



## Audit and Assurance Committee

<b>Date of Meeting</b>	14 May 2024
<b>Time</b>	10:00 – 12:30
<b>Location</b>	Agnes Husband House Ground Floor Conference Room and Video Conference.

## Attendees

### Present

#### Non-Executive Members

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

#### Social Security Scotland

David Wallace (DW)	Accountable Officer, Chief Executive
Gayle Devlin (GD)	Deputy Director Health and Social Care
Stephanie Glavin (SG)	Deputy Director Finance and Corporate Services
DP	Head of Strategy and Corporate Services
CP	Head of Error Control and Debt Management
DW(2)	Head of Counter Fraud
LS	Risk and Assurance Team Leader
SM	Risk Team Manager
NB	Head of Finance
CC	Support Senior Officer
JM(Item 6 only)	Head of Operations
JR (Item 6 only)	Head of Change & Project Management
KS	Head of Corporate Support and Communications

#### Internal Audit

LC	Lead Senior Internal Audit Manager
PM	Internal Audit Manager
MJ	Assurance Support Officer



## **Audit Scotland**

LD

Audit Scotland

PM

Audit Scotland

## **Scottish Government**

RM

Finance Business Partner

## **Secretariat**

GE

Corporate Assurance Coordinator

## **Apologies**

MF

Head of Fraud and Error Resolution

## **1. Welcome and Conflicts of Interest**

- 1.1. The Chair welcomed everyone to the meeting and noted the apologies as listed above.
- 1.2. The Chair advised the Committee that Stephanie Glavin was appointed temporarily as Deputy Director for Finance and Corporate Services. The Committee congratulated Stephanie.
- 1.3. No conflicts of interest were noted.

## **2. Minutes and Action Tracker**

- 2.1. The minutes from the February 2024 Audit and Assurance Committee have been agreed and are awaiting publication. All actions are complete.

## **3. Social Security Scotland Finance Update, and Approach to Accounts Preparation and Accounting Policies**

- 3.1. SG provided a verbal Finance update to the Committee and advised of the following:
  - Financial dashboards will be shared to the Committee via correspondence.
  - An update on Capital Expenditure, Benefit Expenditure and Depreciation Charges.
- 3.2. LS provided an update on the current status of the Annual Report and Accounts and the proposed date for comments:



- The Draft Governance Statement will be shared for comment with members of the Committee during the week commencing 20 May 2024. This is prior to sharing with David Wallace.
  - The Performance Report will be shared with the Executive Advisory Body the week commencing 17 June 2024.
  - Version one of the Annual Report and Accounts will be provided to Audit Scotland on June 21 2024. The Audit and Assurance Committee will be invited to comment.
  - NB presented the proposed revised accounting policies noting the main changes and objective of reducing the content.
- 3.3. RF made a number of suggestions and NB agreed to update these. It was confirmed that these would be incorporated in the Annual Accounts but would be provided to RF in advance. The Audit and Assurance Committee thanked SG, LS and NB for all updates.

## 4. Audit Scotland 2023-24 Financial Year Update

4.1. LD presented a verbal update to the Committee and noted the following:

- Interim audit work has progressed well.
- A hybrid approach to the audit is being taken, with the Audit team conducting onsite testing in both Dundee and Glasgow.
- The audit engagement terms have been agreed with the National Audit Office and the timetable fits with the planned sign off date of 8 October 2024.
- Audit Scotland continue to engage with Social Security Scotland, Social Security Programme, and the Directorate for Internal Audit and Assurance as part of the audit.
- The Auditor General for Scotland has announced performance audit activity with a likely publication date of summer 2025. This is in the pre-scoping phase and information will be shared when available.
- PM provided an update on findings from the interim audit work. Points have been discussed and accepted by management and details will be reported in the annual audit report.

4.2. The Audit and Assurance Committee thanked LD and Audit Scotland and noted the update.

## 5. Internal Audit Annual Assurance Opinion 2023-24

5.1. LC presented the Directorate for Internal Audit and Assurance Annual Assurance Opinion for 2023-2024 and noted the following:

- Internal Audit are providing “Reasonable” assurance on Social Security Scotland’s risk management, governance and control arrangements.
  - Internal Audit considered Social Security Scotland’s current position as a maturing organisation, along with changes in governance structure, the strategic risk management function and current internal controls.
  - Internal Audit regularly identifies and acknowledges good practices within Social Security Scotland.
  - Strengthening and further improvement is needed for management information, continuous improvement and elements of non-compliance.
  - Internal Audit have a strong relationship with Social Security Scotland and are satisfied with the engagement from senior management and the Audit and Assurance Committee.
  - A revised report will be issued to highlight that risks facing Social Security Scotland are not all within their control and ensure the dependency on the Scottish Government, the Social Security Directorate, as well as other stakeholders, is reflected. This will be issued following the remaining reports being agreed with management so as to confirm the final outcomes of the remaining audit reviews.
- 5.2. RF queried the length of time Internal Audit reports remain with management prior to being finalised. LS acknowledge this is an issue and confirmed work is required with management to speed up this process.
- 5.3. DW confirmed the need to be realistic with what audit recommendations we can tolerate and what we have capacity for. BM echoed this statement advising sensible acceptance of recommendations is needed. LS confirmed the Risk and Corporate Assurance team will work together to understand how recommendations not accepted can be tracked.
- 5.4. The Chair thanked LC and Internal Audit and the Committee supported the assurance rating.

Action	LC	Issue a revised report highlighting risks outside of Social Security Scotland’s control and their dependency on the Scottish Government, Social Security Directorate and other stakeholders, following the final audit review outcomes.
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## 6. Directorate for Internal Audit and Assurance update

- 6.1. LC presented the Directorate for Internal Audit and Assurance update and noted the following:
- Work is almost complete on the 2023-24 Internal Audit Plan with four draft reports awaiting management sign off.



- Progress is being made with the 2024-25 Internal Audit Plan with planning meetings and fieldwork underway for the initial reviews.
  - The Committee have been provided with the final Internal Audit plan for 2024-25 completing the action from the previous meeting.
- 6.2. PM presented the four final Internal Audit reports, this included the assurance ratings, a breakdown of recommendations and findings:
- Client Services Delivery Compliance Review – Reasonable assurance.
  - Child Disability Payment In-Depth Follow Up – Limited assurance.
  - Risk and Issue Management – Reasonable assurance.
  - Continuous Improvement – Limited assurance.
- 6.3. The Committee invited JM, the Senior Responsible Officer for Child Disability Payment In-Depth review , and JR, the Senior Responsible Officer for Continuous Improvement review to address recommendations and discuss how their area will implement what was set out in the management responses. This is a new approach and going forward Risk Owners and Deputy Directors will be invited to the Audit and Assurance Committee if a report receives a “Limited” or below assurance opinion.
- 6.4. RF highlighted that discussing the Strategic Risk Register at Executive Team meetings is vital for embedding strong and efficient risk management. Currently the Register is a below-the-line item. RF, with the support of DW, offered to attend the Executive Team meeting to facilitate discussions and demonstrate benefits. LS will work with SG to implement and ensure reports provided are useful to the Executive Team.
- 6.5. The Chair thanked PM and LC and the Committee noted the contents of the report.

Action	LS	Invite RF to an Executive Team meeting to support risk tolerance and appetite setting and ensure Executive Team reporting provides value.
Action	Secretariat	Invite Deputy Directors and Risk Owners to future Audit and Assurance Committee meetings if Internal Audit award a “Limited” or below assurance opinion.

## 7. Social Security Scotland – Risk Management Update

- 7.1. SM provided the Committee with an update of the risk management activity noting the following:
- Since February there has been a slight change to risk profiles with no increase in the number of captured risks.
  - CR-003a Value for money – the impact score has increased and the likelihood decreased.

- CR-008 Organisational Resilience – will be re-assessed to reflect a more targeted risk on business continuity.
  - CR-010 Cyber security - the residual risk score and likelihood has increased.
  - Details have been provided for the Director General risk escalation criteria, this is an action from the February 2024 meeting. The approach will be discussed at the next Director General meeting.
  - The Risk Team will review the layout of the Committee Dashboards to make them less condensed.
- 7.2. The Committee discussed the advantages of having a risk appetite statement and the need for the Agency to have a higher tolerance for risk acceptance. RF confirmed the statement does not need to be long and can be formulated once key themes are identified.
- 7.3. RF highlighted that the Inherent and Residual risk scores for the CR-011 Programme Closure risk requires senior management action, this can be in the form of a deep dive. LS and SM will coordinate with the risk owner to determine attendance, scope and whether the deep dive will be held at the Executive Advisory Body or Audit and Assurance Committee.
- 7.4. RF thanked SM and the Committee noted the update.

Action	LS/SM	Consider if the Programme Closure risk deep dive should be held at the Executive Advisory Body or Audit and Assurance Committee and arrange.
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## 8. Social Security Scotland - Fraud and Error Resolution Annual Report 2023-24

- 8.1. DW(2) presented the 2023-24 Counter Fraud report, while CP presented the 2023-24 Error Interventions and Recoveries and Recharge report.
- 8.2. DW(2) noted the following for the Counter Fraud report:
- An increase of Fraud Intelligence has been received compared to the previous year.
  - 2023-24 saw significant collaborative efforts to procure a replacement for the Fraud Case Management system. This is to ensure all aspects of fraud intelligence management and fraud investigation are included within a single system.
  - [Redacted]
- 8.3. [Redacted]



- 8.4. The Committee engaged in conversations regarding policy challenges, challenges from inherited fraud and legacy issues from Covid-19.
- 8.1. CP presented the following for the Error Interventions report:
- Complex cases affected by system faults have been referred to Policy for steer on liability.
  - The Disability Interventions Service was established with initial processes, team guidance and training being developed and implemented.
  - There has been an increase in clearance of Payment Correction Cases.
  - Automated management information was developed and tested allowing teams to reduce manual collation of data and improve productivity.
  - Work is ongoing to improve processes such as with Accessible Vehicle Equipment (AVE).
  - Work is ongoing with the Insights and Analysis team with regards to estimate error and appropriate assurance checking levels.
- 8.2. CP presented the following for the Recoveries and Recharge report:
- Due to internal promotions the team are experiencing an attrition rate of 45%. Further recruitment plans are in place for the rest of the year.
  - There is a 32% increase of inbound referrals.
  - The anticipated delivery of Deductions is currently expected in August 2024.
  - The Adult Disability Payment intervention team has identified clients with high payments, these are vulnerable clients, therefore work is ongoing with the safeguarding team.
- 8.3. The Committee engaged in discussions regarding deductions and disputes around liability, focusing on the policies and processes governing them, as well as the role of Client Services Delivery to manage these effectively.
- 8.4. The Chair thanked DW(2) and CP and the Committee noted the contents of the report.

## 9. Draft Audit and Assurance Committee Annual Report 2023-24

- 9.1. RF presented the draft Audit and Assurance Committee Annual Report for 2023-24 and requested for the Internal Audit section to be updated based on today's conversation.
- 9.2. No further comments were received.

Action	Secretariat	Update the Internal Audit section of the Audit and Assurance Committee annual report.
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## 10. Audit and Assurance Committee Terms of Reference

10.1. RF presented the Terms of Reference for the Audit and Assurance Committee. It was agreed to include Stephanie Glavin as the Deputy Director for Finance and Corporate Services. An amendment will be made to clarify the Committee members.

10.2. No further comments were received.

Action	Secretariat	Add Stephanie Glavin to the Terms of Reference and an amendment is required to clarify Committee members.
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## 11. Any Other Business/Below the Line Papers

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

Date of next Meeting – 20 August 2024



Action(AP)/Decision(DP)	Detail	Owner	Due Date	Status
<b>AP – 14/05/2024 - 01</b>	Issue a revised report highlighting risks outside of Social Security Scotland’s control and their dependency on the Scottish Government, Social Security Directorate and other stakeholders, following the final audit review outcomes.	LC	Next meeting	
<b>AP – 14/05/2024 – 02</b>	Invite RF to an Executive Team meeting to support risk tolerance and appetite setting and ensure Executive Team reporting provides value.	LS	Next meeting	Complete
<b>AP – 14/05/2024 – 03</b>	Invite Deputy Directors and Risk Owners to future Audit and Assurance Committee meetings if Internal Audit award a “Limited” or below assurance opinion.	Secretariat	Next meeting	Complete
<b>AP – 14/05/2024 – 04</b>	Consider if the Programme Closure risk deep dive should be held at the Executive Advisory Body or Audit and Assurance Committee and arrange.	LS/SM	Next meeting	Complete
<b>AP – 14/05/2024 - 05</b>	Update the Internal Audit section of the Audit and Assurance Committee annual report.	Secretariat	Next meeting	

Action(AP)/Decision(DP)	Detail	Owner	Due Date	Status
<b>AP – 14/05/2024 - 06</b>	Add Stephanie Glavin to the Terms of Reference and an amendment is required to clarify Committee members.	Secretariat	Next meeting	Complete