



Audit and Assurance Committee

Date of Meeting	18 October 2022
Time	10:20 – 12:30
Location	Video Conference – Microsoft Teams

Attendees

Present

Non-Executive Directors

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

Social Security Scotland

David Wallace (DW)	Accountable Officer, Chief Executive
James Wallace (JW)	Deputy Director Finance and Corporate Services
LS	Risk and Assurance Team Leader
MB	Corporate Assurance Manager
CP	Head of Error Control and Debt Management
DP	Head of Strategy and Corporate Services
NB	Head of Finance
SG	Corporate Finance Lead

Audit Scotland

CG	Audit Scotland
PM	Audit Scotland

Internal Audit Directorate, Scottish Government

LS (2)	Internal Auditor
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Secretariat

GE

Corporate Assurance Coordinator

Apologies

Alastair MacPhail (AM)

Deputy Director Strategy, Change, Data & Engagement

GD

Head of Corporate Strategy and Communications



1. Welcome and Conflicts of Interest

- 1.1. The Chair welcomed everyone to the meeting and no conflicts of interest were noted.

2. Social Security Scotland 2021-22 Annual Report and Accounts

- 2.1. DP and SG jointly presented the 2021-22 Annual Report and Accounts. DP began and highlighted the following:
- The key milestones from the Business Plans were met.
 - Close to £3.5 billion was paid to Social Security Scotland clients.
 - The Adult Disability Payment Pilot was launched in March 2022 and Child Disability Payment in November 2021.
 - A lessons learned exercise will be conducted to inform production of the 2022-23 Annual Report and Accounts.
- 2.2. DP confirmed the Governance arrangements are appropriate and operate effectively and the content of the Annual Report and Accounts show Social Security Scotland are meeting its objectives.
- 2.3. SG highlighted to the committee:
- Unaudited Financial Statements were sent to Audit Scotland by the agreed timescales.
 - Audit Scotland and the Social Security Scotland Finance team worked well throughout the audit, and SG would like to thank Audit Scotland for the way in which the audit was conducted.
 - Operating Expenditure spend was £193.8 million, which was £4.8 million below budget due to revised recruitment plans.
 - Capital Expenditure was £14.1 million which was £3.1 million lower than budget due to delays to building refurbishment works.
 - Benefit Expenditure spend was over £3.4 billion which was £27.5 million or 0.8% below budget.
- 2.4. RF thanked DP and SG for the update and The Committee had no questions

3. Audit Scotland 2021-22 Annual Audit Report and Independent Auditors Report

- 3.1. CG was pleased to present the papers noting the Annual Audit Report is complete subject to a final review which will consider any feedback from today's meeting. CG then highlighted to The Committee:

- The Independent Auditors Report provides a Qualified Opinion on the regularity of Benefit Expenditure administered by the Department for Work and Pensions.
 - The Independent Auditors Report contains Unqualified Opinions in all other areas.
 - The National Audit Office confirmed the Financial Summary provided a true and fair view of devolved benefits.
 - The report contains Unadjusted Misstatement because of the methodology used to estimate the impairment applied to benefit overpayments debt.
 - The pace and complexity of benefit delivery in a Social Security System.
 - Audit Scotland have four key recommendations.
- 3.2. CG asked The Committee of any knowledge of fraud or non-compliance with laws. The Committee confirmed no instances.
- 3.3. CG confirmed the Letter of Representation will be signed by DW alongside the Annual Report and Accounts later this week.
- 3.4. CG assured The Committee Audit Scotland complies with the Finance Reporting Councils Ethical Standards.
- 3.5. CG confirmed she will be moving to a new role and will be replaced by an Audit Scotland Auditor who has previously worked with Social Security Scotland. This change has been built into Audit Scotland's resourcing plans.
- 3.6. CG confirmed the Overall Materiality is unchanged from what was planned.
- 3.7. RF asked CG for clarity about the Unadjustment Misstatement, CG confirmed it is due to how potential debt is recognised by the Department for Work and Pensions.
- 3.8. CG concluded the current levels of Fraud and Error in benefits administered by Social Security Scotland cannot be estimated. CG highlighted this is an important piece of work and recommends this is accelerated.
- 3.9. CG confirmed the systems of Internal Controls are working effectively and Social Security Scotland should continue working effectively with Social Security Programme to address technical debt.
- 3.10. CG expressed satisfaction that the long term strategic planning plans are in place.
- 3.11. CG thanked Social Security Scotland for all the support and engagement given during the audit process and opened the floor for questions.
- 3.12. RF felt all four recommendations were correct and all are important for Social Security Scotland to address. RF highlighted Fraud estimation needs to be a key priority.
- 3.13. BM asked if the Fraud and Error Policy development will be linked to technical debt. JW confirmed they are not directly linked and we need to establish

methodology to get statistics as these will tell us if Social Security Scotland are heading in the right direction.

- 3.14. NA asked for clarity around the value for money risk. CG confirmed having a system in place will justify investment and will show the impact the Social Security System has on the people of Scotland. JW confirmed we need to show the value and the benefits to society.
- 3.15. The Chair and the Non-Executive Directors accepted the report and are happy for DW, the Accountable Officer, to sign the Annual Report and Accounts and the Letter of Representation.

4. Audit and Assurance Committee Annual Report

- 4.1. The Chair presented the Audit and Assurance Committee Annual Report and noted The Committee will endorse all four key recommendations from Audit Scotland. The report will be updated to reflect this.
- 4.2. The Chair and the Non-Executive Directors approved the final report.

Action	GE	Update the Audit and Assurance Committee Annual Report to reflect The Committee will endorse all four key Audit Scotland recommendations.
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Date of next Meeting – 22 November 2022



Action Point (AP)	Detail	Owner	Due Date	Status
AP – 18/10/2022 - 01	Update the Audit and Assurance Committee Annual Report to reflect The Committee will endorse all four key Audit Scotland recommendations.	GE	Next Meeting	Completed