



Audit and Assurance Committee

Date of Meeting	1 October 2024
Subject	Audit and Assurance Committee Annual Report 2023-24
Agenda No.	5
Paper No.	28.3
Prepared By	Russell Frith
Purpose	Discuss

1. Background

- 1.1. Attached is a copy of the annual report of the work of the Audit and Assurance Committee for the period from 1 April 2023 to 31 March 2024.

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.



4. GOVERNANCE CHECKLIST

Strategic Objective		Contribution
Dignity, fairness and respect		
Delivering a service with dignity, fairness and respect at its core.		
Equality and tackling poverty		
Promoting equality and tackling poverty.		
Efficiency and alignment		The Committee’s annual report is a key part of Social Security Scotland’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 the organisation.
Ensuring efficiency and aligning our activities with wider public sector for the benefit of the people we serve.		
Economy, society and environment		
Contributing to our economy, society and protection of our environment.		
Strategic consideration	Impact	
Environment		
Governance	This report forms a key element of the Committee Governance and will be submitted to the Executive Advisory Body.	
Data		
Finance		
Staff		
Equalities		
Estates		
Communications and Presentation	A copy of this report will be made available on the website.	



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 2023 to 31 March 2024. The Committee plays an important role in scrutinising the adequacy of risk management, internal controls and governance arrangements and the efficient and effective use of public funds through a process of constructive challenge.

This report highlights the Committee's activities and achievements throughout the year, which demonstrate the commitment to ensuring Social Security Scotland is supported appropriately to operate responsibly.

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

The Committee extends its sincere appreciation to James Wallace, who has temporarily moved to a new role within the Director General, and Senior Internal Audit Manager Iain Burns, who has moved to a new position within the Directorate for Internal Audit and Assurance. Both James and Iain have played key roles in shaping the Committee to ensure efficiency and effectiveness. As they move to new roles, the Committee expresses gratitude for their invaluable contributions over the last six years and we wish them every success in the future.

A new Senior Internal Audit Manager has been appointed from within the already established team. A robust working relationship has been built with Internal Audit and this appointment ensures continued consistency with the Committee.

Overall, we are pleased with the progress made in this reporting year and look forward to supporting Social Security Scotland through 2024-25.

Signed Russell Frith, Chair

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, this is timed to support the finalisation of the governance statement, by summarising the conclusions from work undertaken during the year.

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

The report provides a summary of the main activities undertaken by the Committee from 1 April 2023 to 31 March 2024 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.

A hybrid meeting model was continued this year which enabled members to participate in-person at the newly constructed Agnes Husband House conference room in Dundee or attend virtually.

The Committee formally reports to both the Accountable Officer and Social Security Scotland's Executive Advisory Body.

1.1 Membership of The Committee

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.
- James Wallace - 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.

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 2023 meeting. This is based on best practice and consistent with the Audit Committee Handbook issued by the [Scottish Government](#). The revised Terms of Reference from November 2023 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.
- Audit Scotland Update.

Other items which are presented annually are:

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

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

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).

In November 2023, Jennifer Inglis-Jones, the new Director of Internal Audit and Assurance, was invited to participate in an Audit and Assurance Committee meeting. This was beneficial as it allowed the Committee members to be introduced to Jennifer and be advised about ongoing work within Internal Audit. Having this introduction strengthens relationships and builds knowledge within the Committee, Internal Audit and Social Security Scotland.

At each meeting the Committee receives a progress report from Internal Audit detailing its work in the last quarter. Internal Audit reports were submitted to every Audit and Assurance Committee meeting where the Committee were advised of audit findings, recommendations and conclusions, in total we received 14 high quality Internal Audit Reports during 2023-24.

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. When requested, Senior Responsible Officers of Internal Audit reports are invited to attend Committee meetings to discuss the report, answer questions and provide assurance that recommendations will be implemented within agreed timescales.

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 also identified in relation to gaps in operational guidance, management information, system and internal controls. Actions to address these have been agreed with management with progress being monitored. However, Social Security Scotland have partially or not accepted a number of recommendations where they will tolerate the risk identified. For further information, good practice and management action to address recommendations all Internal Audit reports are published on the Social Security Scotland website, within 12 weeks of the Audit and Assurance Committee meeting the reports are presented at.

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 are pleased that the Internal Audit have again provided an overall “reasonable” assurance rating for Social Security Scotland’s risk management, governance and internal controls arrangements.

Social Security Scotland and the Committee continue to have a positive relationship with Internal Audit and we will continue to work together to ensure Social Security Scotland delivers a high-quality service.

Audit Scotland

2022-23 audit

Audit Scotland confirmed that the year’s audit was positive and productive due to the strong relationships built with Social Security Scotland. We were advised of the advantages of on-site auditing, this built relationships and enhanced knowledge during both the financial and performance audits.

The audit process ran smoothly and the Committee is satisfied with, and confident in, the working relationship with Audit Scotland. The Committee considered the Annual Audit Report at its meeting on 10 October 2023 where we were presented with recommendations from Audit Scotland. The key messages from the Annual Audit Report cover financial management, financial sustainability, vision leadership and governance, and use of resources to improve outcomes.

Social Security Scotland has reflected on the involvement of the Committee and Audit Scotland in the Annual Report and Accounts process. A lessons learned exercise was conducted in November 2023.

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 will be presented at the 1 October 2024 Audit and Assurance Committee meeting. The report will highlight 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.

We understand that the Auditor General will not produce a Section 22 report to the Scottish Parliament as there are no issues or concerns with the financial management or governance of Social Security Scotland.

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, cybersecurity and arrangements for the transfer of functions when the Scottish Governments Social Security Programme closes.

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 in 2024-25.

Risk Management

Following last year's Risk Management Function review with senior leaders that concluded with the standing down of the original Risk Review Group. The Risk Management Function set out a new approach in 2023-24 with a new revised Risk Review Group taking place in April 2023. The focus of the group is to develop strategic risks and top divisional risks and issues. A new Strategic Risk Register has been developed that captures the highest-level threats to Social Security Scotland and allows escalation of the key threats. The Strategic Risk Register will regularly be scrutinised by the Risk Review Group, Executive Team and the Audit and Assurance Committee to ensure that the risks are recognised as the key threats to Social Security Scotland's objectives.

During 2023-2024 the Risk Team provided clearer reporting on the management of strategic risks. A monthly reporting cycle is in place and any changes to any risk profile is being directly communicated to risk owners.

This year, a Risk Management E-learning package was developed and launched and bespoke sessions were facilitated with business areas to build knowledge. The Risk Team continue to support the Agency and has been receiving further commissions to support branch and unit level Risk Registers.

This year an Internal Audit review on risk management took place, which I supported with. I was invited as a point of contact to provide support throughout the process. The Internal Audit review will help further develop the Risk Management Function, ensuring that the Risk Management set up is robust which in turn effectively mitigates key threats.

Based on evidence presented at meetings and viewed firsthand, the Committee believe there is an appropriate risk strategy in place and are delighted with the work of the Risk Team in 2023-24. The Strategic Risk Register is now being provided to the Executive Team on a regular basis to help with decision making and is now robust enough to be a standing item at the Director General Portfolio Sponsor meeting.

The Risk 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 were provided with a new reporting format in November 2023 and are satisfied with all the strong work being undertaken by the Social Security Scotland Finance Team.

During the May 2023 meeting, updates on the 2022-23 Accounts Preparation and Draft Accounting Policies were provided to guide the preparation of Social Security Scotland's financial statements. This update is important as it demonstrates effective and accurate budgeting and regulatory compliance.

The Committee are satisfied with the work ongoing to ensure finances are in place to ensure a smooth transition from the Scottish Governments Social Security Programme. The Committee will continue to ensure Social Security Scotland are fiscally responsible and will continue to provide feedback to ensure efficiency and quality.

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. Based on Committee feedback, all reports were revised to provide efficiency with fuller versions offered mid-year and at year end. This provides better value to the Committee allowing more effective scrutiny.

The Committee are pleased with the progress within the area. Significant progress has been made to estimate the official error rate within Scottish Child Payment for 2023-24. Additionally, work has commenced to estimate the levels of official error for Best Start Foods with fieldwork ongoing and progressing well.

The Committee is pleased with the work over the past year to further develop the Counter Fraud Service, most notably in relation to proactive data analysis to identify fraud and error risk cases. We were regularly updated on the efforts by the Error Interventions Team who have returned to their original focus of detection, correction and reporting of official and client-induced errors. We were pleased to be advised

that the efficiency and velocity of the Error Team has advanced in its ability to recognise trends and promote continuous improvement. A number of improvements have either been delivered or are due for deployment as the area move forward with systems replacing the tactical solutions.

The Committee has been continually advised of Fraud recruitment and location plans and are pleased accommodation has been secured in Inverness, providing the team with four locations for Counter Fraud activity. Once recruitment is finalised this will allow Inverness colleagues to collaborate onsite together.

The Committee is pleased to see that detected levels of fraud and error continue to be low and commend the controls that are in place. 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 the Committee a clearer picture of performance and identify any trends.

The Corporate Assurance Team maintains a strong relationship with Audit Scotland. The actions from the Social Security Scotland Annual Audit for 2022-23 are progressing well and to ensure value and correct levels of scrutiny, more detailed updates are now being provided to Audit Scotland around the implementation of recommendations.

This year the Corporate Assurance Team conducted a review to identify older Internal Audit recommendations that are no longer relevant or appropriate to Social Security Scotland. This allowed the Corporate Assurance Team to make a decision to continue or close the Internal Audit recommendation. Through this, recommendations were closed allowing prioritisation of more recent higher priority recommendations.

The Corporate Assurance Team present an annual Register of Compliance update. The reports aim is 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. We are content with the ongoing work and monitoring to ensure compliance and as a result this report has moved from bi-annual to annual due to strong compliance from Social Security Scotland.

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 May 2023, I participated in the second meeting of the newly established Risk Review Group to help build the Strategic Risk Register. The meeting centred around identifying Strategic Risks and top divisional issues. I provided advice around articulating and formulating risks effectively and to help build the groups knowledge around management of Strategic Risks. This was very worthwhile being involved in the setup, with the Strategic Risk Register now being provided to the Executive Team on a regular basis.

In February 2024, a deep dive session was held with representatives from Health and Social Care, Client Services Delivery and Fraud and Error Resolution. This allowed the Committee to support the progression, management and controls of the Quality 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. The Committee recognises the value of deep dives and have scheduled another around the Fraud Risk for the May 2024 meeting.

This year the Committee were presented the annual report for Business Continuity offering valuable insight into the area. Updates were provided on the implementation of the Business Continuity Management System, staff upskilling, and status of Business Continuity Plans. The Committee engaged in discussion and were able to provide feedback on progression of the plans.

The Committee encourages continuous improvement which has resulted in processes and papers being revised. Internal Audit reports continue to be shared by the secretariat to the Committee once finalised. This allows sufficient time to review the reports which enhances the quality of meeting discussions and having the right people attend meetings to answer questions.

In early 2024, the Committee provided advice for the 2024-25 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. 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 of reports provided.
- 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 2023-24. We look forward to continuing to support and observing the successes of Social Security Scotland and supporting them with the smooth delivery of benefits to the people of Scotland with Dignity, Fairness and Respect at its core.

Annex A

Audit and Assurance Committee Calendar of Business 2023 to 2024

16 May 2023

1. Welcome including conflicts of interest.
2. Minutes of Previous Meeting and Action Tracker.
3. Audit Scotland 2022-23 Financial Year Update.
4. Directorate for Internal Audit and Assurance Update.
5. Internal Audit Annual Assurance Opinion 2022-23.
6. Social Security Scotland Error Fraud and Debt Annual Report 2022-23.
7. Social Security Scotland Risk Management Update.
8. Social Security Scotland Finance Update and Approach to Accounts Preparation Policies 2022-23.
9. Social Security Scotland Audit Recommendations Update.
10. Social Security Scotland Register of Compliance Update.

29 August 2023

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. Social Security Scotland Fraud and Error Update.
6. Social Security Scotland Risk Management Update.
7. Social Security Scotland Annual Report and Accounts Progress Update.
8. Social Security Scotland Business Resilience Annual Update.
9. Audit and Assurance Committee Annual Report Draft.
10. Social Security Scotland Register of Compliance Progress Update.
11. Social Security Scotland Audit Recommendations Update.

10 October 2023

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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 2022-23 Annual Report and Accounts. |
| 4. Audit Scotland 2023-24 Annual Audit Report and Independent Auditors Report. |
| 5. Audit and Assurance Committee Annual Report 2022-23. |

14 November 2023

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| 1. Welcome including conflicts of interest. |
| 2. Minutes and Action Tracker. |
| 3. Social Security Scotland Financial Update. |
| 4. Social Security Scotland Fraud and Error Resolution Update. |
| 5. Social Security Scotland Risk Management Update. |
| 6. Directorate for Internal Audit and Assurance Update. |
| 7. Assessment of External Audit. |
| 8. Audit and Assurance Committee Terms of Reference. |
| 9. Annual Report and Accounts Lessons Learned. |
| 10. Social Security Scotland Audit Recommendations Update. |

27 February 2024

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| 1. Welcome including conflicts of interest. |
| 2. Minutes and Action Tracker. |
| 3. Audit Scotland Audit Plan 2023-24. |
| 4. Internal Audit Plan 2024-25. |
| 5. Directorate for Internal Audit and Assurance Update |
| 6. Social Security Scotland Finance Update. |



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| 7. Social Security Scotland Risk Management Update. |
| 8. Social Security Scotland Fraud and Error Resolution Update. |
| 9. Social Security Scotland Audit Recommendations Update. |

Appendix A – 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 2023 and 31 March 2024. 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	3
Naghat Ahmed	5	5
David Wallace	5	5
James Wallace	5	5
LS	5	3
IB	3	3
LC	4	5*
PG	5	5

*LC attending the October 2023 meeting as an observer.