



Audit and Assurance Committee

Date of Meeting	21 March 2023
Time	09:00 – 11:30
Location	Video Conference – Microsoft Teams

Attendees

Present

Non-Executive Members

Russell Frith (RF)	Chair, Non-Executive Member
Naghat Ahmed (NA)	Non-Executive Body Member
Barry Matheson (BM)	Non-Executive Body Member

Social Security Scotland

David Wallace (DW)	Accountable Officer, Chief Executive
Gayle Devlin (GD)	Deputy Director Health and Social Care
James Wallace (JW)	Deputy Director Finance & Corporate Services
MF	Head of Fraud and Error Resolution
SM	Risk Team Manager
DP	Head of Strategy and Corporate Services
CK	Chief Data Officer (Item 5 only)
LS	Risk and Assurance Team Leader
RM	Finance Business Partner
SG	Corporate Finance Lead

Audit Scotland

PG	Audit Scotland
PM	Audit Scotland



MM Audit Scotland

LD Audit Scotland

Internal Audit Directorate, Scottish Government

IB Senior Internal Auditor

LS (2) Internal Auditor

MH Internal Auditor

Secretariat

GE Corporate Assurance Coordinator

Observers

JR Acting Head of Change and Project Management

AR Assurance Support Officer

MA Internal Auditor

Apologies

NB Head of Finance

Ally MacPhail Deputy Director Strategy, Change, Data and Engagement



1. Welcome and Conflicts of Interest

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

2. Minutes and Action Tracker

- 2.1. The minutes from the November 2022 Audit and Assurance Committee have been agreed and are awaiting publication.
- 2.2. All the actions from the November 2022 meeting are complete.

3. Audit Scotland Audit Plan 2022-23

- 3.1. PG was welcomed by RF as the new Audit Scotland Director.
- 3.2. PG provided the Audit Scotland Audit Plan 2022-23 noting the following:
 - The purpose of the plan is to outline the work planned throughout the year. This is to conclude on the 2022-23 audit and highlight any identified risks.
 - Materiality Level is set at 1% of gross expenditure. This is similar to previous years and is based on the current forecasted figures. Materiality Level is £43 million and this will be revised once unaudited accounts are received.
 - Unaudited Accounts will be received this June for sign off in October 2023.
 - Performance materiality is set at 60% which is similar to last year.
 - Clearly Trivial levels are slightly higher this year at £200,000. This is still below the maximum level.
 - A breakdown of the 3 risks of Material Misstatement.
 - Discussions will continue for estimating Fraud and Error value this year.
 - Cyber security and climate change which are wider code risks will be reported on throughout the year.
 - Audit fee is £414,000.



- 3.3. RF asked what Audit Scotland is hoping to achieve through the climate change audit work? PG confirmed Audit Scotland are looking for confirmation of arrangements currently in place. This includes the Net Zero Strategy targets and reporting cycles. DW confirmed conversations are taking place in Social Security Scotland to ensure our contributions are proportionate and appropriate.
- 3.4. JW commented on the risk of Material Misstatement which focuses on benefits delivered by Social Security Scotland. JW highlighted the risk is recognised and work is ongoing regarding statistics. JW stated this is a very complex area and is necessary as this will allow Audit Scotland the ability to make an opinion.
- 3.5. It was confirmed to The Committee that Social Security Scotland and Audit Scotland continue to have a strong relationship.
- 3.6. The Audit and Assurance Committee thanked Audit Scotland and noted the update.

4. Internal Audit Plan 2023-24

- 4.1. IB provided the Internal Audit Plan for 2023-24. This is a plan that sets out the proposed Assurance and Advisory activity for 2023-24. IB noted the following:
 - Internal Audit has engaged with the Accountable Officer and the Deputy Directors.
 - Support was received from Audit and Assurance Committee members in designing the plan and the timings were discussed with management.
 - The plan is a similar size to the previous financial year and contains a wide range of audits.
 - Internal Audit are more heavily constrained by budgets this year. This will remove the flexibility to move work around throughout the financial year.
- 4.2. RF thanked Internal Audit for involving the Non-Executive Directors when developing the Audit Plan. RF also highlighted it has good balance and is looking forward to the ongoing benefits the plan will provide.
- 4.3. BM reflected on the Auditor Generals view to ensure operational needs are considered. BM asked what has Social Security Scotland developed to strengthen its role for prioritisation? DW confirmed he is happy with the Audit Plan and Social Security Scotland will build on prioritisation during the embedding and enhancement period.
- 4.4. The Audit and Assurance Committee were happy to recommend the Accountable Officer to sign the audit plan.



5. Internal Audit Progress Update

5.1. IB provided the Internal Audit update and noted the following:

- Quarter 4 work from the 2022-23 Audit Plan is progressing well. 4 reports have been finalised with exit meetings in place for the outstanding.
- Advisory and Follow-Up activity is almost complete.
- An Interim Director for Internal Audit and Assurance will be in post from the end of March. An introduction meeting with DW has been arranged.
- The Digital Assurance Office whose current focus is Social Security Programme will begin to move its attention towards Social Security Scotland.

5.2. LS(2) provided a breakdown of the 4 Internal Audit reports highlighting findings and the assurance ratings:

- Debt Arrangements – Reasonable.
- Internal Controls Post Award Controls – Limited.
- Document Management – Reasonable.
- SPM Management Information and Reporting – Limited.

5.3. BM questioned about the use of manual spreadsheets for SPM Management Information and if we are improving manual processes or suggesting Social Security Programme design a solution? LS(2) stated SPM should be the single source of truth and contain the management information. LS(2) explained the challenges with spreadsheets.

5.4. RF and LS (2) discussed the SPM Change of Circumstances controls.

5.5. RF invited the Senior Responsible Officer, CK, to discuss the SPM Management Information and Reporting audit. CK confirmed to The Committee that budget has been agreed for resource for a Data Management Office. This funding allows new teams of IBM staff and our own Business Analysts to improve data quality and management information. The resource is expected to arrive in April. The Committee praised this news.

5.6. IB noted that Internal Audit will provide their Annual Assurance Opinion at May's Audit and Assurance Committee.

5.7. The Audit and Assurance Committee thanked Internal Audit and noted the update.

6. Social Security Scotland Finance Update

6.1. SG provided the Financial update and noted the following:



- Operating costs underspend is £1.6 million. This is mainly due to confirmation of the Department for Work and Pensions Formal Agreements charges for the year.
 - Capital Expenditure is on track and running to plan.
 - Benefit Expenditure is below plan year to date. This is a timing issue because the Winter Heating Payment is paid in February and March by Social Security Scotland and the Scottish Fiscal Commission had assumed it would be paid in January. Finance are working closely with the Scottish Government Central Finance team as Benefit Expenditure is a Corporate Risk.
- 6.2. RF asked for clarity around the Benefit Expenditure Forecasting ranges. SG confirmed the biggest uncertainties are the Disability Benefits because they are the most volatile. SG noted the forecasting range of 3% is broadly in line with the Scottish Fiscal Commission's error rates. However further work is being carried out by Finance to refine the ranges further..
- 6.3. The Audit and Assurance Committee thanked SG and noted the update.

7. Social Security Scotland – Risk Management Update

- 7.1. SM provided The committee with an update of Risk Management activity noting the following:
- The Risk Team are currently refreshing the Strategic Risk Register, following a workshop in February involving Fraud and Error, LS, JW and RF.
 - The Risk Review Group is being refreshed and closed in its current form in February 2023. It is planned to resume in April 2023. The Terms of Reference is currently being designed to state expectations of members.
 - Risk Workshops have been set up for each division, key themes will be identified and fed towards Corporate Level Risks.
 - The Risk Register dashboard will be kept simple but with high level overviews. This will be shared with other governance groups monthly and with the Executive Team quarterly. This will be continually reviewed to keep key threats under control.
 - The wider risk team have been delivering training sessions and working with Learning and Leadership.
- 7.2. RF provided The Committee with further information about February's workshop stating the aim was to make risk management information more understandable and reflect Corporate Level Risks.
- 7.3. IB asked if the Social Security Scotland Executive Team will be included in the workshops? JW confirmed they will not be in attendance however they will all be informed of outputs.
- 7.4. DW thanked SM and RF praising both for all the hard work towards Social Security Scotland risks.



- 7.5. DW highlighted the importance of using simplified language in the Risk Register so it is universally understood.
- 7.6. BM questioned what is in place to stop duplication of Risk and Internal Audit updates? LS confirmed the Corporate Assurances and Risk Team do intelligence sharing to stop duplication and work will continue to make sure this is a smooth process.
- 7.7. The Audit and Assurance Committee thanked SM and noted the update.

8. Social Security Scotland Fraud, Error and Debt Update

- 8.1. MF presented the Social Security Scotland Fraud, Error and Debt Quarter 3 update and noted the following:
 - 3 reports have been provided for The Committee which are Debt, Error and Counter Fraud with feedback for any adjustments welcomed.
 - A breakdown of trends identified.
 - Debt recovery service saw success with client engagement and debt arrangements being made.
 - [Redacted]
 - Proactive assurance and sampling exercises have been undertaken.
- 8.2. MF requested to reduce the frequency of Debt and Counter Fraud reporting and keep Error quarterly. RF accepted this request suggesting MF include brief highlights of developments of the Debt and Counter Fraud in the Error report.
- 8.3. The Audit and Assurance Committee thanked MF and noted the update.

Action	MF	Continue to provide a quarterly Error report with brief highlights of development in Debt and Counter Fraud.
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9. Social Security Scotland – Audit Recommendations Update

- 9.1. LS presented the Audit Recommendations update and noted the following:
 - The Corporate Assurance team will continue to upload Internal Audit reports when finalised for The Committee.
 - The Committee can request Senior Responsible Officers to attend meetings for older Internal Audit reports to discuss how recommendations are progressing.



- The Corporate Assurance Team will undertake a review of outstanding recommendations comparing them to our business planning priorities. We will check if recommendations are valid or have been mitigated.
- Support will be provided to Senior Responsible Officers and recommendation owners for next years audits. This will ensure high quality management responses and value for Social Security Scotland.
- Work is ongoing with Deputy Director Ally MacPhail to revise reporting to the Executive Team on assurance activity and thematic findings.

9.2. The Audit and Assurance Committee thanked LS and noted the update.

10. Audit and Assurance Committee Self-Assessment

10.1. RF confirmed the Self-Assessment questionnaire will be provided to NA and BM through correspondence after today’s meeting. RF will schedule an individual call with each to gather views. Results will be then fed back at May’s Audit and Assurance Committee meeting.

10.2. RF advised the questionnaire will be provided to Deputy Director JW for input.

Action	GE	Provide Self-Assessment questionnaire to NA and BM
Action	GE	Discuss results of Self-Assessment at May 16 Audit and Assurance Committee

11. Any Other Business

11.1. No other business was recorded and RF concluded the meeting.

Date of next Meeting – 16 May 2023

Action(AP)/Decision(DP)	Detail	Owner	Due Date	Status
AP – 21/03/2023 - 01	Continue to provide a quarterly Error report with brief highlights of development in Debt and Counter Fraud.	MF	Next Meeting	Complete
AP – 21/03/2023 - 02	Provide Self-Assessment questionnaire to NA and BM	GE	Next Meeting	Complete
AP – 21/03/2023 - 03	Discuss results of Self-Assessment at May 16 Audit and Assurance Committee	GE	Next Meeting	ongoing