



Audit and Assurance Committee

Date of Meeting	18 October 2022
Subject	Audit and Assurance Committee Annual Report
Agenda No.	5
Paper No.	19.3
Prepared By	Russell Frith
Purpose	Approve

1. Background

- 1.1. Attached is a copy of the draft annual report of the work of the Audit and Assurance Committee for the period from 1 April 2021 to 31 March 2022.

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.

3. Conclusions

- 3.1. Members are invited to approve the final 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 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 present Social Security Scotland's Audit and Assurance Committee's (The Committee) Annual Report. This report covers the period from 1 April 2021 to 31 March 2022 and supports the completion of the 2021-22 Annual Report and Accounts.

This annual report shows how the committee supports Social Security Scotland's Corporate Plan of ensuring the organisation is run in a responsible way. This in turn supports the delivery of a social security system with dignity, fairness and respect at its heart, which supports people accessing the benefits they are entitled to.

The Committee is approaching its fifth year of operation, and like Social Security Scotland, has continued to evolve, with a focus on ensuring the provision of effective advice and support to the Accountable Officer on the issues of risk, control and governance.

We would like to say thank you to Jessica Burns and Douglas Hutchens who left the committee after three years and Elaine Noad after four years. Throughout this time Social Security Scotland has significantly increased in size and complexity. Douglas, Jessica and Elaine's input towards continuous improvement and the development of our audit and assurance function is greatly appreciated.

We welcomed two new Non Executive Members, Naghat Ahmed and Barry Matheson who both come with a wealth of experience that will continue to help challenge and drive improvement.

Overall, we are pleased with the progress made in this reporting year and look forward to supporting Social Security Scotland through 2022-23.

Signed Russell Frith, Chair

Date 18 October 2022

1. Introduction

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

The Committee is independent of Social Security Scotland's management and the membership consists of four Non Executive members.

The report summarises the key items of business conducted by The Committee over the period 1 April 2021 to 31 March 2022. A calendar of business, setting out the key business of the committee over this period is detailed in Annex A. The Committee met five times virtually during the reporting period. Over the next year the Audit and Assurance Committee will adopt a hybrid meeting approach, allowing committee members to attend at the headquarters of Agnes Husband House in Dundee or attend virtually.

1.1 Membership of the Committee

Non-Executive Members

Russel Frith.

Barry Matheson.

Naghat Ahmed.

Elaine Noad (to 30 September 2022).

Social Security Scotland

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

- David Wallace - Accountable Officer.
- James Wallace - Deputy Director for Finance and Corporate Services.
- Ally MacPhail - Deputy Director for Strategy, Change, Data and Engagement.
- Leads from Corporate Assurance, Risk, Finance and Fraud, Error and Debt.
- External members of the Committee (Detailed below).

There were also always representatives from Audit Scotland, and the Scottish Government Internal Audit and Assurance Directorate. Other key speakers are invited to attend providing overview to the committee on a number of different topics.

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



1.2 Terms of Reference and Standing Agenda Items

The revised Terms of Reference for the Committee was approved at the February 2022 meeting, and 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 includes:

- Minutes of previous meeting and action tracker.
- Social Security Scotland Risk Management update.
- Social Security Scotland Financial Update.
- Social Security Scotland Fraud, Error and Debt Update.
- Social Security Scotland Audit Recommendations Update.
- Internal Audit Update.
- Audit Scotland Update.

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 in 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 etc. \(Scotland\) Act 2000 \(the "Act"\)](#).

At each meeting the Chair will confirm if any attendee has registrable interests which must be declared. 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

At each meeting The Committee receives a report from the Directorate for Internal Audit and Assurance, detailing its work in the last quarter. We were satisfied with Internal Audit's work and in total we were presented with 17 Internal Audit review reports through 2021-22. At each meeting we have the opportunity to ask questions to the Senior Responsible Officer from Social Security Scotland. This is to help aid our overall understanding of the audit and the management responses and actions provided.

Advice was given in February 2022 on the Audit Plan for 2022-23. The Internal Audit Plan for the organisation is substantial, and the Committee reflected on the work already undertaken, and the outstanding audit recommendations currently being implemented. The Committee were pleased with the balance of the plan, and with Social Security Scotland approaching a challenging year with the launch of disability benefits, Adult Disability Payment and Child Disability Payment. Internal Audit have confirmed to The Committee that the plan will work around the new benefit launches.

The Corporate Assurance team provides a regular Audit Recommendations update report, which provides us with greater oversight of the implementation and progress of recommendations. As Social Security Scotland have 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. We also continue to provide feedback on reporting formats to ensure value is provided to The Committee.

The Committee has taken assurance from the delivery of the agreed Internal Audit Plan for the year. The reports provided assurance that controls are being designed appropriately, but it is acknowledged that Social Security Scotland is continually growing.

The Committee are pleased that the Directorate for Internal Audit and Assurance have provided an overall reasonable assurance on Social Security Scotland's risk management, governance and control arrangements. The Committee acknowledge Social Security Scotland are in a good position for a maturing organisation but recognise that further development of controls will be needed as the organisation continues to expand. Social Security Scotland has a positive relationship with the Directorate for Internal Audit and Assurance and this is reflected in the presentation of reports to The Committee.

External Audit

In February 2022, The Committee were sent the 2021-2022 Audit Plan prepared by Audit Scotland, which outlined the key audit risks for Social Security Scotland and the planned audit work that will be undertaken in each area. The Committee were all offered by Audit Scotland an opportunity to discuss if required.

We were not provided a Management Report this year, a verbal update was provided as Audit Scotland did not identify any weaknesses in the controls that required to be reported. The Committee are therefore satisfied Audit Scotland have confirmed the Financial Systems, and Internal Controls, are working effectively and Social Security Scotland are in a strong position for current and future benefits.

The audit process ran smoothly and The Committee is satisfied with, and confident in, the working relationship with external audit. The Committee considered the external auditor's opinion and the Annual Audit Report at its meeting on 18 October 2022. At this meeting we were presented with and noted the four key recommendations from Audit Scotland and The Committee endorsed all of these.



We noted the qualified opinion on the regularity of benefit expenditure from the Department for Work and Pensions. The Committee was advised the Auditor General will not produce a Section 22 report to the Scottish Parliament. This year there was significant parliament engagement which confirmed sufficient national performance audit plans in place.

Audit Scotland have assured The Committee of Social Security Scotland's strong position for delivery of current and future benefits. The Committee look forward to continuing its positive relationship in 2022-23.

Risk Management

The risk function continued to mature over 2021-22 with guidance from the Audit and Assurance Committee members. This was a successful year for the risk team with the priority EY recommendations being implemented and assurances that the remaining ones will be continually reviewed and actioned at the appropriate time.

We welcome the progress from the Risk Review Group which provides oversight and analysis of Social Security Scotland's risk landscape, which supports escalations and discussions of key risks and issues. This has resulted in continuous improvement with the Strategic Risk Register being significantly reworked based on the groups feedback.

The Risk team continue to make progress towards the development of Principal Risks. These highlight to senior leaders what risks may affect strategic objectives and to support Social Security Scotland's management with decision making. We are assured further work will continue over the next reporting period with the next steps being engagement with Social Security Scotland's Agency Leadership Team to phrase Principal Risks. Once completed these will be presented to the Executive Team and we will be updated with the progress throughout.

The reporting cycle that was implemented has matured and this allows action owners to formally update their risks monthly. The risk team continue to review this and have recently implemented changes to streamline the update process, by continuously reviewing and making changes, this provides assurances to the Risk Review Group and the Audit and Assurance Committee.

The Committee have supported the Risk Manager in reviewing risk recommendations and will continue to offer input. In 2022-23 the risk team will present a draft of the Principal Risks to The Committee to review prior to finalising. We are content that this work is proceeding at pace and we as a committee will continue to support.

Based on evidence presented at meetings, we believe there is an appropriate risk strategy in place and are pleased at the overall work of the risk team in 2021-22. Social Security Scotland still has a number of its staff working from home due to the Covid Pandemic whilst concluding its trials of hybrid working. We are satisfied that this continues to have limited impacts on the continuity of the service to clients, as well as the welfare of Social Security Scotland's workforce. The Risk team will

continue to work with management to monitor and report the controls in place to mitigate risks ensuring Social Security Scotland meets its strategic objectives.

Financial Reporting

At each meeting The Committee reviews the organisation's financial results.

The standard items in a finance update paper include:

- Operating, capital and benefit expenditure and forecasting.
- Financial results.
- Benefit delivery costs.

The Committee are satisfied with all the work being undertaken by the Social Security Scotland Finance Team.

Fraud, Error and Debt Reporting

The Committee receives regular reports on fraud, error and debt recovery work in Social Security Scotland. This year saw the presentation of a more detailed annual report summarising the significant work undertaken.

The Committee is pleased with the work over the past year to further develop the Counter Fraud Service, most notably in the Intelligence Management and Covert Operations specialist functions. We were regularly updated on the introduction of the strategic approach to Change of Circumstances, this allowed the Interventions Team to return to their original focus of detection, correction and reporting of official and client-induced errors.

The Committee welcomes updates on the continuing restructuring and realignment within the Fraud and Error Resolution Unit. We were updated that the responsibility for resolution of errors, relating to the issuing of payments, was transferred into the unit from the Finance Team.

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 but recognises that further work is necessary to provide assurance that there is not further fraud occurring that is undetected.

Other Activity through the year.

In November 2021 a deep dive session was held with the Chief Digital Office, who transitioned over to Social Security Scotland on 1 April 2021. This allowed The Committee a deeper understanding and broader knowledge of Social Security Scotland's Cyber Resilience and Security. We plan to continue deep dives with other business areas in 2022-23.

The Committee reviewed the Finance team's approach to the Accounting Policies and agreed they are appropriate for the 2021-22 accounts.

In February 2022 we invited Social Security Programme Director Lisa Baron-Broadhurst to give an overview to The Committee. This allowed The Committee to understand the proposed disability and carers' benefits schedule and the associated risks from a Social Security Programme perspective.

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 continual growth of Social Security Scotland.
- 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 assurance.

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. For all new Non Executive Members a robust induction is given through Social Security Scotland's Governance and Organisational Strategy Team.

The committee have held private sessions with the internal and external auditors. In addition to this the committee have undertaken an evaluation of both Internal and External Audit, using the Institute of Chartered Accounts of Scotland (ICAS) Guide for Evaluating your Auditor.

As Chairman of the Committee, I know I can access the Accountable Officer, staff and our internal and external representatives when required.

We continue to be pleased with the progress to date of Social Security Scotland in establishing its Risk Management Function, Fraud and Error Unit, Finance capability and other approaches in respect of public sector compliance.

Social Security Scotland, like many public bodies, continues to recover from the impact of Covid, The Committee notes the hard work of everyone in Social Security Scotland to continue the delivery of benefits. The year 2022-23 will see the introduction of further disability benefits and phase two of Scottish Child Payment, and we look forward to continuing to support Social Security Scotland as they grow and develop.

Annex A

Audit and Assurance Committee Calendar of Business 2021 to 2022.

18 May 2021

1. Welcome including conflicts of interest.
2. Minutes of previous meeting and action tracker.
3. Social Security Scotland Risk Management Update.
4. Social Security Scotland Fraud and Error Annual Report.
5. Social Security Scotland Financial Report.
6. Internal Audit Directorate Update.
7. Internal Audit Directorate – Annual Assurance Opinion.
8. Audit Scotland Update and Management Report.
9. Audit Recommendations Update.
10. Audit Scotland Plan 2020-21.

21 September 2021

1. Welcome including conflicts of interest.
2. Minutes of previous meeting and action tracker.
3. Social Security Scotland Risk Management Update.
4. Social Security Scotland Fraud and Error Report.
5. Social Security Scotland Financial Report.
6. Audit Scotland Update.
7. Internal Audit Directorate Update.
8. Social Security Scotland Audit and Assurance Committee Annual Report.
9. Social Security Scotland Transition Planning Report.
10. Social Security Scotland Audit Recommendations Update.

11. Social Security Scotland Report of Inspection Findings Investigatory Powers Commissioner's Office.

19 October 2021

1. Pre Meeting - Non Executive Board Members, Internal and External Audit only.
2. Welcome including conflicts of interest.
3. Minutes of previous meeting and action tracker.
4. Audit Scotland - 2020-21 Annual Audit Report and Independent Auditors Report.
5. Social Security Scotland 2020-21 Annual Report and Accounts.
6. Updated Audit and Assurance Committee Annual Report

09 November 2021

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

15 February 2022

1. Welcome including conflicts of interest
2. Minutes and Action Tracker
3. Social Security Scotland Annual Reports and Accounts Lessons Learned.
4. Audit Scotland Audit Plan 2021-22.



5. Internal Audit Directorate Update.
6. Social Security Scotland Risk Management Update.
7. Social Security Programme Update.
8. Social Security Scotland Audit and Assurance Committee Self-Assessment.
9. Social Security Scotland Terms of Reference Revised Copy.
10. Social Security Scotland Fraud, Error and Debt Update.
11. Social Security Scotland Finance Update.
12. Social Security Scotland Audit Recommendations Update.

Appendix A – Attendance Schedule (* denotes Committee members as per Terms of Reference. Three members of the committee must be present for meeting to be quorate.)

Name	Position	18 May 2021	21 September 2021	19 October 2021	9 November 2021	15 February 2022
Russell Frith*	Committee Chair	Present	Present	Present	Present	Present
Jessica Burns*	Committee Member	Present		Present	Not in position	Not in position
Douglas Hutchens*	Committee Member	Present	Present	Present	Not in position	Not in position
Elaine Noad*	Committee Member	Present	Present	Present	Present	Present
Barry Matheson*	Committee Member	Not in position.	Not in position.	Present	Present	Present
Naghat Ahmed*	Committee Member	Not in position.	Not in position.	Present	Present	Present
David Wallace	Chief Executive Social Security Scotland	Present	Present	Present	Present	Present
Miriam Craven	Deputy Director of Strategy and Client Experience			Present	Present	
James Wallace	Deputy Director of Finance and Corporate Services	Present		Present	Present	Present
Janet Richardson	Deputy Director of Operations	Present				
Lisa Baron-Broadhurst	Deputy Director Social Security Programme					Present

SM	Risk Manager	Present	Present		Present	Present
JC/LS	Risk and Assurance Team Leader.		Present	Present	Present	Present
NB	Head of Finance	Present	Present	Present		Present
CB	Strategy, Policy and Assurance Lead	Present	Present	Present	Present	
MF	Fraud and Error Lead	Present	Present		Present	Present
IB	Internal Audit	Present	Present	Present	Present	Present
LS	Internal Audit	Present	Present	Present	Present	Present
FI	Audit Scotland	Present	Present			
PG	Audit Scotland	Present	Present	Present	Present	Present
Quorate Y/N		Y	Y	Y	Y	Y