Directorate for Internal Audit and Assurance

Annual Assurance Report

Social Security Scotland 2022-2023

Audit Personnel

Lead Senior Internal Audit Manager:	[Redacted]
Internal Audit Managers:	[Redacted] [Redacted]

Report Distribution

Chief Executive (Accountable Officer)	Draft presented, discussed and agreed on 11th May 2023.
Audit and Assurance Committee	For information and comment on 16th May 2023

Contents

1.   Annual Assurance Opinion 2022-23

1.1. Our overall assurance opinion for last year is Reasonable.

Please see Annex B for definition of all Assurance Categories.

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.

1.2. In our opinion Social Security Scotland, as it grows and matures, continues to demonstrate a strong positive culture. This is led by Senior Management providing a very positive 'tone at the top' which then obviously filters down through staff across the organisation.

1.3. During 2022-23 we undertook 13 Assurance Reviews, 13 Follow Up audits and various pieces of Advisory work. From this work we identified widespread good practice and evidenced clear progress being made in improving systems and arrangements for governance, risk management and internal controls. Internal Audit's relationship with Social Security Scotland has continued to remain strong. We continue to see a positive approach to accepting and implementing our recommendations for improvement and staff throughout Social Security Scotland actively engaging with Internal Audit and other assurance providers. Social Security Scotland has continued to deliver existing benefits, bring in new staff and launch new benefits during the year.

1.4. We are still seeing however continued reliance on manual/clerical processes in relation to service delivery as well as for management information. We have again limited the assurance we could provide on SPM and there are gaps in policy which impact Social Security Scotland's ability to progress some areas of service delivery.

2. Introduction

2.1. This report summarises Directorate for Internal Audit and Assurance (DIAA) work during the year and provides an overall assurance opinion on Social Security Scotland's risk management, control and governance arrangements in place. It's primary aim is to provide the Accountable Officer and the Audit and Assurance Committee with our professional opinion. External Audit colleagues may also take this opinion and the content of this report into consideration when carrying out their work. Also, this report will help form the basis of a general report on our work which will be considered, in due course by the Scottish Government Audit and Assurance Committee (SGAAC).

2.2. Our work carried out over the past year has been undertaken in accordance with UK Public Sector Internal Audit Standards (PSIAS), the Institute of Internal Auditors (IIA), International Professional Practices Framework (IPPF) and with the standards set out in the Scottish Public Finance Manual (SPFM). These standards require us to provide an objective opinion supported by sufficient, reliable and relevant evidence. We ensure this through the established Internal Audit client team's roles and responsibilities; i.e. Lead Senior Internal Audit Manager and Internal Audit Managers, who are appropriately qualified and experienced to carry out the work.

2.3. To determine the overall assurance opinion we take a number of factors into account, not solely the audit activities undertaken throughout the year (see Table 1 for more detail on this) but also the overarching assurance landscape. This includes any work undertaken in relation to shared services by other DIAA Internal Audit Teams.

2.4. Reports and outputs have also been agreed by Senior Management and presented to the Audit and Assurance Committee throughout the year.

2.5. In order to develop an integrated approach to our assurance, relevant final outputs from Internal Audit, the Digital Assurance Office and Portfolio, Programme and Project Assurance have been shared between our assurance teams.

3. Audit Activities

3.1. The below table sets out the delivery and outcomes of relevant activities carried out over the past year.

3.2. Table 1: Audit Activities 2021-22

| Category	Title	Outcomes
Assurance Review	Client Services Delivery Compliance	Reasonable
Assurance Review	IT Supply	Reasonable
Assurance Review	Cyber Security Governance	Provided Separately
Assurance Review	Debt Arrangements	Reasonable
Assurance Review	Incident Management	Reasonable
Assurance Review	Internal Controls - Post Award Controls	Limited
Assurance Review	Document Management	Reasonable
Assurance Review	Client Experience – Disability and Carers Benefits Re-determinations and Appeals	Reasonable
Assurance Review	SPM (Management Information and reporting)	Limited
Assurance Review	Health and Social Care Quality Assurance and Professional Supervision	Reasonable
Assurance Review	Local Delivery	Emerging Reasonable
Assurance Review	Case Transfers	Emerging Limited
Assurance Review	Staff Health and Safety-Wellbeing	Emerging Substantial
Advisory Review	Workforce planning	• Assessment of new and emerging workforce planning risks and whether they have been captured, understood and are reflected in activities being planned and undertaken and

		provide an assessment of whether current activities are sufficient and on track and likely to deliver desired outcomes; and • Focus on the wider organisation and its understanding of the enhanced recruitment controls and what that means for their division and readiness to deal with emerging risks.
Advisory Review	Quality Assurance Framework	Management requested we change this piece of work to Advisory with the review focusing on: what is working well; where the gaps are; where there is insufficient activity; and identification of risks.
Advisory Review	Review of Outstanding recommendations	Reviewing recommendations made to identify if any longer-term recommendations could be closed due to being superseded by more recent recommendations, followed up as part of more recent assurance activity or due to some other reason.
Advisory Review	Business Owner Branch Advisory	Social Security Scotland were undertaking a proof of concept exercise in relation to a Business Owner Branch. Internal Audit provided advisory support as requested, including scrutiny of the evaluation process.
Advisory Review	Benefit forecasting	considered Social Security Scotland's arrangements for monitoring variances from these forecasts and the processes established for highlighting over/under spends, and how Social Security Scotland notifies the Scottish Government of potential underspends and/or demands on additional funding.
Advisory Review	Health and Social Care Advisory	Internal Audit provided some advisory support in relation to Redeterminations and Appeals and the processes in place for Health and Social Care colleagues to support this.

Advisory Review	Business Resilience Governance	Internal Audit provided advisory support in relation to the governance arrangements for business continuity including consideration of roles, responsibilities, lines of authority and accountability and reach across the organisation.
Advisory Review	Error Control Working Group	We are participating in the monthly Error Control Working Group set up by Social Security Scotland.
Advisory Review	Internal Controls Steering Group	We are participating in the monthly Internal Controls Steering Group set up by Social Security Scotland.
Advisory Review	Client Services Delivery and Internal Controls Team Awareness Sessions	A series of sessions were held with colleagues in Client Services Delivery and the Internal Controls Team in order to raise awareness of Internal Audit and the Corporate Assurance Team, provide detail of our processes and our expectations and what they can expect from us.
Advisory Review	Internal Control Staff Training	Social Security Scotland are developing training material for staff and requested Internal Audit provide feedback on the training material.
Follow Up	Scottish Child Payment in-depth review	3 Medium recommendations: All fully implemented
Follow Up	Counter Fraud Governance	1 High and 6 Medium recommendations: All fully implemented
Follow Up	People Advice and Health and Safety	1 High and 1 Medium recommendations: One Fully Implemented One partially implemented
Follow Up	Stakeholder Engagement – External Communication	3 Medium recommendations: All partially Implemented
Follow Up	Chief Digital Office – Transition into Social Security Scotland	3 Medium recommendations: All fully implemented
Follow Up	Equalities and Diversity	3 High and 1 Medium recommendations: Two fully implemented Two partially implemented

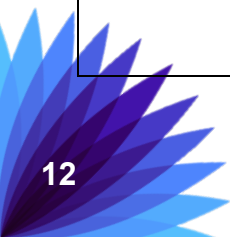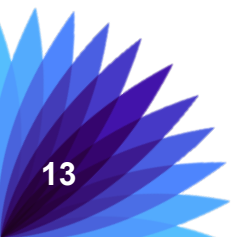|		
Follow Up	Recruitment	2 Medium recommendations: One full implemented One partially implemented
Follow Up	Internal Controls – Eligibility Controls	1 Medium recommendation: Partially implemented
Follow Up	Operations Compliance	1 Medium recommendation: Fully implemented
Follow Up	Learning and Development	1 Medium recommendation: Fully implemented
Follow Up	SPM	5 High and 5 Medium and 1 Low recommendations: 7 Fully Implemented 1 Superseded 3 Partially Implemented
Follow Up	Residency	2 Medium recommendations: 1 Superseded 1 Not implemented
Follow Up	Client Experience	2 High and 3 Medium recommendations: 1 Fully Implemented 3 Partially Implemented 1 Superseded
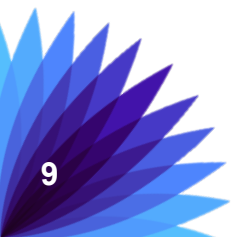
Annex A – Overarching Assurance Landscape

Landscape Key Categories	Examples of Evidence taken into consideration
Nature of Internal Audit work completed	• Table 1 provides detail on the Assurance Audits, Follow Ups and various advisory reviews undertaken during the year. • The planned audit considering Error Control was not undertaken as we had recently undertaken some advisory in relation to Payment Correction Cases and management needed some time to implement actions identified from this work. The time was instead used to undertake an assurance review of Incident Management. • Two planned assurance reviews (Workforce Planning and Quality Assurance Framework) were undertaken as Advisory due to changes in focus of Social Security Scotland and it was deemed advisory work would add most value.

Governance, Risk and Compliance	- Social Security Scotland have continued to embed changes to the internal governance arrangements with new membership of the Executive Team and maturing of the Agency Leadership Team and its supporting forums. - The organisations approach to risk management continues to mature. Work is ongoing to review the strategic risk register and the Risk Review group role and membership. Evidence demonstrates continued discussion of risk at all levels of the organisation and consideration of risk as part of planning and decision making. - The Executive Advisory Body and Audit and Assurance Committee have continued to operate and mature.
External factors	Social Security Scotland operates in an environment in which there are many dependencies on external parties such as the Scottish Government Shared Services, Social Security Directorate, Scottish Government Policy and Legal colleagues and the Department for Work and Pensions. We note in our work that Social Security Scotland do not always have autonomy to mitigate risks themselves and where this is the case we recommend the organisation continues to build and work with these other parties in order to minimise the risk that is posed to Social Security Scotland.
Other Assurance	- We have liaised regularly with colleagues in Audit Scotland who provide the External Audit service. We have also shared with them the output of all our assurance work. - Gateway Reviews and work undertaken by the Digital Assurance Office still continue to primarily focus on Social Security Directorate, but Social Security Scotland has participated where appropriate. - The Digital Assurance Office colleagues are engaging with Social Security Scotland to identify where digital assurance activities will be required. This includes both activity arising from the transition from the Social Security Directorate to Social

	Security Scotland but also consideration of emerging pipeline of projects owned by Social Security Scotland.
Stakeholder Engagement	• Internal Audit continue to have positive engagement with the colleagues across Social Security Scotland. This includes engagement on specific assurance work as well as advisory and ad hoc discussions. • Regular engagement is taking place between Internal Audit and various teams including Client Services Delivery, Fraud and Error Resolution Unit, Corporate Assurance, Governance, etc. • Internal Audit output including our reports, findings and recommendations are always received positively by management with recommendations accepted and clear plans on how they will be implemented detailed in the responses. • Strong leadership and positive culture has been established by the Executive Team and Agency Leadership Team. It is also clearly highlighted as a key focus of senior management with a clear desire to live by the values of the organisation. • Strong working relations remain between Social Security Scotland and the Social Security Directorate.
Control Environment	Through our ongoing assurance work with Social Security Scotland we have continued to highlight weaknesses in relation to controls and the processes and systems in place. Social Security Scotland is acutely aware of the weaknesses in relation to Internal Controls and the need for these to be understood and strengthened where appropriate. The organisation has established a new team focussed on Internal Controls. There are also various working groups established, such as the Error Control Working Group and the Internal Controls Steering Group, bringing together colleagues from across the organisation and Internal Audit have been invited to participate in these activities. The Fraud and Error Resolution Unit also have teams established who have a focus on internal controls. These teams are working

	closely with colleagues in both Social Security Scotland and Social Security Directorate to highlight areas of weakness and work with these colleagues to strengthen the systems and internal controls in place. As a more mature organisation with more expertise in place Social Security Scotland has demonstrated that whilst weaknesses exist they are keen to be proactive to minimise the risks these weaknesses pose to their control environment. There were no instances of External Fraud highlighted to us during the year.

Annex B – Definition of Assurance Categories

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.