

Audit and Assurance Committee

Date of Meeting	Tuesday 10 November 2020
Time	10:30 – 12:40
Location	Video Conference – Microsoft Teams

Attendees

Present

Russell Frith (RF)	Chair, Non-Executive Member
Jessica Burns (JB)	Non-Executive Body Member
Douglas Hutchens (DH)	Non-Executive Body Member
Elaine Noad (EN)	Non-Executive Body Member
David Wallace (DW)	Accountable Officer, Chief Executive
James Wallace (JW)	Deputy Director of Finance and Corporate Service
Janet Richardson (JR)	Deputy Director of Operations
MF	Head of Fraud and Error Resolution
NB	Head of Finance
NM	Corporate Assurance Lead
SM	Operational Policy Coordinator (Item 5)
LH	Corporate Assurance Manager

Audit Scotland

MT	Audit Director
KR	Audit Manager

Internal Audit Directorate, Scottish Government

IB	Senior Internal Auditor
LS	Internal Auditor

Secretariat

IB(2)	Governance and Business Co-Ordinator
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Apologies

Miriam Craven	Deputy Director for Strategy and Client Experience
CB	Strategy, Policy and Assurance Lead
FI	Senior Auditor
CG	Senior Audit Manager

Observers

PW	Corporate Assurance Coordinator (Item 7 Only)
LC	Corporate Assurance Coordinator (Item 7 Only)

1. Welcome and Conflicts of Interest

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

2. Minutes and Action Tracker

- 2.1. The Audit and Assurance Committee endorsed the minutes of the last meeting. All actions within the tracker have been updated.

3. Social Security Scotland Financial Update – September 2020

- 3.1. NB was pleased to present the Social Security Scotland Financial Update – The report showed financial results for the half year to the end of September 2020.
- 3.2. NB noted the spend to date on operating expenditure, capital expenditure and benefit expenditure. The forecast for the year showed that we would be below plan on all three areas. Work is currently underway on the October results and all forecasts will be scrutinised – this would inform the budget adjustments to be made in the Spring Supplementary Budget Revision in January 2021.
- 3.3. RF queried whether the saving on agency agreements all related to recoverable VAT. NB confirmed this was the case. Currently the costs of the 2020-21 agreements are being reviewed and there may be a further underspend but this is being discussed with DWP.
- 3.4. EN asked about the mechanisms of the capital budget. JW noted that there is no provision for carry forward. The proposed 2021/22 capital budget for the Social Security portfolio was under discussion with Central Finance as part of the overall Spending Review.
- 3.5. DH asked whether the VAT relating to agency agreements was being treated differently. NB advised that we had not returned this saving at an earlier budget revision because the Portfolio was reviewing its overall position. This will now be included in the Spring Budget Revision.
- 3.6. The Audit and Assurance Committee noted the report.



4. Social Security Scotland Error, Fraud and Debt Update – Quarter 1 and Quarter 2

- 4.1. MF presented the Social Security Scotland Error, Fraud and Debt update – Quarter 1 and Quarter 2.
- 4.2. MF noted the following:
- Low levels of detected fraud and error.
 - Redeployment of staff to undertake preventative error work.
 - Deployed widespread homeworking model to understand internal / external fraud.
 - Bespoke learning package for staff to ensure best practice.
 - Code of Conduct drafted for remote home workers.
 - Increase in manual sampling work.
 - Current suspension of face to face interviews and proactive debt recovery in light of COVID-19.
 - Increased resource into the fraud and error team.
 - Web-form launch in Quarter 2 to allow the public to report suspicions of fraud.
- 4.3. EN noted the use of acronyms, MF will remove use of them moving forward.
- 4.4. RF endorsed working with Audit Scotland's National Fraud Initiative and suggested that time spent planning which data matches would be most effective would be likely to pay dividends in producing a manageable number of matches to follow up.
- 4.5. The Committee welcomed and noted the report, associated risk and progress made.

5. Social Security Scotland Risk Management Update

- 5.1. NM opened by advising the committee that the update follows on from recommendations made at the previous Audit and Assurance Committee meeting and invited SM to provide the update.
- 5.2. SM advised the committee that there was no change in the number of risks to the Strategic Risk Register and the Risk Review Group continue to support constructive challenge, with horizon scanning becoming a focal point for discussion.

SM highlighted the following:

- Risk AS-R061 – has been reassessed and reassigned.
- Risk AS-R029 and AS-R070 – change in scoring.
- Risk AS-R001 will be reviewed by the Executive Team.

- 5.3. SM invited the committee to consider themes for the deep dive session. The consensus was to cover Risk AS-R047 and AS-R015a in February 2021.
- 5.4. The committee noted the report.

Action	IB(2)	To schedule the deep-dive session for Risk AS-R047 and AS-R015a
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6. Social Security Scotland Register of Compliance Update

- 6.1. LH presented the Register of Compliance update on behalf of the Corporate Assurance Team, noting it was the bi-annual report on the progress of the Register that forms part of the Compliance Framework.
- 6.2. LH invited the committee to note the content of the report and advised it would be shared with the Executive Advisory Body at the next meeting.
- 6.3. RF made a suggestion that on the areas that focused on compliance with the Social Security (Scotland) Act 2018, that the Corporate Assurance Team work with the Counter Fraud Team and this was agreed.
- 6.4. The committee noted it was a helpful report and liked the focus of the individual items.

7. Social Security Scotland Audit Recommendations Update

- 7.1. NM was pleased to provide the Social Security Scotland Audit Recommendations Update.
- 7.2. NB noted Internal Audits report, published this quarter, have been included in the charts. There have been no follow up reviews this quarter, Internal Audit will close off any recommendations at their formal follow up next quarter.

NM highlighted the following:

- Work continues with action owners for updates on recommendations.
- A focus on high priority recommendations with good momentum in this space.
- Low recommendations are being cleared and closed, high recommendations are being updated.
- No Gateway Review update at present, work continues with Social Security Scotland Programme on a formal response.
- Appendix B notes the recommendations that are proposed as ready for closure ahead of Internal Audit formal follow up.

- 7.3. NM invited the committee to note the contents of the report.
- 7.4. The Chair noted, for presentation purposes, earlier graphs should be split between years and endorsed clearing high priority recommendations.

7.5. The committee noted the contents of the report.

8. Internal Audit Update

8.1. IB provide the Internal Audit update and noted the following:

- Overall progress remains on track, work continues with key stakeholders, including consideration of work ensuring it aligns with emerging risks and issues.
- The report highlights the work in Quarter 2. Planning dates are in place for Quarter 3 and the planning work for Quarter 4 is underway.
- Advisory work continues and planning for 2021-22 is in initial stages.

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

- Wave 1 Benefits In-Depth Review Carer's Allowance Supplement.
- Debt Management
- Wave 1 Benefit In-Depth Review Best Start Grant

8.3. The Committee noted the contents the report.

9. Section 22 Report on Social Security Scotland

9.1. MT provided the narrative for the Section 22 Report on Social Security Scotland.

9.2. MT advised the committee they have been presented with a draft copy of the Section 22 Report setting out the Auditor General for Scotland's perspective on the issues arising in the 2019-20 annual audit of Social Security Scotland. It will be checked for factual accuracy before it is laid, with the accounts, at the Scottish Parliament.

9.3. MT noted that it included the following:

- An unqualified opinion on the financial statements.
- A qualified opinion on the regularity of expenditure and income based overpayments of Carer's Allowance attributed to fraud and error.
- The report highlights Social Security Scotland fraud and error management arrangements.
- It highlights the impact of COVID-19 and progress.

9.4. The committee noted the contents of the report commenting it was a fair and clear and reads well.

10. Social Security Scotland Audit and Assurance Committee Self-Assessment 2019-20



- 10.1. LH was pleased to present the Social Security Scotland Audit and Assurance Committee Self-Assessment 2019-20. LH noted they had taken a different approach to the self-assessment following feedback from last year.
- 10.2. LH asked the committee their views on performance and to provide feedback / necessary changes to the Terms of Reference.
- 10.3. The Committee noted the following:
- The action plan was useful and they liked the addition of legal and regulatory issues.
 - To consider how to contribute to further assurance in relation to fraud and error.
 - Inclusion of timescales in the action plan to help monitor progress.
 - To consider Induction process for new non-executives to support succession planning.
- 10.4. The Chair requested additional feedback / comments on the Terms of Reference to be sent via correspondence. Once collated the Terms of Reference should come back to the committee for formal considerations.

Action	Audit and Assurance Committee	Feedback and comments on the Terms of Reference to be actioned via correspondence.
Action	IB(2)	Schedule Terms of Reference in the forward planner for formal consideration.

11. Assessment of External Audit

- 11.1. The Chair provide a brief update on the Assessment of External Audit, noting External Audit should be evaluated using the Institute of Chartered Accountants of Scotland Checklist. Due to time constraints it was decided this would be actioned via correspondence.

12. Any Other Business

- 12.1. Thanks were expressed to Social Security Scotland colleagues, Internal Audit and Audit Scotland for the work completed for today's meeting.
- 12.2. No other business was recorded.

Date of next Meeting – 09 February 2021

Action(AP)/Decision(DP)	Detail	Owner	Due Date	Status
AP – 10/11/2020 - 01	To schedule the deep-dive session for Risk AS-R047 and AS-R015a	IB(2)	Next Meeting	Completed
AP – 10/11/2020 - 02	Feedback and comments on the Terms of Reference to be actioned via correspondence.	Audit and Assurance Committee	Next Meeting	In Progress
AP – 10/11/2020 - 03	Schedule Terms of Reference in the forward planner for formal consideration.	IB(2)	Next Meeting	Completed