Audit and Assurance Committee

Date of Meeting	13 September 2022
Subject	Audit Recommendation Update
Agenda No.	7
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.   We will report to the Audit and Assurance Committee regularly to update members on the status of recommendations from our 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, Health-check Reviews and Audit Scotland. The following information is provided:

- Total Internal Audit Recommendations Progress to date;
- An overview of open Internal Audit recommendations that have missed deadlines or are at risk of slippage;
- A brief overview of outstanding High, Medium and Low priority Internal Audit recommendations;
- A breakdown of Internal Audit Recommendations that are missed or at risk of slippage
- A table noting progress of Audit Scotland actions;
- A brief overview of the current status of the Health-check reviews.

3.   Conclusions

3.1.   The Audit and Assurance Committee is invited to note the progress of these recommendations and information contained within this report. Comments are also invited in relation to the revised content and format of the report.

4.   GOVERNANCE CHECKLIST

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 audit recommendations will frequently 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 to manage the corporate response to recommendations. Progress is reported to the Agency Leadership Team, Executive Team and Audit and Assurance Committee.
Data	Individual audit recommendations may impact on data management.
Finance	Individual audit recommendations may impact on finance.
Staff	Individual audit recommendations may impact on staff.
Equalities	Individual audit recommendations may impact on equalities.
Estates	Individual audit recommendations may impact on estates.
Communications and Presentation	Not applicable

Impact Assessment
Not 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 on recommendations from all independent audit activity.

2   Context

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

Annex A – Audit Scotland Recommendation Update Tracker.
Annex B – Internal Audit's Definitions of Assurance Ratings and Recommendation categories.
Annex C – Health-check Definitions of Ratings and Recommendations.

3   Summary of Progress

Following feedback on the previous Audit Recommendations update paper, the format has been revised, we welcome feedback from the committee to ensure the report provides value.

The Corporate Assurance Team have continued to work with action owners to facilitate implementation of recommendations across all divisions. Implementation is however the responsibility of each area.

This quarter 4 new reports have been finalised, they are SPM, Readiness for Disability and Carer's Benefits, Workforce Planning and Productivity and Efficiency.

The below table indicates the overall assurance ratings given by Internal Audit reports to date, with an additional breakdown for the last year.

Overall Assurance Level – Internal Audit Reports	Total number of reports	2021-22
Substantial Assurance Controls are robust and well managed	5	2
Reasonable Assurance Controls are adequate but require improvement	32	10
Limited Assurance Controls are developing but weak	11	3
Insufficient Assurance Controls are not acceptable and have notable weaknesses	0	0

4   Total Internal Audit Recommendations Progress to date
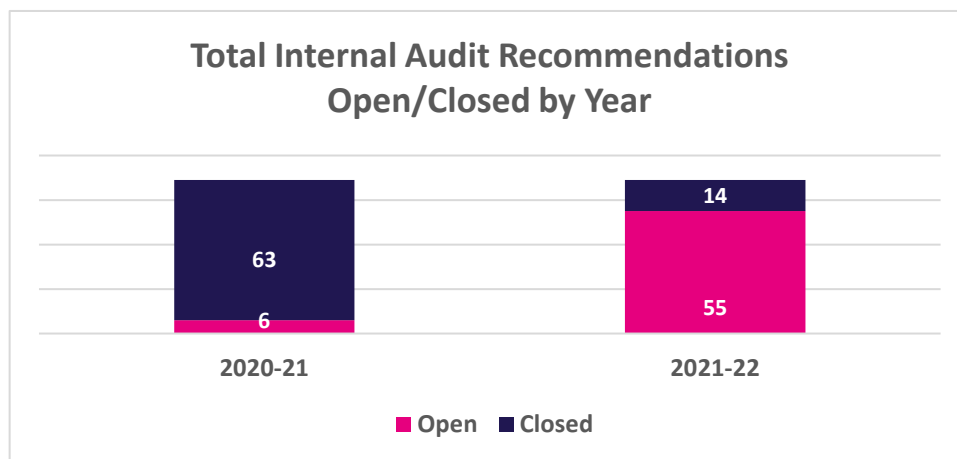
The graph above shows a breakdown by year of the open and closed recommendations.

- 2020-2021 recommendations – 63 of the recommendations have now been closed and 6 remain open. In the last reporting period we have closed 26 recommendations.

- 2021-2022 recommendations – 55 of the recommendations are open and 14 are closed, we expect more to close over the next reporting period as Internal Audit complete follow up reports.

- All recommendations prior to 2020-2021 are closed and fully implemented.

Although not shown in the graph, it is important to note that a further 29 recommendations are currently considered to be only partially implemented, this is down 3 from the previous report. These are recommendations that have been reviewed by Internal Audit as part of a follow up review and are considered to be closed for Internal Audit purposes, but further action is required. These recommendations are monitored locally by the Corporate Assurance team and added to the closures count once fully completed.

5 Open Recommendations that have initially missed, or are at risk of slippage, on their deadline.

The below table provides an overview of open Internal Audit recommendations which have initially missed their deadlines or are at risk of slippage.

Internal Audit Report	Assurance	Missed	Risk of slippage
Client Services and Delivery			
Client Experience	Reasonable	2	0
Finance and Corporate Services			
Budget Setting	Reasonable	1	0
Recruitment	Reasonable	0	2
Strategy, Change, Data and Engagement			
Equality and Diversity	Reasonable	1	1
Stakeholder Engagement	Reasonable	2	0

6   Current Status of Outstanding High, Medium and Low Priority Recommendations
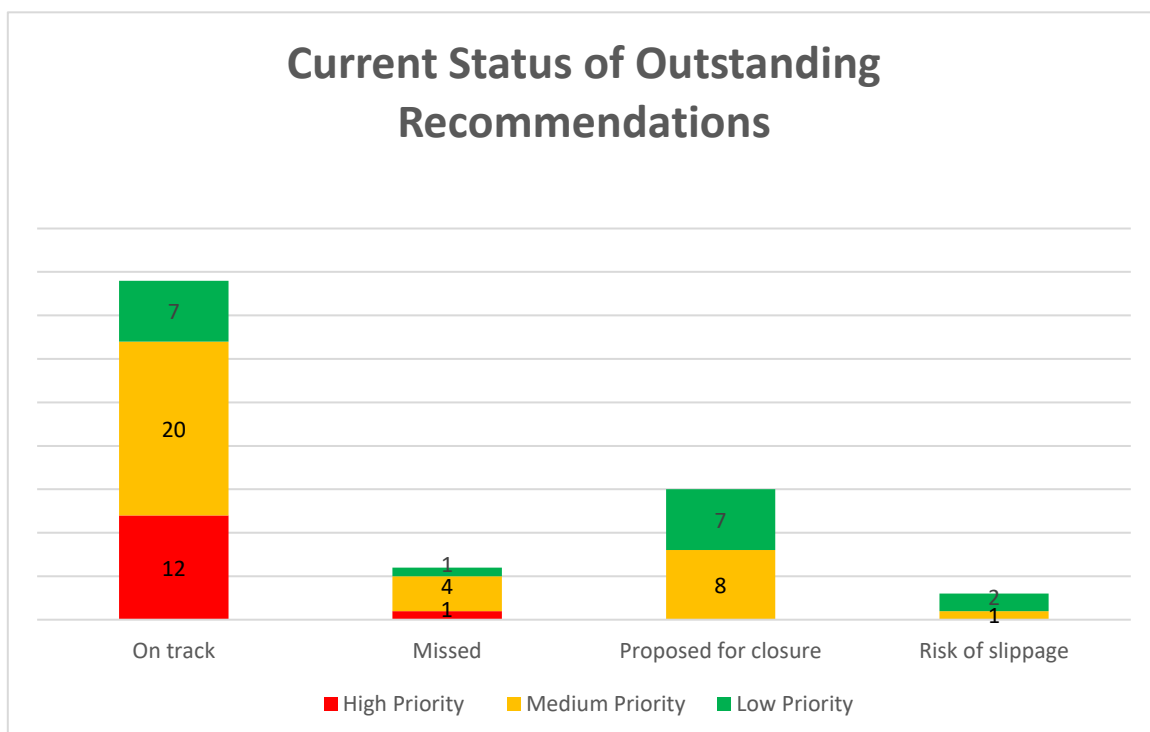
The above chart shows the breakdown of all Open Internal Audit recommendations. For High Priority recommendations, 12 are on track and 1 recommendation from the Client Experience Team review has missed the deadline. There are no High Priority recommendations currently proposed for closure or at risk of slippage.

For Medium Priority recommendations, 20 are on track, 4 have missed deadlines, 8 are proposed for closure and 1 is at risk of slippage. The Medium Priority recommendations that have missed the deadlines are from the Budget Setting, Stakeholder Engagement and Client Experience Team reviews.

For Low Priority recommendations, we have 7 on track, 1 has missed the deadline, 7 are proposed for closure and 2 are at risk of slippage. The Low Priority recommendation that missed the deadline is from the Equality and Diversity review.

We have been provided revised deadlines by action owners where available for the recommendations that have missed their original deadline. The table below provides a current status update for the Internal Audit recommendations which have missed their deadlines or are at risk of slippage.

Internal Audit Recommendations - Missed or at Risk of Slippage.

Budget Setting			
Rec	**Recommendation**	**Update**	**Status**
BS2 - Medium Recommendation	Establish a mechanism to communicate to all related parties (Programme, DG Exchequer and DG Communities) additional budgetary information around budget processes, assumptions, estimates and associated risks. Specifically, this mechanism could be used to ensure budgetary information is appropriate escalated through to DG Exchequer. Earlier communication, including explaining draft workings, would create a transparent and clear budget story and greater "buy in" from related parties.	This is missed as the last two Central Finance Liaison Group meetings have been cancelled. This will be on the agenda for the next meeting, but it will be a few more months after that to confirm if anything can be addressed here. We aim to have this completed by March 2023	Missed - Deadline June 2022

Recruitment			
Rec	**Recommendation**	**Update**	**Status**
R1 - Medium Recommendation	Resourcing recognise the importance of having resourcing strategies and plans for each business area during this period of growth for Social Security Scotland. Plans are already in place for Client Services Delivery and Health and Social Care. However, Resourcing is dependent on business areas having a clear understanding of their requirements to enable this. Once establishment for 22/23 is finalised, further work can proceed on developing resourcing strategies for each area.	Recruitment strategies are now taking a more meaningful shape with the understanding of the accurate number of vacancies. Resourcing partners are now working to finalise resourcing strategies for the remaining recruitment for 2022/2023 and into the next financial year. A workshop is due to be held in which the final amendments to drafts will be shared. We are extending the deadline to the end of September 2022	Risk of slippage – Deadline 1 September 2022

	Action: Resourcing to work with Workforce Planning on deliverability of Establishment Control Plans.		
R5 – Low Recommendation	The recruitment team should look to develop a recruiting strategy or similar alongside or as an addition the workforce planning strategy.	Initial work is being carried out to understand how the resourcing team evolves to support the agency into the next phase of recruitment. We are looking to implement an overarching resourcing strategy with the first steps being dedicated subject expert partners to the business areas who can help shape and challenge recruitment plans ensuring more success. We are extending the deadline to the end of September 2022	Risk of slippage – Deadline 1 September 2022

Stakeholder Engagement			
Rec	Recommendation	Update	Status
SE1 – Medium Recommendation	Stakeholder Management System should be established considering views on desired functionality features from all teams involved in stakeholder engagement activities. This system should become the central system for recording all stakeholder engagement activities and allow for tracing activity, audit trail and enable examination and reporting of data and information. b) Stakeholder analysis and prioritisation exercise should be completed and documented. Output from this should then be used to influence future stakeholder engagement activities.	The Stakeholder Management System is delayed and the priority will be reassessed in line with business planning priorities. We are not able to provide a revised timescale	Missed - Deadline March 2022

Rec	Recommendation	Update	Status
SE2 – Medium Recommendation	Stakeholder analysis and prioritisation exercise should be completed and documented. Output from this should then be used to influence future stakeholder engagement activities.	We are unable to progress at the moment. Stakeholder mapping is underway to mitigate the recommendation with timings still to be agreed.	Missed - Deadline March 2022

Client Experience Team			
Rec	**Recommendation**	**Update**	**Status**
CET1 – Medium Recommendation	a) Management should ensure roles and responsibilities setting out the governance arrangements and decision making responsibilities are documented between key stakeholders, that they are understood by all staff and align with processes. b) Management should make improvements to the process for lessons learnt and seek assurances that actions are being taken for issues identified.	A - A delivery session was scheduled for 7th July 2022, however due to attendee availability, this was cancelled. Work will continue with Live Running colleagues to agree the next most suitable date which we cannot confirm at the moment. B – This action is complete - the role has been set up and established.	Part A is missed – Deadline June 2022
CET2 – High Recommendation	a) Management should put controls in place to minimise the risk to Social Security Scotland or seek assurance from the Social Security Directorate that there are key contacts in place to assist with progressing the development of systems and processes for Client Experience. b) Outstanding system issues should be escalated via management, emphasising the impact of outstanding issues, and secure clear timescales of a	A and B - The Client Experience team's system design stories have now been refined and been checked with subject matter experts. Development is planned to start August 2022 with no release date confirmed. C - Business Analyst have begun work and this is sitting with system analysts with no agreed window for release. We also identified some work were system bugs that needed corrected rather than system functionality builds. This is currently sitting	Part A is missed – Deadline - Dec 2021 Part B is missed – Deadline - Dec 2021

	resolution which supports business needs. c) Once system issues are resolved, Client Experience should move away from manual reporting processes and ensure functionality which supports the Social Security Operations and Delivery Analysis Unit to generate automated SPM reports.	with service desk awaiting action. Until a window of release is agreed we cannot give a timeframe for completion.	Part C is missed – Deadline - March 2021

Equality and Diversity			
Rec	**Recommendation**	**Update**	**Status**
ED2 – Low Recommendation	Where publication of any strategy becomes delayed, this should be reflected in timescale commitments within the strategy action plan, prior to publication, to ensure all target timescales are SMART (Specific, measurable, achievable, realistic and timely).	The report on progress internally against the Equalities Strategy and Outcomes Action Plan is in draft and publication scheduled for November 2022.	Missed – Deadline June 2022
ED3 – Low Recommendation	Any future reviews of corporate strategies and policies should include consideration of, and reference to, equality, diversity and inclusion.	All new strategies and policies are subject to Equality Impact Assessments and other impact assessments as part of the governance process. New guidance has been developed to support the completion of Equality Impact Assessments and is supported by the new B3 Human Resources Diversity and Inclusion Manager. An Equality Impact Assessment tracker is successfully in place within Corporate Assurance to track and monitor the	Missed – Deadline March 2022

		status and completion of all Equality Impact Assessments across the Agency. We hope to have this action by March 2023	

7 Closed Internal Audit Recommendations

Follow up reviews were completed by Internal Audit for People Advice and Health and Safety, The Scottish Child Payment Application Phase and the 2020-2021 SPM Review.

All 4 of the Scottish Child Payment Application Phase review recommendations were recorded as fully Implemented. From the People Advice and Health and Safety review, 4 recommendations were fully implemented and 1 was partially implemented. The 2020-2021 SPM review, 6 recommendations were fully implemented and 5 were marked as partially implemented.

The Corporate Assurance Team will continue to internally monitor and report on the partially implemented recommendations, and will ask for evidence to ensure they are completed.

8 Agency Health-check review

The recommendations from the Health-check reviews, completed in 2019 and 2020, have all been closed off by the assessors. We are awaiting finalisation of the 2022 report, which will be shared by correspondence with recommendations and updates added to the next report.

Conclusion

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. This will support more targeted discussion with Internal Audit colleagues on any 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 high priority recommendations have been implemented.

Annex A: Audit Scotland

Issue/Risk	Status
1. SPM system may not be appropriate for the more complex benefits The use of an Minimum Viable Product approach means that the initial system that is delivered may not contain all of the required functionality. As the benefits being delivered increase in complexity the need for system controls increases. There is a risk that the Minimum Viable Product is not delivering the minimal functionality to support the Scottish social security system. **Recommendation** The establishment of a generic baseline Minimum Viable Product should be finalised as soon as possible to support the delivery of a robust core system for the roll out of new benefits.	On track.
2. The technical backlog continues to increase The extent of the technical backlog continues to increase impacting on system functionality and the arrangements for fraud and error. There is a risk that the system functionality is adversely impacted from the reliance on manual work-arounds particularly as the more complex benefits become operational. **Recommendation** A structured approach should be introduced to address the increasing technical backlog and ensure a strong system control environment is in place to support fraud and error prevention and detection.	On track.

3. Fraud and error arrangements Fraud and error 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 fraud and error estimates as well as developing its own arrangements for the benefits being delivered directly. There is a risk that fraud and error arrangements are not sufficiently developed in advance of the launch of disability and carer's benefits. **Recommendation** The Fraud and Error team must develop its understanding of the associated risks of fraud and error within the range of benefits being delivered, including those currently delivered by the DWP.	On track.
4. Financial planning The financial impact of the pandemic on Social Security Scotland will extend across several years and the impact is not yet fully understood and reflected in the financial planning. There is a risk that without robust long-term financial plans Social Security Scotland may not adequately capture the underlying cost implications of decisions. **Recommendation** Social Security Scotland must revise its financial planning to reflect the long-term impact of the Covid-19 pandemic on benefit delivery arrangements and underlying costs.	On track.

5. Workforce planning The Workforce Strategy has not yet been finalised and should cover both numbers and skillsets to meet the needs of the more complex benefits. There is a risk that without a long-term workforce plan Social Security Scotland will not be able to deliver future benefits to the current timetable. **Recommendation** A long-term workforce plan, built on the current timetable for benefit delivery, must now be prepared. This should support wider decision making to ensure that there is a sustainable workforce to deliver the Scottish social security system.	On track.
6. Residency Social Security Scotland are implementing new tailored guidance for each new benefit. The guidance will be complex, and staff will need adequate training. There is a risk that guidance and training for residency status for upcoming benefits will not be robust enough. **Recommendation** The new residency rules for future benefits will be more complex. Guidance needs to be correctly applied by staff to ensure that residency criteria is assessed fairly and consistently.	On track.
7. Performance Management Performance management arrangements are not adequately developed to support robust decision making.	On track.

There is a risk that Social Security Scotland will not be able to demonstrate value for money. **Recommendation** Robust and transparent performance management arrangements should be further developed to support decision making and ensure the delivery of a quality benefits service.	

Annex B: 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.

Annex C: Agency Health-check Review – Delivery Confidence Assessment RAG

The below table applies to the recommendations made in Section 7 "'Essential' and 'Critical' Recommendations Status Update – Agency Healthcheck Review"

RAG		Criteria Description
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.