Audit and Assurance Committee	
Date of Meeting	Tuesday 13th May 2025
Subject	Internal Audit – Draft Annual Assurance Opinion
Agenda No.	6
Paper No.	31.5
Purpose	Discuss

1. Background

1.1. This report provides Internal Audit's draft Annual Assurance Opinion for 2024/25 along with details of the work undertaken during the year, the outcome for each piece of work and other key elements considered when determining our opinion on the Organisation's risk management, governance and internal control arrangements throughout the year.

2. Key points

2.1. We are providing a "**reasonable**" assurance marking on Social Security Scotland's risk management, governance and control arrangements.

2.2. Social Security Scotland engaged fully with Internal Audit throughout the year which enabled the successful delivery of the full audit plan during the year.

2.3. By the end of the year Internal Audit had undertaken 15 Assurance reviews, 12 Follow Ups and various pieces of Advisory work.

2.4. A final version of this report will be shared with members once all work for 2024/25 is concluded and all reports have been issued in final.

3. Conclusions

3.1. Members are invited to comment on the 2024-25 Annual Assurance Opinion.

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Directorate for Internal Audit and Assurance

Annual Assurance Report

Social Security Scotland 2024-25

Directorate for Internal Audit and Assurance

Issue Date: 6-05-2025

Audit Personnel

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

Report Distribution

Chief Executive (Accountable Officer)	Draft shared on 6th May 2025
Audit and Assurance Committee	For information and comment on 13th May 2025

Contents

1. Annual Assurance Opinion 2024-25

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

Please see Annex B for definition of all Assurance Categories.

Reasonable Assurance	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.
Controls are adequate but require improvement.	

1.2. Social Security Scotland, over the past year has continued to mature and evolve as an organisation. During the year we have undertaken a range of assurance, advisory and follow up activities which has enabled us to independently assess the governance, risk management and internal control arrangements that are both established and those which are continuing to develop and mature. In 2023-24 management adapted its approach to governance and risk management and in 2024-25 we were able to evidence the further development and embedding of this.

1.3. The strategic risk register features a number of key risks for the organisation and through our work we were able to test and provide assurance in relation to the majority of these risks. In all cases we were able to identify a significant amount of good practice and where areas of improvement have been identified these have been understood. Whilst not all recommendations were accepted, management consciously opted to tolerate risks where this was deemed appropriate due to priorities and capacity to respond. We will continue to work with Social Security Scotland in relation to this approach to ensue management have effective arrangements in place for capturing such risks and managing until such time as action can be taken or risks are superseded.

1.4. Management and officers have continued to positively engage with us and support us with our delivery of our work.

1.5. We continue to acknowledge in our work that in many cases weaknesses identified are as a result of the pace of delivery and the agile methodology which is being followed by Social Security Directorate, with initial launch being a minimum viable product that over time should then be developed and improved. Also, in many instances the weaknesses and

resulting risk has already identified by Social Security Scotland and is reflected in the Single Prioritised Backlog.

1.6. During 2024-25 Social Security Scotland continued to ready itself for Programme Closure. However the overall approach to this changed. Transition from Social Security Programme was the initial approach, but in Autumn 2024 a pause was put on transition activities, with further focus put on determining the Future Operating Model of the organisation. Targeted assurance and advisory work on this is planned for 2025-26.

1.7. Whilst Transition is paused, it is essential that a continued focus on this and the risks this poses for Social Security Scotland, such as capacity, capability, financial implications, transfer of risk, requirement for ownership and continued development, etc. along with the need to demonstrate value for money; and the ability to deliver and continue to develop and improve the services within the current financial resources available remain a focus for management and the organisation.

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 option supported by sufficient, reliable and relevant evidence. We ensure this through the established IA client team's roles and responsibilities; i.e. Senior Internal Audit Manager acting as Head of Internal Audit and Internal Audit Manager, 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 2024-25

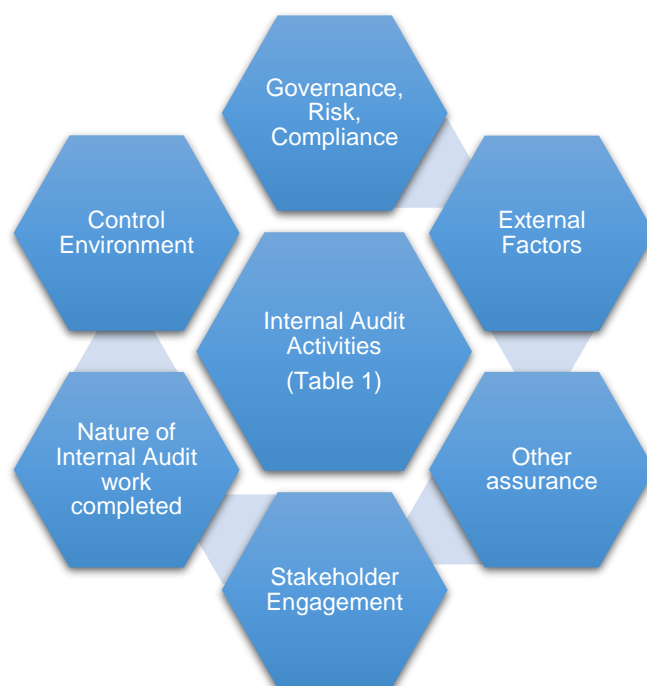| Category	Title	Outcome/Recommendations
Assurance Review	Mailroom	**Limited -** 2 high, 7 medium and 2 low
Assurance Review	Data Sharing and Data Governance	**Limited -** 2 high, 6 medium and 1 low
Assurance Review	Electronic Purchase Card Usage	**Reasonable -** 2 medium and 3 low
Assurance Review	GP Payments	**Limited -** 1 high, 5 medium and 1 low
Assurance Review	Learning and Development – External/Procured Learning Spend	**Reasonable -** 4 medium
Assurance Review	Complaints	**Reasonable -** 1 high, 5 medium and 4 low
Assurance Review	Performance Management	**Reasonable -** 3 medium
Assurance Review	Business Continuity Resilience	TBC – fieldwork ongoing
Assurance Review	Governance – Portfolio Sponsorship Arrangements	TBC - Deferred to Q2 2025/2026
Assurance Review	Recruitment	**(Emerging) Substantial -** 1 medium
Assurance Review	Quality	**Reasonable -** 5 medium

Assurance Review	Case Reviews – Scheduled and Unscheduled	**(Emerging) Reasonable -** 5 medium
Assurance Review	Automation in Benefit Administration	TBC – draft report in progress
Assurance Review	Client Services Delivery Compliance	**Reasonable -** No recommendations made
Assurance Review	Transition – Programme Closure	TBC – draft report in progress
Assurance Review	VFM – Fiscal Sustainability – Change Savings Work	**(Emerging) Reasonable -** 2 medium
Assurance Review	People Survey Outcomes	Cancelled – this review was replaced by the Learning and Development review
Assurance Review	Travel and Subsistence	Cancelled – this review was replaced by the Governance – Sponsorship Arrangements review
Advisory Review	Client Services Delivery/Health and Social Care Revised ways of Working Pilot	Cancelled at request of management
Advisory Review	External Stakeholder Relations	Cancelled at request of management
Advisory Review	Error Control Working Group	Ongoing attendance at ECWG
Advisory Review	Internal Control Steering Group	Ongoing Attendance at ICSG
Advisory Review	Budget Setting Assumptions	Consideration of the assumptions used for budget setting and how management ensure these are

		appropriate and support planning and decision making
Advisory Review	Protective Security	Advisory in relation to the protective security arrangements.
Advisory Review	Business Plan Initiatives	Focussed on the Project Management Office and reviewing their ways of working in relation to the Business Plan initiatives and the project management activities in operation to support the delivery of these
Advisory Review	3 Lines of Defence	Participation in focus groups and discussions
Advisory Review	Impact Assessments	Review of arrangements for completion and consideration of Impact Assessments
Advisory Review	Stakeholder Engagement	Review of arrangements for collating and actioning feedback from stakeholder engagement activities
Advisory Review	Internal Investigations, Monitoring and Controls	Review of the work undertaken by the team, the tools and technology and ways of working within the team as well as considering any future plans and objectives for the team and how this fits within the three lines of defence model
Follow Up	Procurement	3 Medium and 1 Low: All fully implemented
Follow Up	Cyber Security Governance	3 High and 2 Medium: One fully implemented, four partially implemented
Follow Up	Debt Arrangements	1 High and 1 Medium: One fully implemented one partially implemented

Follow Up	Internal Controls - Post Award Controls	3 High and 1 Medium: Two fully implemented and two partially implemented
Follow Up	Integration Space	2 Medium and 1 Low: One not implemented and one partially implemented
Follow Up	Productivity and Efficiency	Deferred – 2 Medium
Follow Up	Governance	2 Medium and 3 Low: One fully implemented, two partially implemented
Follow Up	Winter Heating Benefits	2 High and 3 Medium: All fully implemented
Follow Up	Risk Management	1 High, 4 Medium and 2 Low: Three fully implemented and two partially implemented
Follow Up	Child Disability Payment In-depth Review	2 High, 4 Medium and 1 Low: Two fully implemented and four partially implemented
Follow Up	SPM Management Information and Reporting	3 High: Two partially implemented, one not implemented
Follow Up	Client Experience – Disability and Carers Benefits Re-determinations and Appeals	3 Medium and 2 Low: Two fully implemented, one partially implemented
Follow Up	Case Transfers	5 High and 2 Medium: One fully implemented and five partially implemented. Management opted to tolerate the risk for the remaining recommendation
Follow Up	Continuous Improvement	1 High and 3 Medium: Follow up Deferred
Follow Up	Safeguarding	4 High and 4 Medium: Follow Up Deferred
Assurance Review	SG Shared Services	TBC
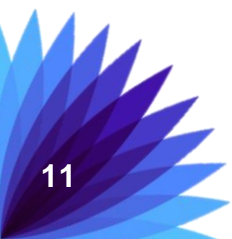
Annex A – Overarching Assurance Landscape

Landscape Key Categories	Examples of Evidence taken into consideration
Nature of Internal Audit work completed	• Table 1 activities • Planned assurance and advisory coverage was kept under regular review to ensure this reflected changes in the risk landscape faced by Social Security Scotland, resulting in the changes to our planned activity – these were discussed and agreed with Senior Management, noted by the Audit and Assurance Committee and highlighted in Table 1. • In most cases recommendations made by Internal Audit were accepted by management, with appropriate actions planned and timescales for implementation • There were some instances where, due to priorities management opted to tolerate the risk. Management advised that work is ongoing to capture such risks and ensure these are managed effectively and actions taken forward when priorities allow.

	• Twelve follow ups were completed during the audit year. From our independent review of progress made with agreed recommendations we were able to confirm that in most cases recommendations had been either fully implemented or partially implemented. There were some follow-ups which were deferred, this was generally due to change of priorities meaning planned actions had not yet been taken. Follow ups for these reviews are now scheduled for 2025-26 so we can provide independent assurance that management are taking necessary action to manage and mitigate risks identified through our Internal Audit activities.
Governance, Risk and Compliance	• There have been changes Executive Team membership including the addition of the 'Chief Operating Officer' role. • Client Services Delivery and Health and Social Care division underwent a major restructure towards the end of 2024-25 - the effectiveness/impact of these changes are yet to be realised and will be considered for 2025-26 assurance opinion activity. • Deputy Director of Finance and Corporate Services has been appointed on temporary with substantive post-holder on temporary secondment. • With the closure of the Social Security Programme, work is ongoing to transfer key staff/teams to Social Security Scotland's organisational structure. Plans are being developed to determined how this will play out over the course of the next financial year. • Social Security Scotland has continued to develop the approach to Strategic Risk Management with the new Strategic Risk Register in operation and fully populated, the Risk Review Group is fully established and operational, the Executive Team's involvement in risk management has also improved and there is clear evidence from our work of the consideration of risk as part of business planning and decision making. • Risk Tolerance levels and Risk Appetite statements have now also been documented in relation to strategic risk.

	• The Strategic Risk Register and supporting documents are provided as a standing agenda item for each Audit and Assurance Committee meeting and through this we witness effective scrutiny and challenge of the risk management activities.
External factors	• The proximity of Programme Closure is nearing and this is a focus of activity across Social Security Scotland. Work on Transition was put on hold in Autumn 2024 and focus was instead on development of the Future Operating Model for Social Security Scotland. • Social Security Scotland's dependency 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 remains. As acknowledged last year, Social Security Scotland do not always have autonomy to mitigate risks themselves, however we were able to highlight good practice in terms of engagement and joined up working in some instances. From a number of our reviews however we did identify areas where there was lack of clarity on the role and responsibilities of Social Security Scotland and each of these other organisations. Recommendations were raised for management to continue to build and work with relevant organisations 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 continuing to engage 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 the emerging pipeline of projects owned and delivered by Social Security Scotland.
Stakeholder Engagement	• Social Security Scotland has continued with its focus on developing a strong positive culture across the organisation. • The vision and values of the organisation are embedded in its strategies, policies and ways of working • Management can take time to provide responses to draft reports with completed management actions, this is likely due to the route to getting such responses agreed with various stages of input and review. However reports are well received and management actions agreed. • Colleagues across Social Security Scotland continue to engage positively with Internal Audit. This includes engagement on specific assurance work as well as advisory and ad hoc discussions. • We have continued with our established schedule of engagement between Internal Audit and various teams including Client Services Delivery, Fraud and Error Resolution Unit, Corporate Assurance, Governance, Risk, etc
Control Environment	• Through our assurance, advisory and follow up activities we have continued to highlight both good practice and areas for improvement in relation to systems, processes and controls, making recommendations where appropriate to improve these. • Social Security Scotland's Internal Controls team has continued to progress with mapping out, by benefit, the systems, processes and controls, flagging where there are any gaps and risks in relation to control gaps. Output from this has been shared with Internal Audit via attendance at the Internal Controls Steering Group. • The work across Client Services Delivery and Fraud and Error Resolution Unit continued in order to identify error trends and

	the root cause with action taken where possible to manage/mitigate such risk areas. • Work continues on Monetary Value of Fraud and Error. The legislation required to engage with clients in relation tot his is still progress and as such the focus remains on the Official Error.

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.