were identified. An action plan is now in place to address issues raised.

The committee held private sessions with the internal and external auditors. In addition to this the committee have undertaken an evaluation of both Internal and External Audit, using the Institute of Chartered Accounts of Scotland (ICAS) Guide for Evaluating your Auditor.

As Chairman of the Committee, I know I can access the Accountable Officer, staff and our internal and external representatives when required.

We are pleased with the progress to date of Social Security Scotland in establishing its Risk Management Function, Finance capability and other approaches in respect of public sector compliance. The calendar of business for the Committee is also developing and we have introduced regular Fraud and Independent Assurance update reports.