Directorate for Internal Audit and Assurance
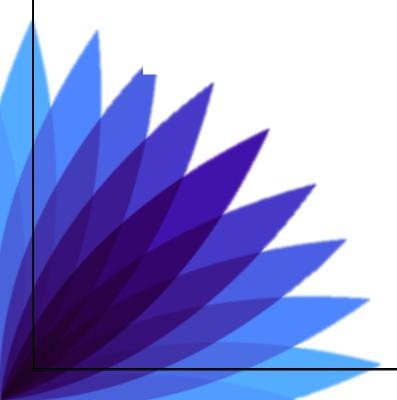
Internal Audit Report

Social Security Scotland 2024-25

Performance Management

Audit Personnel

Senior Internal Audit Manager	[Redacted]
Internal Audit Manager	[Redacted]
Internal Auditors	[Redacted]

Report Distribution

Client Accountable Officer*	David Wallace, Chief Executive
External Audit*	Audit Scotland
Deputy Director	Gayle Devlin, Deputy Director of Health and Social Care
Key Audit contacts	Gayle Devlin, Deputy Director of Health and Social Care [Redacted],, Head of Operations (Health and Social Care) [Redacted],, Head of Capability and Transition [Redacted], Head of Performance, Analysis and Strategy [Redacted], Analysis and Insights Unit Head [Redacted], Head of Statistics [Redacted], Principal Research Officer [Redacted], Head of Client Services Operations
Internal Audit Business Support Hub*	[Redacted]

* Final Report only

Contents

1. Introduction

1.1. Introduction

This Internal Audit review of Performance Management formed part of the Audit Plan agreed by the Accountable Officer and noted by the Audit and Assurance Committee on 27th March 2024. The Accountable Officer for Social Security Scotland is responsible for maintaining a sound system of governance, risk management and system of internal control that supports the achievement of the organisations policies, aims and objectives.

Social Security Scotland's Business Plan for 2024-25 includes the development and publishing of a Quality and Performance Framework in recognition of the importance that Social Security Scotland maintain an effective and efficient performance management process embedded throughout the organisation, to ensure delivery against key objectives within the business plan and achieve value for money.

1.2. Audit Scope

The scope of this review was to evaluate and report on the controls, risk management and governance in place across the organisation in relation to performance management arrangements.

The agreed Terms of Reference for this review is attached at Annex B.

1.3. Assurance and Recommendations

Assurance Category	Reasonable		
Recommendations Priority	High	Medium	Low
	0	3	0

Our review has identified three medium recommendations. A reasonable assurance rating has been provided. 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.

The rationale for this is that an organisation-wide Approach to Performance (A2P) has been established and is being delivered through workshops which are continuing to be deployed across all areas of Social Security Scotland. We identified good practice as a result of these workshops within areas where they had already been delivered with staff providing positive feedback in relation to the effectiveness of the workshops. However, at the time of fieldwork the majority of enabling functions within Social Security Scotland and the Executive Team had not yet received workshops. These are due to take place throughout the 2025-26 financial year. Further to this, the Performance Framework for the organisation had not been finalised and approved at the time of fieldwork for this review.

There are gaps in the overall strategic oversight of performance within Social Security Scotland. We found a lack of future focus in the approach of strategic governance groups and found improvements could be made with regards to responsibilities between governance groups. The use of manual trackers also persists in order to fill data gaps and supply real time data to managers to allow the review of performance.

Findings are summarised against recommendations made in the Management Action Plan.

Full details of our findings, good practice and improvement opportunities can be found in section 3 below.

Please see Annex A for the standard explanation of our assurance levels and recommendation priorities.

2. Management Action Plan

2.1. Management Action Plan

Our findings are set out in the Management Action Plan below

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
1	**Individual Performance Objectives for Roles across Social Security Scotland** **Issue**: Whilst we evidenced some roles with well-defined performance objectives (most notably Client Services Delivery and Health and Social Care), others lacked clearly defined performance objectives, making it difficult to assess alignment with strategic objectives. **Risk:** Role objectives are not documented or sufficiently defined, resulting in a lack of	Management should ensure that all roles have clear, aligned performance objectives to continue driving a performance culture throughout Social Security Scotland.	M	**Response:** Management accepts the recommendation. **Action:** The approach to performance which is being embedded across the organisation will clearly define performance objectives in line with organisational priorities. **Action Owner:** [Redacted], Organisational Design and Strategic Capability Lead	December 2025

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	appropriate ownership and accountability in relation to performance management.			[Redacted], Head of People & Place	
2	**Strategic Oversight of Performance Management Arrangements** **Issue**: There is a need for review of responsibilities and ways of working between the Executive Team and the Performance Forum. This need is based on the following findings: • The Performance Forum lacks individual clarity and collective authority on taking action to address issues and risks. • The Performance Forum is not fully utilising associated groups to address issues. • The volume of information presented to Executive Team is cumbersome, with	A full review of roles and responsibilities between the Executive Team, the Performance Forum and associated groups should take place to ensure the most efficient ways of working are implemented, whilst considering if delegated authority to groups below the Executive Team could proliferate more effective ways of managing performance.	M	**Response:** Management accept the recommendation. **Action:** The Performance Forum has now been replaced by a new sub Executive Team governance group, the Benefit Performance Review Group. The Benefit Performance Review Group will focus on benefit performance, including enabling services support. Within the Terms of Reference there will be clearly defined roles and responsibilities of	June 2025

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	stakeholders holding mixed views on the volume and content of information presented to the Executive Team. • A lack of future-focused approach as evidenced by presented MI and meeting minutes for Performance Mode at Executive Team. **Risk:** This risks conflicting priorities between groups, duplication or gaps in oversight, and unclear accountability lines. This can lead to slow decision-making, inefficiencies in resource allocation and difficulties in responding to performance issues in a timely manner leading to operational inefficiencies or missed strategic opportunities.			the group, which will include feedback from Executive Team. **Action Owner:** [Redacted], Head of Performance, Analysis and Strategy [Redacted], Head of Client Services Operations [Redacted], Organisational Design and Development Lead	
3	**Data and Management Information** **Issue**: Improvements are required in relation to management information (MI)	Social Security Scotland should continue to progress	M	**Response:** Management understands and are tolerating the risk.	

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	availability as known data gaps exists which results in the use of manual trackers in the absence of functional automated solutions. **Risk:** A lack of automated data solutions risks burdening teams as staff resource is diverted to create and maintain in-house solutions to ensure effective oversight of performance arrangements whilst increasing the risk of error to processes through human inputs into manual trackers.	work on data availability and analysis and seek alternative MI solutions that are not reliant on human inputs where possible.		Work is continuing to improve data availability and analysis, in particular, the replacement of manual trackers where possible. This recommendation will be considered as part of the prioritisation under our Annual Business Planning process and assessed in line with other organisational priorities. **Action:** N/A **Action Owner:** [Redacted], Chief Data Officer [Redacted], Product Owner	

3.   Findings, Good Practice and Improvement Opportunities

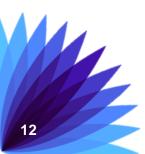### 3.1.   Good Practice

<u>Performance Strategies/Frameworks</u>

3.1.1   At the time of fieldwork, Social Security Scotland were developing a Performance Framework for the organisation, which is due for publication by the end of March 2025. This was largely identified as a requirement due to a recommendation from Audit Scotland (Annual Audit Report 2022-23, Rec 7), highlighting a need for an evidence-based assessment of performance to demonstrate that value for money is being achieved.

3.1.2   Overall, we found alignment between the 2024-25 Business Plan and the draft Performance Framework. The Framework was designed around main sections within Social Security Scotland's Charter and we therefore found alignment with the ethos, values and business objectives of the organisation. It should be noted that this document was still to be formally approved and therefore could change before publishing.

3.1.3   The Approach to Performance (A2P) is the overall strategy being rolled out across Social Security Scotland to manage performance. We saw clear learning activities within the strategy, with well-defined outcomes, that link back to performance management activities. It aims to provide managers the skills, attitude and approach to performance to allow them to manage it effectively and efficiently, whilst establishing the foundations of a performance culture within Social Security Scotland.

3.1.4   A2P workshops were being delivered at the time of fieldwork for this review and so only certain areas of the organisation (mostly operational areas such as Health and Social Care and some areas of Client Services Delivery) had received workshops. We were satisfied that A2P had been applied across areas of the organisation that had the workshops in a consistent manner and that cultural and financial benefits were beginning realised for the organisation.

Gathering of Performance Data

3.1.5 A2P appears to be aligning performance measurement across teams and divisions within Social Security Scotland – teams are working to measures suitable to their area, and these measures are clear and, importantly, measurable through the information that is gathered.

3.1.6 At a strategic level, the Analysis and Insights Team are responsible for collating information from across the organisation and presenting this within a Balanced Scorecard and associated Performance Pack. These outputs are reported and reviewed by several governance groups to ensure sufficient oversight by a range of relevant stakeholders.

Management Oversight, Roles and Responsibilities

3.1.7 At a divisional level oversight of performance largely follows traditional performance management arrangements with managers monitoring individual and/or team performance. Roles, responsibilities and performance management arrangements appeared to be better understood and articulated within areas that had received A2P workshops. We have been provided with assurances that all areas of the organisation, including the Executive Team, will receive A2P workshops. It is expected these workshops will continue to improve ways of working.

3.1.8 At a strategic level oversight of performance has been assigned to the Performance Forum and the Executive Team. We found the Forum to be a vehicle for collating and escalating risks and issues related to organisational performance to the Executive Team during 'Performance Modes', which have been set up to focus discussions at a strategic level. We were able to identify good practice within the Performance Forum providing narrative on trend analysis to the Executive Team and lessons being learned to make improvements. Furthermore, the draft Performance Framework serves as a road map to data metrics for organisational performance.

3.1.9 In most divisions, we found information presented in a clear manner through the use of RAG coded tables presented at weekly performance meetings. This has largely been supported by the work of the A2P workshops.

<u>Reporting of Performance Metrics to Stakeholders</u>

3.1.10 We evidenced decision making occurring as a result of good performance in areas that had received A2P workshops, where staff had been reallocated to support other areas of delivery after reducing their head of work through improving performance. We also evidenced action being taken to address poor performance conducted through performance conversations and learning plans.

3.1.11 Social Security Scotland have good communication channels with stakeholders such as Non-Executive Members, the Cabinet Secretary, DG Communities as well as the people of Scotland, who can access and regularly scrutinise a range of performance metrics.

<u>Strategic Risk Management</u>

3.1.12 Risks relating to performance that have been identified and escalated to the strategic level are clearly categorised in the strategic risk register and linked to divisional level risks, demonstrating the escalation route. Risks are well recorded, detailed and managed, with the risk register kept up to date and regularly reviewed and updated where required.

3.2. Improvement Opportunities

<u>Alignment of Individual Objectives with Strategic Performance Outcomes</u>

3.2.1 Whilst we found roles with clear performance objectives that could be linked to the incoming Performance Framework, others lacked clarity and detail making it difficult to reach definitive conclusion on alignment of individual objectives with strategic performance outcomes. It should be noted where we found less developed performance objectives for individuals, the A2P workshops had not yet been delivered to these teams. While the A2P workshops have proven valuable in prompting teams to refine their objectives, further action should be taken to ensure all individuals – particularly those who have yet to participate in the workshops – receive the necessary clarity on their performance objectives. Unclear and ill-

defined performance objectives could results in a lack of appropriate ownership and accountability in relation to performance management. Management should ensure that all roles have clear, aligned performance objectives to ensure there is appropriate ownership and accountability in relation to performance management and to continue driving a performance culture throughout Social Security Scotland. **Recommendation 1.**

Strategic Oversight of Performance Management Arrangements

3.2.2   At a strategic level, we found that the Performance Forum provides representation from all divisions of the organisation. We recognise it is an effective vehicle for collating and escalating risks and issues related to performance. However, our review of key documents – including Terms of Reference, meeting minutes, and presented papers – identified a need for greater clarity regarding the responsibilities and decision-making authority between the Executive Team and the Performance Forum. Our findings highlight several structural and procedural challenges that may impact the Forum's effectiveness. Below, are key issues outlined, associated risk and recommendations for improvement:

- The Performance Forum lacks delegated authority to address issues and risks collectively as it has no decision-making powers outlined in its Terms of Reference and lacks clarity on individual members' authority to address issues and risks within their remit. Providing clarity and/or formal authority would allow the forum to drive meaningful action, leading to reduced inefficiencies in issue/risk management and resolution and reduce the dependency on Executive Team to make performance decisions at a granular level, allowing for more proactive, strategic decision-making.

- The Performance Forum was not fully leveraging associated groups (e.g. Error Control Working Group, Risk and Reputation Group) to action issues. Underutilisation of these groups could result in missed opportunities for proactive issue/risk management and resolution.

- Fieldwork revealed that performance packs presented to Executive Team can take several staff members several days to produce and comprise of 80+ pages of information, requiring increased time to digest information ahead of Performance Mode Meetings. Stakeholders had mixed views on the volume of information presented to the Executive Team – some felt too much information was presented from areas whilst others felt there were underrepresented areas

of the organisation. This risks an imbalance in the information flow to the Executive Team leading to disengagement or gaps in performance awareness.

- The Management Information (MI) and meeting minutes reviewed lacked a forward-looking focus at a strategic level (e.g. by improving performance Social Security Scotland can reduce the head of work and reallocate resources). A retrospective approach to performance management may limit the ability of the organisation to anticipate and mitigate emerging risks.

3.2.3   To enhance the effectiveness of the Performance Forum and its associated groups, a comprehensive review of roles and responsibilities between the Executive Team, the Performance Forum and related groups should be undertaken. This review should focus on optimising ways of working, clarifying purpose and scope, and ensure alignment with strategic priorities. Additionally, consideration should be given to delegating authority to groups below the Executive Team, where appropriate, to enable more agile and effective performance management at a strategic level. **Recommendation 2.**

Strategic Management Information

3.2.4   The balanced scorecard was under review at the time of our fieldwork. We understand the revised version should better visualise data for users and present placeholders to indicate where gaps in data availability exist. We have been advised that work is in progress to fill known data gaps. Furthermore, we found the current balanced scorecard to focus heavily on some, but not all operational aspects of the business. Enabling functions of the organisation seemed under-represented, however we were advised this was being considered as part of the ongoing review. We found issues in relation to the balanced scorecard to be well known by stakeholders and documented, with action being taken where possible to address weaknesses. Therefore, no recommendation will be made in relation the balanced scorecard at this time.

Data and Management Information

3.2.5   Known data gaps in relation to Management Information (MI) result in the use of manual trackers in the absence of functional automated solutions. We acknowledge that a Business Plan priority exists to improve data management information and analysis, however, we felt it necessary to raise a recommendation to highlight how

a lack of automated data solutions burden teams as resource is diverted to create and maintain in-house solutions to ensure effective oversight of performance arrangements. A lack of real-time data was also raised as a challenge in reviewing and addressing performance, further encouraging the use of manual trackers which are viewed as providing quicker insights to management.

3.2.6   Additionally, there seemed to be a lack of cumulative data regularly reviewed at a divisional level, which would make it difficult to draw comparisons to 1, 2 or 3 years ago and identify trends and consider changes in a year that could cause variation. We were advised this was not happening due to a lack of functional MI solutions. The review of performance and trends over previous years may seem irrelevant now as the organisation has not yet reached a steady state but is likely to become more relevant as the organisation matures. MI challenges have been highlighted in previous Internal Audit reports; however, we find it pertinent to continue to raise the risk of human error involved with their use. Management should continue with their effort to address known data gaps and implement MI solutions to assist staff when addressing performance management information. **Recommendation 3.**

3.2.7   Additionally, we found the A2P had mobilised operational teams to review and explain performance metrics. This work has allowed for trends to be identified, explained and actioned where necessary. An improvement opportunity here would be for teams to consider how lessons can be learned for high performance (above average) to disseminate learnings out across teams to further drive productivity.

Annex A Definition of Assurance and Recommendation Categories

Assurance Levels

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.

Recommendation Priority

High	Serious risk exposure or weakness requiring urgent consideration.
Medium	Moderate risk exposure or weakness with need to improve related controls.
Low	Relatively minor or housekeeping issue.

Annex B – Terms of Reference

Scottish Government
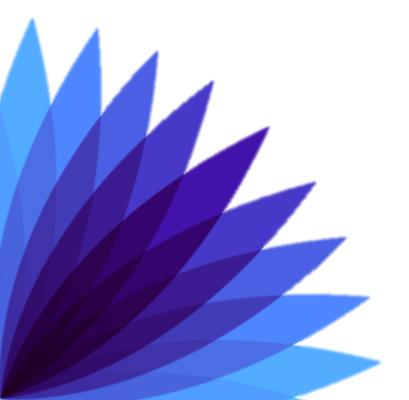Riaghaltas na h-Alba
gov.scot

Directorate for Internal Audit and Assurance

Internal Audit Terms of Reference

Social Security Scotland 2024-25

Performance Management

Directorate for Internal Audit and Assurance

Issue Date: 19-12-2024

Key Audit Contacts

Audit Year:	2024-25
Client Accountable Officer:	David Wallace, Chief Executive
Deputy Director:	Gayle Devlin, Deputy Director of Health and Social Care
Client Audit Contacts:	Gayle Devlin, Deputy Director of Health and Social Care [Redacted], Head of Operations (Health and Social Care) [Redacted], Head of Capability and Transition [Redacted], Head of Performance, Analysis and Strategy [Redacted], Analysis and Insights Unit Head [Redacted], Head of Statistics [Redacted], Principal Research Officer [Redacted], Head of Client Services Operations
Senior Internal Audit Manager:	[Redacted],
Internal Audit Manager:	[Redacted],
Internal Auditors:	[Redacted],

Estimated Reporting Timescale

Fieldwork Starts:	October 2024
Fieldwork Ends:	January 2025
Draft Report Issued:	February 2025
Final Report Issued:	February 2025
Estimated Resource Days:	30 days

1. Introduction

1.1 This Internal Audit review forms parts of our planned audit coverage agreed by the Accountable Officer and noted by the Audit and Assurance Committee on 27th March 2024.

1.2 It is important that Social Security Scotland maintain an effective and efficient performance management process embedded throughout the organisation to ensure delivery against key objectives within the business plan and achieve value for money. As part of this we will assess the processes in place for managing organisational performance across Social Security Scotland, and we will aim to provide assurance over how performance is being measured.

1.3 Social Security Scotland's Strategic Risk Register contains the following risks which are relevant to this review:

"Social Security Scotland must generate good quality management information and performance insights of sufficient coverage and availability to effectively and efficiently manage operational delivery, track fraud and error rates, assess corporate performance, meet reporting obligations and service the needs of key external stakeholders across UK, Scottish and Local Government and the Scottish Fiscal Commission. Failure to do so would lead to inaccurate reporting (both internal and external), hamper decision making, impact service management and not meet the needs of key stakeholders." (CR-012)

"Acknowledging our growth and operational maturity we need to prioritise actions to sustain appropriate internal operational processes, systems, controls and performance levels to support delivery of our service. If we do not, then we risk the reputation on which we rely to secure engagement with the public and stakeholders to deliver a public service." (CR-009)

"Social Security Scotland's success is dependent on its people. We must continue to develop our performance culture in line with our values, being an inclusive service that delivers on the Charter to ensure we retain the confidence of clients and stakeholders." (CR-005)

1.4   This review builds on the review of 'Productivity and Efficiency' which was carried out in March 2022. As part of this we will also include our follow up assessment on the recommendations made within that review.

1.5   We met with relevant colleagues within Social Security Scotland on the 18th of September 2024 to discuss the relevant risks and agree details of this review. Our key risks below have been developed through this discussion and our knowledge of the organisation and it's objectives.

2. Scope

2.1   To evaluate and report on the controls in place across the organisation in relation to performance management arrangements to ensure there is appropriate governance, risk management and controls in place.

2.2   **Remit Item 1 – Performance Management**
To ascertain whether there is appropriate governance, risk management and controls on performance management arrangements in place across the organisation to measure, report on and monitor, organisational performance and progress towards achieving strategic objectives, and ensure that all areas of the organisation are aligned with the organisation's objectives on performance management

Key Risks:
- Lack of clear strategy or framework, resulting in a lack of clarity over the organisation's approach to performance management, leading to an inconsistent approach across the organisation;
- Any strategy or framework does not align with the business plan, leading to inefficient and/or ineffective monitoring of performance, resulting in a misalignment between individual and organisational objectives;
- Inaccurate and/or inappropriate methods for gathering performance information, leading to incorrect performance measurements being produced, resulting in an inability to determine performance achieved and take appropriate action and decisions;

- Roles and responsibilities are not documented or sufficiently defined, resulting in a lack of appropriate ownership and accountability in relation to performance management;

- Insufficient and/or ineffective communications on performance management, leading to a lack of awareness and a lack of a culture of performance management and measurement;

- Inability to review performance information, resulting in an inability to take appropriate action or learn lessons from previous performance, leading to an inability to achieve strategic objectives and/or continuous improvement;

- Insufficient and/or ineffective management information and reporting, resulting in inaccurate reporting and an inability to appropriately and effectively measure performance in line with the organisation's current capacity to do so, impacting Social Security Scotland's ability to achieve its strategic objectives and/or demonstrate value for money;

- Insufficient and/or ineffective management of risk in relation to performance management, leading to an inability to mitigate risks, resulting in an inability to achieve strategic objectives; and

- Insufficient and/or ineffective management and stakeholder oversight, leading to an inability to address weaknesses, make informed decisions, mitigate risks and continuously improve.

3. Approach

3.1   We will undertake the audit in compliance with the Internal Audit Charter and the Memorandum of Understanding agreed between Internal Audit and Social Security Scotland.

3.2   At the conclusion of the audit a customer satisfaction questionnaire will be issued to the main client audit contact. Internal Audit appreciate feedback and to facilitate continuous improvement, we would be grateful if you could complete and return the questionnaire.

3.3   Social Security Scotland is reminded of our need for timely access to people and responsiveness to information requests, to enable the reporting timetable to be met.