



## **Audit and Assurance Committee**

<b>Date of Meeting</b>	27 February 2024
<b>Subject</b>	Audit Recommendation Update
<b>Agenda No.</b>	9
<b>Prepared By</b>	Corporate Assurance Team
<b>Purpose</b>	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 where timescales have been missed or at risk of slippage;
  - A table noting progress of Audit Scotland actions;
  - A table noting progress of Health-check actions.

### **3. Conclusions**

- 3.1. The Audit and Assurance Committee is invited to note the progress of these recommendations and information contained within this report. To help guide discussion, we would draw to the Committee's attention the following key points from the paper. There remain:



- 3 open recommendations from 2021-22
- 23 open recommendations from 2022-23
- 12 open recommendations from 2023-24
- 22 partially implemented recommendations from the period 2018 – 2023
- Missed deadlines in relation to outstanding recommendations: 1 High, 7 Medium and 1 Low priority.

#### 4. GOVERNANCE CHECKLIST

Strategic Objective	Contribution
<p><b>Dignity, fairness and respect</b></p> <p>Delivering a service with dignity, fairness and respect at its core.</p>	<p>This report does not have any direct contributions, however audit recommendations will frequently contribute towards each of these objectives.</p>
<p><b>Equality and tackling poverty</b></p> <p>Promoting equality and tackling poverty.</p>	
<p><b>Efficiency and alignment</b></p> <p>Ensuring efficiency and aligning our activities with wider public sector for the benefit of the people we serve.</p>	
<p><b>Economy, society and environment</b></p> <p>Contributing to our economy, society and protection of our environment.</p>	



<b>Strategic consideration</b>	<b>Impact</b>
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

<b>Impact Assessment</b>
Not applicable



## Social Security Scotland – Audit Recommendation Update

### 1 Purpose

The purpose of this document is to update the Audit and Assurance Committee on recommendations from all independent audit activity.

### 2 Context

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** – Healthcheck Recommendations Update Tracker

**Annex C** – Internal Audit’s Definitions of Assurance Ratings and Recommendation categories.

**Annex D** – Health-check Definitions of Ratings and Recommendations.

### 3 Summary of Progress

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.

There has been a final change to our Internal Audit plan with a Role Based Access Controls review now taking place in quarter 4.

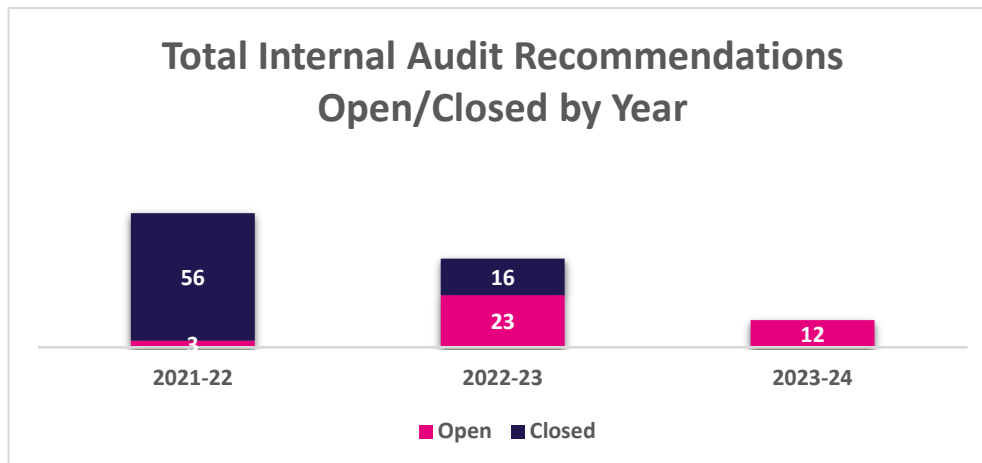
Engagement with Committee members on the content of the 2024/2025 Internal Audit Plan will take place in February.

The below table indicates the overall assurance ratings from Internal Audit reports to date, with an additional breakdown for 2023-24.

Overall Assurance Level – Internal Audit Reports	Total number of reports to date	2023-24
<b>Substantial Assurance</b> Controls are robust and well managed	7	1
<b>Reasonable Assurance</b> Controls are adequate but require improvement	45	2
<b>Limited Assurance</b> Controls are developing but weak	15	0
<b>Insufficient Assurance</b> 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.

- 2021-2022 recommendations – 3 of the recommendations remain open and 56 are closed. Of the 3 open recommendations, 2 are currently at follow-up and one is expected to be proposed for closure by next quarter.
- 2022-23 recommendations – 23 recommendations are open and 16 are closed. 12 of the 23 open recommendations are proposed for closure.
- 2023-24 recommendations – 3 of the 12 open recommendations are proposed for closure.

Although not shown in the graph, it is important to note that a further 22 recommendations are currently considered to be only partially implemented. Partially implemented recommendations 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. A review of all partially implemented recommendations was carried out with the relevant action owners. The table below indicates the progress made this quarter:

Number of outstanding partially implemented recommendations by reporting Year						
	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Previous quarter	1	2	2	8	6	19
Current quarter	1	1	2	10	8	22
+/-	0	-1	0	+2	+2	+3

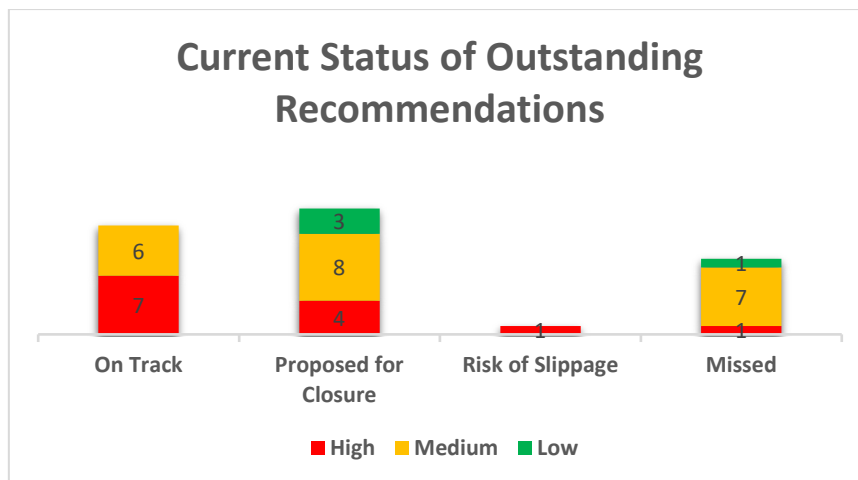


**5 Open Recommendations that have initially missed, or are at risk of slippage, on their deadline.**

The below table provides an overview of open Internal Audit recommendations which have missed their deadlines or are at risk of slippage. The Productivity and Efficiency and Document Management reviews are currently at follow-up stage with Internal Audit, we therefore expect these to close over the next reporting period.

<b>Internal Audit Report</b>	<b>Assurance</b>	<b>Missed</b>	<b>Risk of slippage</b>
<b>Client Services Delivery</b>			
<b><u>Document Management</u></b>	Reasonable	1 Medium Priority	0
<b><u>Redetermination and Appeals</u></b>	Reasonable	1 Medium Priority	0
<b><u>Residency</u></b>	Reasonable	1 Medium Priority	0
<b><u>Winter Heating Payment</u></b>	Reasonable	1 Medium Priority	0
<b>Finance and Corporate Services</b>			
<b><u>Productivity and Efficiency</u></b>	Limited	2 Medium Priority	
<b><u>Debt Management Arrangements</u></b>	Reasonable	0	1 High Priority
<b>Chief Digital Office</b>			
<b><u>SPM Management Information and reporting</u></b>	Limited	1 High Priority	0
<b><u>Integration Space</u></b>	Substantial	1 Medium Priority 1 Low Priority	0

**6 Current Status of Outstanding High, Medium and Low Priority Recommendations**



The graph above shows a breakdown by priority level of the outstanding recommendations.

**High Priority Recommendations (13)**

- 7 are on track
- 4 are proposed for closure
- 1 is at risk of slippage (Debt Management Arrangements)
- 1 has missed the deadline (SPM Management Information and Reporting).

**Medium Priority Recommendations (21)**

- 6 are on track
- 8 are proposed for closure
- 7 have missed deadlines (Residency, Redetermination and Appeals, Winter Heating Payment, Productivity and Efficiency, Document Management and Integration Space).

**Low Priority Recommendations (4)**

- 3 are proposed for closure
- 1 has missed the deadline (Integration Space).

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.**

<b>Document Management</b>			
<b>Rec</b>	<b>Recommendation</b>	<b>Update</b>	<b>Status</b>
DM1 - Medium	Management should consider the current arrangements for ownership of the mailroom function and development needs and ensure where there are gaps action is taken.	<p>No Product Owners are currently in place for Mailroom or Document Management. The Product Owner role for Document Management will sit within Chief Digital Office and will be advertised for recruitment in April-24. The Business Owner roles for Mailroom and Document Management are currently filled by TRS due to end on 31 March 2024.</p> <p>Expected date of completion – Unable to confirm</p>	Missed

<b>Residency</b>			
<b>Rec</b>	<b>Recommendation</b>	<b>Update</b>	<b>Status</b>
Res 2 – Medium Recommendation	Management should ensure that effective and efficient processes are put in place for reviewing the returned mail report and taking appropriate action to verify clients addresses and ensure benefits are only paid to those who are eligible.	<p>Awaiting results of work carried out with Business Analysts to design new process maps, with the fraud team now added as a stakeholder.</p> <p>Expected date of completion – November 2024 due to resource constraints.</p>	Missed



<b>Productivity and Efficiency</b>			
<b>Rec</b>	<b>Recommendation</b>	<b>Update</b>	<b>Status</b>
P1 – Medium Recommendation	Social Security Scotland should establish a productivity and efficiency framework and aim to embed it across the organisation.	Currently at follow-up - a verbal update will be given at committee.	Missed
P2 – Medium Recommendation	Social Security Scotland should produce a data and reporting plan for productivity and efficiency. This should build off the monitoring it requires and include areas identified.	Currently at follow-up - a verbal update will be given at committee.	Missed

<b>Integration Space</b>			
<b>Rec</b>	<b>Recommendation</b>	<b>Update</b>	<b>Status</b>
IS1 – Low Recommendation	Integration team to consider introducing a quality assurance mechanism and use this to aid identification of areas of weakness and enable continuous improvement.	Work is in progress to refine the initial Quality Assurance template and socialise it with the development team before baselining it.  Expected date of completion – Original date of completion not met due to delivery, critical maintenance, and live service commitment.	Missed

IS2 – Medium Recommendation	Management to obtain assurances that relevant Product Owners have awareness of the need to ensure integration is considered when any system developments or updates occur.	Work is on-going, this involves strategic discussions between Programme, Agency and Chief Digital Office (product team) on ownership.  Expected date of completion - 31 March 2024.	Missed
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SPM Management Information and Reporting			
Rec	Recommendation	Update	Status
SPMMI2 – High Recommendation	Management should take action to improve the culture and awareness of data and the tools available for this. This should be supported by an appropriate data dictionary and training and guidance to all relevant business areas.	<p>Work continues in the Agency Data Management Office on training needs analysis and identifying sources for material or routes to produce it. This will inform and develop a training and guidance plan for data and information. Initial focus will be upskilling colleagues in readiness to take on Data Owner and Data Steward roles then to look wider to other data personas across Data Producers and Data Consumers to identify needs and training opportunities to increase data literacy and data fluency across Social Security Scotland.</p> <p>The team have engaged with Programme Data Service colleagues to involve them and identify any service or platform specific training to include in the training analysis and plan.</p>	Missed

		<p>Increasing Data Literacy and Data Fluency will underpin improvements in data culture.</p> <p>Expected date of completion – March 2024</p>	
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<b>Redeterminations and Appeals</b>			
<b>Rec</b>	<b>Recommendation</b>	<b>Update</b>	<b>Status</b>
RA5 – Medium Recommendation	<p>a) Management to review arrangements for:</p> <ul style="list-style-type: none"> <li>gathering internal lessons learned, feedback, reporting on feedback on completed appeals and redeterminations; and agree arrangements in place with Adult Disability Payment and Child Disability Payment managers to ensure that arrangements are fit for purpose, add value, and help improve processes.</li> </ul> <p>b) Spreadsheets used by the Client Experience Team to record quality checks, errors, issues, and corrective action should be reviewed and updated to ensure that these are fit for purpose and completed consistently. Management should also consider introducing a regular high level management review</p>	<p>Workshop led by Change colleagues to assist in the development of an Agency wide feedback loop. Write up and next steps due end February 2024.</p> <p>All other actions completed.</p> <p>Expected date of completion – April 2024</p>	Missed

	of spreadsheets to confirm these are completed and working as intended. Where spreadsheets are no longer in place, these should be made redundant.		
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<b>Debt Management Arrangements</b>			
<b>Rec</b>	<b>Recommendation</b>	<b>Update</b>	<b>Status</b>
D1 – High Recommendation	The opportunity to increase automation and improve processes, documentation and training should be undertaken now, when there is opportunity to do so, before the volume of recoverable debt to be recovered significantly increases.	<p>Automated bank reconciliation is in development/testing and scheduled in for April 2024 release.</p> <p>Significant progress has been made on development of guidance products, a gaps analysis completed and prioritisation list developed. Learning and Leadership colleagues are developing bespoke recoveries officer learning routeway.</p> <p>Due to level of work involved in filling guidance gaps and developing learning/training this will result in slippage further into 2024 however, its progressing well and significant amounts have been delivered.</p>	Risk of slippage

		<p>Contract for current debt management system ends in November 2024 and discovery work relating to options is underway.</p> <p>Expected date of completion – December 2024</p>	
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<b>Winter Heating Payment</b>			
<b>Rec</b>	<b>Recommendation</b>	<b>Update</b>	<b>Status</b>
WHP2 - Medium	<p>Social Security Scotland should:</p> <p>a) Seek a policy decision on missing Next of Kin details to enable completion of relevant cases.</p> <p>b) Ensure technical solutions are identified and implemented for remaining cases with technical issues.</p> <p>c) Confirm the status of whether these occurrences may reoccur in year 2 payment cycle to ensure there is awareness to all teams involved in advance to ensure sufficient resource and workaround can be put in place.</p>	<p>a) Completed</p> <p>b) Work continues in the iteration of our technical capacities and manual processes around low percentage of failures to ensure robust steps are in place when they occur.</p> <p>C) Ongoing, no new issues have been found in the file with over 50% completion undertaken so far. Equally changes in technical design and improved guidance have meant issues have been resolved quickly.</p> <p>Expected date of completion – Ongoing</p>	



## **7 Closed Internal Audit Recommendations**

Follow-up reviews were completed by Internal Audit in this period for Disability and Carers Benefits Readiness, Workforce Planning, Incident Management, Local Delivery and Child Disability Payment In-depth Review.

Follow-up reviews are currently in progress for the Productivity & Efficiency and Document Management Reviews.

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**

Updates from the 2022 Health-check report are at [Annex B](#).

## **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

Audit Scotland Report Action Plan 2022-23	Status
1. Social Security Scotland should develop an impairment model for benefits receivable and overpayments for use in future years.	On track
2. Management should re-evaluate the value of right-of-use assets year on year and consult an expert where appropriate to ensure that right-of-use assets are not materially misstated.	On track
3. Social Security Scotland should continue to work with the programme to continually improve develop systems that are fit for purpose.	On track
4. Social Security Scotland must continue to develop its understanding of the level of fraud and error within the range of benefits being delivered. This includes working with the Scottish Government to break down the barriers that exist to developing estimates of the level of client induced error and fraud.	On track
5. Funding solutions for the capabilities and services that transition from the Social Security Programme to Social Security Scotland should be agreed and managed effectively.	On track
6. Social Security Scotland should continue to review the cyber security arrangements that exist and implement improvements as appropriate.	On track
7. Social Security Scotland should continue to focus on developing a performance management framework that will allow an evidence-based assessment of performance to support decision making and help demonstrate value for money.	On track

National Performance Report 2022 Recommendations	Status
1. The Scottish Government should detail more clearly the intended impact of the Scottish social security system on outcomes for the people of Scotland, linking directly to the National Performance Framework. This is central to being able to evaluate value for money and inform decisions about future social security interventions.	On track
2. Social Security Scotland should strengthen its role in the prioritisation of development activity to ensure its operational needs are appropriately considered and that it has the systems and processes in place to administer benefits in the way intended.	On track
3. Social Security Scotland should continue to review and update its workforce planning to build the capacity and capabilities needed for its growing remit. This should draw on learning from live administration of benefits, such as processing times and service user behaviours, and the impact of further system developments including the automation of processes.	On track
4. The Scottish Government and Social Security Scotland should plan for how they will measure the impact of the benefits being introduced,	On track

<p>and how they will evaluate and report on progress against outcomes. In doing so they should ensure that suitable data gathering, and reporting processes are established.</p>	
<p>5. The Scottish Government and Social Security Scotland should put into action their learning from previous benefit launches by ensuring that future delivery timelines include sufficient time for system testing ahead of launches. They should also agree periods of protected time for system development and improvement, to build stability and resilience in the digital infrastructure.</p>	<p>On track</p>
<p>6. The Scottish Government and Social Security Scotland should plan for how the significant investment in staffing for this programme of work, and the skills, knowledge and experience gained, can be best used to support areas of future service development. This should include robust approaches to support knowledge transfer from contractors to permanent staff.</p>	<p>On track</p>



## Annex B: Healthcheck

Ref No.	Recommendation	Status
R1	The Agency should work with Programme on the revision of the Programme Business Case.	Cleared
R2	The Agency should ensure that the Continuous Improvement function is designed, with all associated costs, including the impacts of Technical Debt, fully identified in the Programme Business Case or other suitable artefact (or if appropriate a separate business case).	On track
R3	Comprehensive transition roadmaps, including target outcomes for each component of the current Programme and future Agency capability should be agreed with the Programme. An overall Transition Strategy with jointly agreed guiding principles should also be developed.	On track
R4	The planning and preparations for transition management should reflect the state required at the commencement of the Embedding and Enhancement period and the level of progress to be made by its conclusion.	Cleared
R5	The Agency, in conjunction with programme, should develop an End of Programme Operating Model by the end of the Embedding and Enhancement period.	On track
R6	The Programme, in conjunction with the Agency, should give consideration to the development of a method of traceability to evidence how Programme and Agency delivery has contributed to National Outcomes and achieving a positive and supportive client experience.	On track
R7	Areas of transition where there may be competing requirements should be identified early with agreement reached on associated planning assumptions.	On track
R8	There should be clarity regarding the scope of Minimum Viable Product, further programme delivery, acceptance criteria and Continuous Improvement.	On track
R9	Workforce planning should consider alternative recruitment arrangements involving both Programme and Agency to support future transition arrangements. For example, the potential for roles to be jointly recruited with the Programme with the posting being initially with the Programme before transitioning to the Agency.	On track

R10	The programme, supported by the Agency, should determine the range of relationships and management arrangements required with DWP and schedule their implementation.	Cleared
R11	The Agency and the Programme, should plan the transition from the DWP Central Payments System, including contingency arrangements.	On track

## Annex C: 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

<p><b>Substantial Assurance</b></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><b>Reasonable Assurance</b></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><b>Limited Assurance</b></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><b>Insufficient Assurance</b></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>

### Recommendations

<p><b>High Priority</b></p>	<p>Serious risk exposure or weakness requiring urgent consideration</p>
<p><b>Medium Priority</b></p>	<p>Moderate risk exposure or weakness with need to improve related controls.</p>
<p><b>Low Priority</b></p>	<p>Relatively minor or housekeeping issue.</p>

## Annex D: 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”

<u>RAG</u>	<u>Criteria Description</u>
<b>Green</b>	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.
<b>Amber /Green</b>	Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
<b>Amber</b>	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.
<b>Amber /Red</b>	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.