



Audit and Assurance Committee

Date of Meeting	13 May 2025
Subject	Audit and Assurance Committee Draft Annual Report 2024-25
Agenda No.	11
Paper No.	31.10
Prepared By	Russell Frith
Purpose	Discuss

1. Background

- 1.1. A draft copy of the annual report of the work of the Audit and Assurance Committee for the period from 1 April 2024 to 31 March 2025.

2. Key points

- 2.1. Audit Committees are required to produce annual reports. The annual report is a key part of the Agency's corporate governance. It provides independent advice, opinion and assurance to the Accountable Officer and Executive Advisory Body about the quality, effectiveness and completeness of the control mechanisms operating in Social Security Scotland. This report will also help support the preparation of the Governance statement.

3. Conclusions

- 3.1. Audit and Assurance Committee members are invited to discuss the report.



Social Security Scotland's Annual Report of the Audit and Assurance Committee to the Executive Advisory Body and the Accountable Officer.

Foreword

I am pleased to introduce the Annual Report of the Audit and Assurance Committee (the Committee) of Social Security Scotland, covering the period 1 April 2024 to 31 March 2025.

This report highlights the Committee's activities and achievements over the past year, demonstrating our commitment to support Social Security Scotland in operating responsibly. Through the year, the Committee has worked closely with Internal Audit, Audit Scotland and Senior Management from Social Security Scotland to constructively challenge and scrutinise the following areas:

- Risk management,
- Assurance,
- Internal controls,
- Governance arrangements,
- Finance arrangements,
- Fraud and error arrangements.

The Committee has consistently, as set out in the Terms of Reference, since 2018 provided effective advice and support to the Accountable Officer, which in turn supports people in Scotland accessing the benefits they are entitled to.

This year the Committee welcomed Stephanie Devenny as the new Deputy Director, Finance and Corporate Services. Stephanie brings a wealth of knowledge and experience to the Audit and Assurance Committee. Prior to appointment as Deputy Director, Stephanie attended the Committee as the Team Lead for the Finance Team in Social Security Scotland.

Overall, we are pleased with the progress made in this reporting year and look forward to continuing our support for Social Security Scotland through 2025-26. This will be a significant year of transition and change with the closure of the Scottish Governments Social Security Programme.

signature required prior to Annual Report and Accounts sign off

1. Introduction

This report is addressed principally to the Executive Advisory Body and the Accountable Officer, David Wallace, with the aim of providing assurance to each.

The Committee provides the Executive Advisory Body and Accountable Officer with an Annual Report for the Audit and Assurance Committee, this is timed to support the finalisation of the governance statement, by summarising the conclusions from the work undertaken during the year. The Committee formally reports to both the Accountable Officer and Social Security Scotland's Executive Advisory Body.

The report provides a summary of the main activities and meetings undertaken from 1 April 2024 to 31 March 2025 with a calendar of business outlined in Annex A. During the reporting period, the Committee held five meetings, in line with the Terms of Reference. For a meeting to be considered quorate, a minimum of two members of the Committee must be present, all meetings met this requirement as outlined in Annex B.

1.1 Membership of The Committee

The Committee membership consists of three Non-Executive Members and operates independently from Social Security Scotland's management as a statutory function.

Non-Executive Members:

- Russell Frith (Chair).
- Barry Matheson.
- Naghat Ahmed.

Social Security Scotland:

From Social Security Scotland, Audit and Assurance Committee meetings were attended by:

- David Wallace - Accountable Officer.
- Stephanie Devenny - Deputy Director, Finance and Corporate Services.
- Leads from Corporate Assurance, Risk, Finance and Fraud and Error Resolution.

Also in attendance were representatives from Audit Scotland and the Scottish Government Directorate for Internal Audit and Assurance. Social Security Scotland area leads would also attend for annual reports.

We also, as appropriate, allow observers to attend the meetings either from within Social Security Scotland or the wider Scottish Government.

1.2 Terms of Reference and Standing Agenda Items

The Terms of Reference for the Committee is reviewed on an annual basis and was approved at the November 2024 meeting. This is based on best practice and consistent with the Audit Committee Handbook issued by the [Scottish Government](#). The revised Terms of Reference is available on the [Corporate Website](#).

The standard items discussed at each meeting include:

- Minutes of Previous Meeting and Action Tracker.
- Social Security Scotland Risk Management Update.
- Social Security Scotland Financial Update.
- Social Security Scotland Fraud and Error Resolution Unit Update.
- Social Security Scotland Audit Recommendations Update.
- Directorate for Internal Audit and Assurance Update.

Other items which are presented annually are:

- Audit Scotland Annual Audit Report.
- Social Security Scotland Accounting Policies.
- Social Security Scotland Annual Report and Accounts.
- Social Security Scotland Register of Compliance Update.
- Social Security Scotland Annual Data Protection update.
- Social Security Scotland Business Resilience Annual Report.
- Audit and Assurance Committee Terms of Reference.
- Audit and Assurance Committee Self-Assessment.
- Directorate for Internal Audit and Assurance Audit Plan.
- Directorate for Internal Audit and Assurance Annual Assurance Opinion.
- Assessment of External Audit.

Following each meeting the minutes are submitted to the Executive Advisory Body as the formal report of business. We also proactively publish all meeting papers and minutes within 12 weeks of the meeting date on the [Corporate Website](#).

1.3 Ethical Standards and managing potential conflicts of interest

The Scottish public has high expectations of the way public body board members conduct themselves when undertaking duties. We therefore as committee members must meet the expectations and key principles as set out in the Model Code of Conduct for Members of Devolved Public Bodies. This Code has been issued by the Scottish Ministers, with the approval of the Scottish Parliament, as required by the [Ethical Standards in Public Life \(Scotland\) Act 2000](#).

At each meeting the Chair will confirm if any attendee has registrable interests which must be declared. This is also declared in the Committees annual Self-Assessment. It is the expectation of committee members to ensure any changes in circumstances are reported within one month of them changing. The secretariat of the Committee will record these in the meeting minutes.

2. Audit Committee Work during the year

Internal Audit

Throughout the year the Committee has worked effectively with the Directorate for Internal Audit and Assurance (Internal Audit).

At each meeting the Committee receives a progress report from Internal Audit detailing its work over the previous quarter together with strategic updates. During 2024-25, we received 15 high quality reports detailing findings and recommendations. All Internal Audit reports are shared with Non-Executive members once finalised allowing time to review, consider questions or request additional information prior to a Committee meeting. Progress was also provided on Advisory work and follow ups.

This year the Committee introduced a new approach, when an Internal Audit report provides an assurance rating of limited or below, the Committee Secretariat will invite the division's Deputy Director to attend a meeting. This allows the Committee to hear directly from the Deputy Director, ask questions and seek assurances that recommendations will be implemented and within agreed timescales.

Non-Executive members played an active role in shaping the 2025-26 audit plan by meeting with Internal Audit to discuss key areas they expect to be included. To ensure the plan remains focused on the most relevant areas, each quarter the Executive Team consider whether upcoming audits are still relevant and will provide added value or if new or emerging risk areas require assurance. Any changes to the plan are then communicated at meetings. As Social Security Scotland has a substantial audit plan, this does mean there are a large number of recommendations that are being progressed at any given time. We continue to challenge Social Security Scotland on the implementation of these, ensuring that appropriate timescales and milestones are agreed so momentum on implementation is not lost.

Throughout the year, Internal Audit identified a significant amount of good practice with focus on improving governance, risk management and internal controls and embedding them in day-to-day activities. Themes are emerging from business areas which consistently feature in assurance and advisory activities which Social Security Scotland will work to address. Areas of improvements were identified in relation to gaps in operational guidance, processes and management information.

In January 2025 new Global Internal Audit Standards were implemented, with them being applicable to the Public Sector in Scotland from April 2025. Internal Audit shared with the Committee the relevant details of the new standards and provided advice on the impact on the Committee to ensure efficiency and compliance.

[Placeholder for Internal Audit assurance opinion, this will be provided at the May 2025 Audit and Assurance Committee meeting]

It is important to note that the development and delivery of systems and processes to deliver devolved benefits in Scotland follow an Agile approach. This means that we launch benefits with 'must-have' features and introduce enhanced features through continuous improvements. As such, minimum viable products for policies, systems and processes for each benefit are designed, built, and delivered by the Scottish Government's Social Security Programme and policy teams within the Social Security Directorate, with input from Social Security Scotland and clients with lived experience of the benefits system. After launching new payments, Social Security Scotland gather feedback from clients and stakeholders to identify opportunities to make improvements. After a period of support and joint development beyond minimum viable product, systems and processes transition to Social Security Scotland with an understanding of live running costs and with funding arrangements agreed until the planned end of the Scottish Government's Social Security Programme in 2026. Once products have been transitioned, it is Social Security Scotland's responsibility to continue to improve that service

The Committee is satisfied with the work undertaken by Internal Audit and is assured by the reports received and updates provided at meetings. The Committee places on record its thanks for the work carried out by Internal Audit.

Audit Scotland

2023-24 audit

In early 2024, I was provided with the 2023-24 Audit Scotland Audit Plan, which outlined the key audit risks for Social Security Scotland and the planned audit work that will be undertaken in each area. I was offered by Audit Scotland an opportunity to discuss the plan and I am satisfied it aligns with the Committees expectations.

The Annual Audit Report was presented at the 1 October 2024 Audit and Assurance Committee meeting. The report highlighted 7 recommendations for Social Security Scotland to address over the reporting year alongside the progress of recommendations from 2022-23. Audit Scotland have concluded that the accounts give a true and fair view but have qualified their opinion on the regularity of expenditure on benefits administered by the Department for Work and Pensions due to the estimated level of fraud and error in those benefits.

The Auditor General did not produce a Section 22 report to the Scottish Parliament.

Audit Scotland have concluded positively on the wider scope areas of their audit work whilst recognising that there is still further work to be done in areas such as, the quality framework, cyber security and arrangements for the transfer of functions when the Scottish Governments Social Security Programme closes.

Audit Scotland worked closely with Social Security Scotland's Corporate Assurance and Finance team, with regular on-site visits during the audit helping to support ongoing discussions.

The key members of the Audit Scotland team remained unchanged this year, this is viewed positively as this ensures continuity in the audit process.

The Committee look forward to continuing its positive relationship with Audit Scotland.

2024-25 audit

[Placeholder for outcome of 2024-25 Audit]

Risk Management

In 2024-25, the risk management function continued to improve the organisation's risk approach with guidance and support from the Audit and Assurance Committee. Reporting to the Audit and Assurance Committee matured over this period with direct input from committee members. The Audit and Assurance Committee continues to express confidence in the current risk strategy.

During 2024-25 a monthly reporting cycle remained in place and all changes to risks were approved in month by the risk owners. A formal review of the risk profile was undertaken between December 2024 and January 2025 to ensure that the profile remained recognisable to the Executive Team.

The Executive Team continued to receive a quarterly risk update from the risk management team to support them in key business priority decision making. The risk management team was directly involved in supporting the analysis of the organisation's single prioritised backlog to link the activity to the strategic risk profile.

An internal Audit review of risk management was undertaken during 2024-25 with a Reasonable assurance rating provided.

A key focus of 2024-25 was to set risk appetite and tolerance for Social Security Scotland, work that was completed in September 2024 by the Executive Team with support from the chair of the Audit and Assurance Committee.

Risk management e-learning packages continue to be delivered across the organisation to support wider understanding of the organisation's risk management approach and risk management in general. The risk management team continue to receive further commissions to support divisional, branch and unit level risk registers.

The risk management team will continue to work with the Committee and the Social Security Scotland Executive Team to monitor and report on the controls in place to mitigate risks ensuring Social Security Scotland meets its strategic objectives.

Financial

At each meeting, the Committee reviews the results and forecasts of Operating, Capital and Benefit Expenditure. The Committee are satisfied with the quality of information and assurances provided at each meeting.

The Committee provided feedback on the Accounts Preparation and Draft Accounting Policies to support the development of the Social Security Scotland Annual Report and Accounts. This ensured effective and accurate budgeting and regulatory compliance.

The Committee are satisfied with the work to date by the Finance team and will continue to provide feedback during a significant year with the closure of the Scottish Governments Social Security Programme.

Fraud and Error Resolution

The Committee receives quarterly reports on Counter Fraud, Error Interventions and Recoveries and Recharges which summarises all the significant work that is being undertaken. The Committee are provided with quarterly updates but also an annual report.

The Committee is pleased with the work over the past year. A number of improvements have been delivered and the Committee will continue to ensure the reports provide the necessary level of detail required. This year the reports were updated to include detail on developing capability and legislative change to support the estimation of the monetary value of fraud and error. The Committee welcome the work done to make initial estimates of levels of official error.

The Committee has been advised of Fraud activities and is satisfied that a strategic fraud case management system has been procured and was implemented this year, alongside improvements to fraud intelligence and data gathering. The Committee also considered the capacity for debt recovery activity and necessary improvements to processes and technology which will improve the efficiency and effectiveness of the function.

The Committee have a strong relationship with the team and look forward to the progress over the next 12 months.

Corporate Assurance

The Corporate Assurance Team serves as the secretariat for the meeting, organising all meetings throughout the year and maintaining regular contact with both the Chair and Non-Executive Members.

To ensure value and effective scrutiny the Corporate Assurance Team has collaborated effectively with the Committee to ensure reports have the right amount of information. This is regularly reviewed, not just for Corporate Assurance, other

business areas reporting formats have been reviewed to give a clearer picture of performance.

The Corporate Assurance Team presents a quarterly Audit Recommendations Update report, which provides us with greater oversight of the progress and implementation of Internal Audit recommendations. They also produce an annual Register of Compliance update to track Social Security Scotland's obligations as a public body and monitor the delivery of statutory functions under the Social Security (Scotland) Act 2018. Following a recommendation from the Internal Audit Governance review, the team has reviewed and identified new legislative requirements and obligations, identified and engaged with action owners and updated the report format accordingly.

The Corporate Assurance Team and myself will continue to work together to get the best value for the Committee and make any changes when required.

Other Activity through the year

In September 2024, I attended an Executive Team meeting to discuss risk appetite and tolerance. As part of the discussions, I provided advice to the Executive Team on how risk appetite, tolerance and escalation of risk should be incorporated into Governance arrangements. Advice was also provided on the management of risk registers across the organisation and ensuring this is reflected in business plans.

In May 2024 a deep dive session was held with representatives from Fraud and Error Resolution. This allowed the Committee to support the progression, management and controls of the Fraud risk from the Strategic Risk Register. This session provided the Committee with a more comprehensive understanding of the Risk and the actions and mitigations required.

This year the Committee were presented with the annual Data Protection Assurance Report 2023-24 which outlined the assurance work carried out by the Data Protection and Information Governance team. The Committee are satisfied with the activity undertaken and will now receive the report annually to endorse and provide feedback.

The Committee provided advice for the 2025-26 Audit Plan, continuing best practice from previous years. The Committee is satisfied with the range of audit suggestions and is pleased with the balance of the plan. We are supportive that the plan will be flexible and reviewed each quarter to ensure the right audits are undertaken. The Committee anticipate being informed of the benefits these reports bring to Social Security Scotland throughout the year.

3. Conclusions

The Audit and Assurance Committee can never give absolute assurances to the Executive Advisory Body or the Accountable Officer. However, based upon:

- The work of the Committee during this year.
- The continuous improvement activities undertaken.
- The assurances that we have received as set out above.

We are of the view that Social Security Scotland has the appropriate systems in place that are designed to give the Executive Advisory Body and Accountable Officer the necessary assurances.

The Committee considers that it has an appropriate balance of skills and will keep its performance under review. Each year the Committee undertakes a self-assessment and Social Security Scotland then reflect on possible learning sessions. Should any members identify any areas of development or to seek information on specific topics, then this can be requested through the Committee secretariat.

As Chair of the Committee, I know I can access the Accountable Officer, staff and our internal and external auditors when required. The Committee are satisfied with its role as set out within the Terms of Reference and has no areas of concern.

The Committee notes the hard work of everyone in Social Security Scotland during 2024-25.

Annex A

Audit and Assurance Committee Calendar of Business 2024 to 2025

14 May 2024

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| 1. Welcome including conflicts of interest. |
| 2. Minutes of Previous Meeting and Action Tracker. |
| 3. Audit Scotland 2023-24 Financial Year Update. |
| 4. Social Security Scotland Finance Update and 2023-24 Accounting Policies. |
| 5. Internal Audit Annual Assurance Opinion 2023-24. |
| 6. Directorate for Internal Audit and Assurance Update. |



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| 7. Social Security Scotland Risk Management Update. |
| 8. Social Security Scotland - Fraud and Error Resolution Annual Report 2023-24. |
| 9. Draft Audit and Assurance Committee Annual Report 2023-24. |
| 10. Audit and Assurance Committee Terms of Reference. |

20 August 2024

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| 1. Welcome including conflicts of interest. |
| 2. Minutes of Previous Meeting and Action Tracker. |
| 3. Directorate for Internal Audit and Assurance Update. |
| 4. Social Security Scotland Finance Update. |
| 5. Audit Scotland Annual Audit Report Progress Update |
| 6. Social Security Scotland Fraud and Error Update. |
| 7. Social Security Scotland Risk Management Update. |
| 8. Social Security Scotland Business Resilience Annual Update. |
| 9. Social Security Scotland Audit Recommendations Update. |

1 October 2024

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| 1. Pre Meeting - Non Executive Board Members, Internal and External Audit only. |
| 2. Welcome including conflicts of interest. |
| 3. Social Security Scotland 2023-24 Annual Report and Accounts. |
| 4. Audit Scotland 2023-24 Annual Audit Report and Independent Auditors Report. |
| 5. Audit and Assurance Committee Annual Report. |

19 November 2024

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| 1. Welcome including conflicts of interest. |
| 2. Minutes and Action Tracker. |



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| 3. Social Security Scotland Finance Update. |
| 4. Directorate for Internal Audit and Assurance Update. |
| 5. Social Security Scotland Fraud and Error Resolution Update. |
| 6. Social Security Scotland Risk Management Update. |
| 7. Social Security Scotland Audit Recommendations update |
| 8. Data Protection Annual Report |
| 9. Assessment of External Audit |
| 10. Audit and Assurance Committee Terms of Reference. |

11 February 2025

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| 1. Welcome including conflicts of interest. |
| 2. Minutes and Action Tracker. |
| 3. Directorate for Internal Audit and Assurance Update. |
| 4. Internal Audit Plan 2025-26. |
| 5. Audit Scotland Audit Plan 2024-25 |
| 6. Social Security Scotland Finance Update. |
| 7. Social Security Scotland Risk Management Update. |
| 8. Social Security Scotland Fraud and Error Resolution Update. |
| 9. Social Security Scotland Audit Recommendations Update. |
| 10. Audit and Assurance Committee Self- Assessment |

Annex B – Attendance Schedule. Two members of the Committee must be present for meeting to be quorate, all meetings met this requirement.

The Committee met five times during the period 1 April 2024 and 31 March 2025. This is in line with the Terms of Reference.

Member	Audit and Assurance Committee Meetings eligible to attend	Meetings attended
Russell Frith	5	5
Barry Matheson	5	5
Naghat Ahmed	5	5
David Wallace	5	5
Stephanie Devenny	5	5
LS	5	5
LC	5	5
PG	5	3