Audit and Assurance Committee

Date of Meeting	16 May 2023
Subject	Audit Recommendation Update
Agenda No.	8
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 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. 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 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 – Internal Audit's Definitions of Assurance Ratings and Recommendation categories.
Annex C – 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.

Four 2022-23 reports have been finalised this quarter: Client Services Delivery Compliance, Incident Management, Client Experience – Disability and Carers Benefits Re-determinations and Appeals and Cyber Security Governance. Four further 2022/23 reports are currently in progress.

Work has commenced on the 2023-24 Audit plan with fieldwork planned for the Client Services Compliance and Winter Heating Payment Reviews. Planning is underway for all other quarter one reviews with fieldwork due to commence in May.

The below table indicates the overall assurance ratings from Internal Audit reports to date, with an additional breakdown for 2022-23.

Overall Assurance Level – Internal Audit Reports	Total number of reports to date	2022-23
Substantial Assurance Controls are robust and well managed	5	0
Reasonable Assurance Controls are adequate but require improvement	41	6
Limited Assurance Controls are developing but weak	14	3
Insufficient Assurance Controls are not acceptable and have notable weaknesses	0	0

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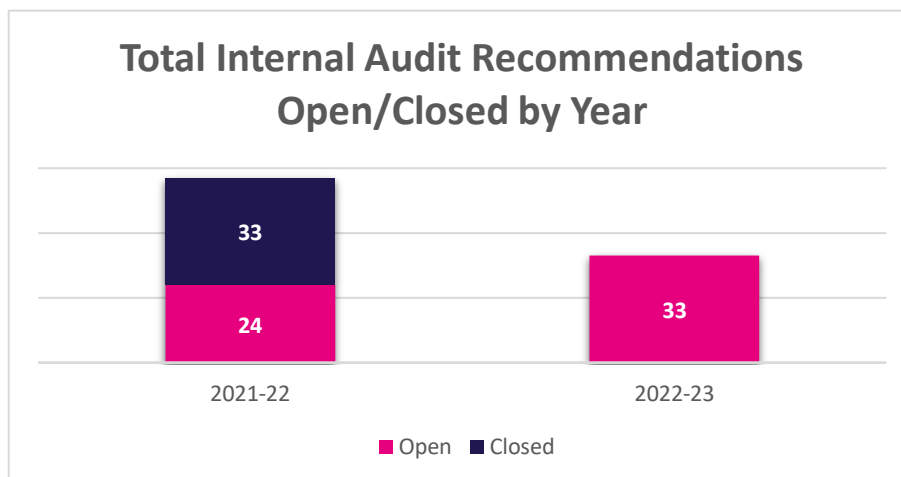
The graph above shows a breakdown by year of the open and closed recommendations.

- 2021-2022 recommendations – 24 of the recommendations remain open and 33 are closed. 16 of the 24 open recommendations are proposed for closure by action owners, we therefore expect these to close over the next reporting period as Internal Audit complete follow-up reports.

- 2022-23 recommendations – 33 recommendations are open.

Although not shown in the graph, it is important to note that a further 26 recommendations are currently considered to be only partially implemented, this is up one 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. The table below indicates the breakdown by reporting year of the outstanding partially implemented recommendations:

| Reporting Year				
2018-19	2019-20	2020-21	2021-22	Total
1	6	7	12	26

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.

Internal Audit Report	Assurance	Missed	Risk of slippage
Client Services and Delivery			
Readiness for Disability and Carers Benefits	Reasonable	1 Medium Priority	0
Residency	Reasonable	1 Medium Priority	0
Finance and Corporate Services			
Productivity and Efficiency	Limited	0	1 Medium Priority
Workforce Planning	Reasonable	1 Low Priority	2 Medium Priority
Strategy, Change, Data and Engagement			
Payment Correction Cases	Advisory	1 High Priority 1 Medium Priority	0
Chief Digital Office			
IT Supply	Reasonable	2 Medium Priority	0

6 Current Status of Outstanding High, Medium and Low Priority Recommendations
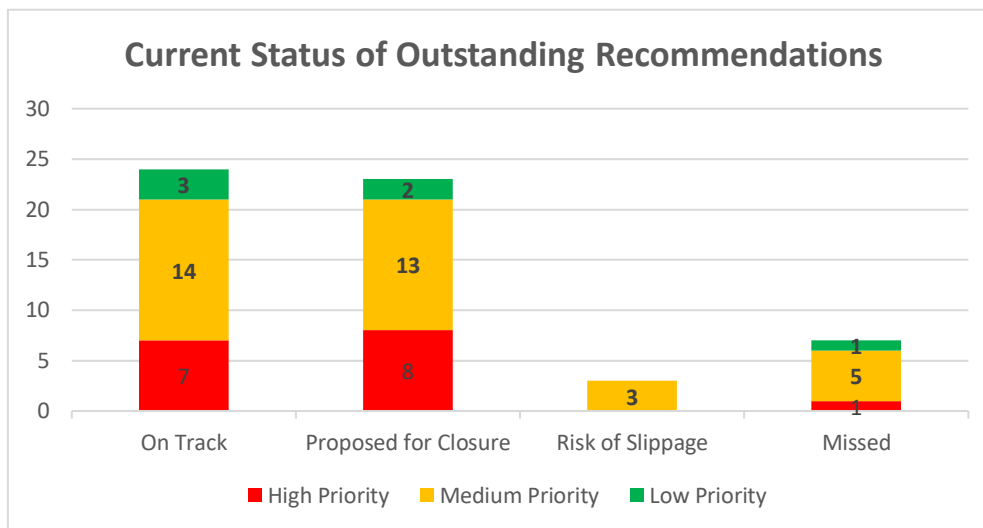
The graph above shows a breakdown by priority level of the outstanding recommendations.

High Priority Recommendations (16)

- 7 are on track
- 8 are proposed for closure
- 1 has missed the deadline (Payment Correction Cases Advisory Work)

Medium Priority Recommendations (35)

- 14 are on track
- 13 are proposed for closure
- 3 are at risk of slippage (Productivity and Efficiency and Workforce Planning)
- 5 have missed deadlines (Residency, Readiness for Disability and Carers Benefits, Payment Correction Cases Advisory Work and IT Supply.

Low Priority Recommendations (6)

- 3 are on track
- 2 are proposed for closure
- 1 has missed the deadline (Workforce Planning).

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.

Workforce Planning			
Rec	**Recommendation**	**Update**	**Status**
W2 – Medium Recommendation	The Workforce Planning team should produce process documentation that describes the overall workforce planning process. The process documentation should include documentation aimed at those out with the workforce planning team, which should be concise, highlight the key activities / controls, and the various team's roles and responsibilities.	Intranet action is completed. Scottish Government ERP (Enterprise Resource Platform) project has been delayed by six months. We continue to engage with Scottish Government. Expected date of completion – 31st March 2024	Risk of Slippage
W3 – Medium Recommendation	The Workforce Planning team should continue works to implement a workforce planning tool in conjunction with the wider Scottish Government.	Scottish Government ERP project (Enterprise, Resource Platform) has been delayed by six months. We continue to engage with Scottish Government. Expected date of completion – 31st March 2024	Risk of Slippage
W5 – Low Recommendation	The Workforce Planning team should work with Recruitment and Finance to produce MI packs that: • Are more focused on forecasting and the risks to fulfilling the workforce plan • Give more complete metrics (original plan, revised, actuals, estimated actuals, FTE numbers and financials) • Contain brief and clear narrative to flag the Workforce Planning Team's insights • Produced for audiences across the organisation, e.g. division specific for divisions, in depth for the Workforce Planning Committee, brief 1 or two pages for Agency Leadership Team.	With the exception of the data team (which remains on hold while more senior level structures are reviewed), all other actions have been completed. Divisional stakeholder meetings with data packs have been launched. Expected date of completion – July 2023	Missed

IT Supply			
Rec	**Recommendation**	**Update**	**Status**
IT4 – Medium Recommendation	Management should map out all outstanding policies and documented processes in relation to IT Supply and ensure that these are put in place.	Work continues to progress in this area. Following review, drafts are incorporating all comments. We anticipate that the drafts will be signed off by the end of May. Ongoing	Missed
IT6	Management should ensure that processes for requesting, creating and enabling user accounts for systems used by staff within Social Security Scotland are fit for purpose and include an appropriate management sign off.	Role Based Access Control (RBAC) now defined within the Service Design process, revision to Service Request process to include updated access authorisation/approval steps. Draft to be shared with stakeholders for review/comments in early May to progress to sign off. Expected date of completion – August 2023	Missed

Residency			
Rec	**Recommendation**	**Update**	**Status**
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.	Work is ongoing in this area looking at the returned mail process for low income benefits with the aim to align the process across both low income and disability benefits. Additional work has also been taken forward looking	Missed

		specifically at this from a change of circumstances perspective.	
		Expected date of completion – End of July 2023	

Readiness for Disability and Carers Benefits

Rec	Recommendation	Update	Status
RDC2 – Medium Recommendation	Social Security Scotland should ensure there are appropriate governance processes in place for agreeing assumptions and variables and levels of risk to be accepted in the modelling and resource decision making processes.	Updated Social Security Operational Research modelling is now not due until the beginning of May to inform planning for 2023/24. Ongoing	Missed

Productivity and Efficiency

Rec	Recommendation	Update	Status
P1 – Medium Recommendation	Social Security Scotland should establish a productivity and efficiency framework and aim to embed it across the organisation.	A deep dive led by the Deputy Director for Client Services Delivery in conjunction with Organisational Design was held in March to look at the measurables required within a benefit product and the Management Information available/required to assess this. Insights & Engagement group have continued to evolve the Management Information and performance measurables and define what is important across each area of Social Security Scotland. Work has progressed to evolve a fortnightly/monthly pack including historical trend analysis, analyst resource from Insights and Analysis team has been allocated to support this.	Risk of Slippage

| | | Work continues to evolve regarding Social Security Scotland's performance culture. David Wallace recently sent a communication highlighted the need for us to focus performance and that this work will continue.

Further work is also planned drawing on client insights and working with Organisation Design to establish what performance is important to clients and drawing that into Social Security Scotland objectives. This will also involve rolling out expectations across Social Security Scotland. | |

Payment Correction Cases (Advisory)			
Rec	**Recommendation**	**Update**	**Status**
PC1 – High Recommendation	Where there is shared ownership a lead owner should be identified between Social Security Scotland and Social Security Directorate. Once lead ownership is established there should be clear processes for decision making ensuring relevant input from appropriate stakeholders within Social Security Directorate and Social Security Scotland. This includes Social Security Directorate ensuring the scope of relevant teams considers both Low Income Benefits as well as forthcoming Disability and Carers benefits. Work should not be undertaken	We have established ways of working between Finance and Programme and any issues we have are met with a joint response. There has been work underway on this including development of a training package which was launched in March across the Disability benefits areas in Client Services focusing on payment corrections.	Missed

	in silos to avoid duplication or omissions and ensure all risks and impacts are considered.		
PC2 – Medium Recommendation	Social Security Scotland should seek assurances that an appropriate an action plan is developed which addresses risks and issues identified by both management and this report to establish a plan to improve weaknesses. Such a plan should include plans to improve system processes and controls to mitigate manual workarounds, decisions required and lack of management information.	We are managing this through our incident process. User Research work is underway in case maintenance with a lead in place on payment correction cases. We are also working on a stocktake of all activity in this space as there are multiple strands.	Missed

7   Closed Internal Audit Recommendations

Three Follow-up reviews were completed by Internal Audit in this period for the following reviews: Client Experience – Client Feedback and Unacceptable Actions, SPM and Residency.

Two Follow-up reviews are currently in progress for the SPM Technical Debt and Budget Setting 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

2020-21 Recommendations	Status
1. 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.	Cleared.
2. 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. 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.	Cleared.
4. 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.	Cleared.
5. 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. 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.	Cleared.
7. Robust and transparent performance management arrangements should be further developed to support decision making and ensure the delivery of a quality benefits service.	On track.

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	On track

	the impact of further system developments including the automation of processes.	
4.	The Scottish Government and Social Security Scotland should plan for how they will measure the impact of the benefits being introduced, 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.	On track
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.	On track
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.	On track

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.	On track
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

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 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"

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.