



Audit and Assurance Committee

Date of Meeting	22 November 2022
Time	10:15 – 12:30
Location	Video Conference – Microsoft Teams

Attendees

Present

Non-Executive Members

Russell Frith (RF)	Chair, Non-Executive 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
Alastair MacPhail (AM)	Deputy Director Strategy, Change, Data & Engagement
James Wallace (JW)	Deputy Director Finance & Corporate Services
MF	Head of Fraud and Error Resolution
RM	Lead Risk Coordinator
NB	Head of Finance
MB	Corporate Assurance Manager
GM	Head of Service Management & Service Development
RM	Finance Business Partner

Audit Scotland

LD	Audit Scotland
PM	Audit Scotland

Internal Audit Directorate, Scottish Government



IB Senior Internal Auditor

LS Internal Auditor

MH Internal Auditor

Secretariat

LC Corporate Assurance Coordinator

Observers

GD Trainee Accountant

Apologies

Lisa Baron-Broadhurst Programme Director, Social Security
(LBB)

LS Risk and Assurance Team Leader

DP Head of Strategy and Corporate Services

1. Welcome and Conflicts of Interest

1.1. The Chair welcomed everyone to the meeting and noted the apologies as listed above.

1.2. No conflicts of interest were noted.

2. Minutes and Action Tracker

2.1. The minutes from the September 13 2022 Audit and Assurance Committee have been agreed and are awaiting publication.

2.2. RF noted that the papers did not include the October minutes. MB advised the committee that the October minutes will be shared as soon as possible.

2.3. RF asked MB to note that the September and October minutes will be going to the Executive Advisory Body next week.



2.4. All the actions within the tracker have been updated.

Action	MB	Provide the Committee with the October Audit and Assurance Committee minutes.
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3. Social Security Scotland – Financial Update

- 3.1. NB provided the committee with an update on Social Security Scotland's financial results.
- 3.2. NA queried if the under plan of the disability benefits is impacted by the case transfer? The Committee discussed benefit expenditure and the impact of changes in case transfer rates.
- 3.3. DW noted we are working with the Scottish Fiscal Commission on forecasting in preparation for the Scottish budget. There is an emerging risk around data and how we work with the Scottish Fiscal Commission. The Scottish Fiscal Commission have been critical about what we can provide in terms of data for forecasting but it is a complex area.
- 3.4. RF agreed this is a potential risk for the organisation. RF queried what happens when benefits are uprated by the UK government, and is it intended to be neutral in terms of the overall Scottish block? JW confirmed it is not neutral, the block grant receives a consequential funding increase and it will be for the Scottish Government to decide how to apply that funding. There are legislative requirements to review our benefits for the effect of inflation, the Scottish Government is currently considering the approach to uprating for 2023-24.
- 3.5. [Redacted]
- 3.6. The Chair thanked NB and the Committee noted the report.

4. Social Security Scotland – Error, Fraud and Debt Quarter 2 Update

- 4.1. MF presented the Social Security Scotland Error, Fraud and Debt Quarter 2 update and noted the following:
 - Error data indicates that Official Human Error levels are stabilising within low income benefits. We are seeing increased confidence and real improvements in terms of operational guidance and support for our colleagues across the business which is reflected in the corrective error rates we are seeing.
 - Early analysis of errors in the Child and Adult Disability Payment caseloads has begun and anecdotal findings shared.
 - The average payment value to Debt Management reduced [Redacted] in Quarter 1 to [Redacted] in Quarter 2 – this may be indicative of the impact of the current financial environment.

- The team would welcome feedback from the Committee on the revised report and suggested the possibility of splitting out error, fraud and debt into separate components and perhaps revise the reporting frequency on each of these.
- 4.2. BM thanked MF for the improvements made to the report and suggested further improvements could be made including reviewing the frequency of reporting and potential use of annexes.
 - 4.3. RF agreed with the suggestion of moving some of the more detailed data into an annex and encouraged the use of examples to bring the information to life.
 - 4.4. RF asked if the Counter Fraud Strategy was due for review and renewal. MF confirmed both the Counter Fraud and Error Control Strategies are currently being reviewed with a view to publication by summer of 2023.
 - 4.5. RF queried if the automated payment of the second and third Best Start payments for people in receipt of Scottish Child Payment raises a risk in relation to fraud. MF confirmed advice provided by the Scottish Government legal directorate confirmed that in placing a duty to report a change in circumstances in relation to the first qualifying benefit means any subsequent overpayment identified can be recovered.
 - 4.6. DW noted the issue of devolving benefits and risks regarding fraud and error are high on the agenda of both Department for Work and Pensions and Scottish Government Permanent Secretaries.
 - 4.7. The Chair thanked MF and the committee noted the contents of the report.

Action	MF	Consider error, fraud and debt reporting frequency and consider report annexes.
Action	MF	Consider adding error, fraud and debt examples to report.

5. Social Security Scotland – Risk Management Update

- 5.1. RM provided the committee with an update of Risk Management activity noting the following:
 - Following discussions with JW progress on the development of principal risks has been redirected.
 - We now have 24 strategic risks, 2 risks have been closed and 1 risk de-escalated to the divisional risk log.



- Further work is ongoing to review and revise the Risk Review Group and Terms of Reference.
 - The Risk Team will develop more targeted risk awareness packages which will cover areas such as risk scoring and tolerance.
- 5.2. JW confirmed the membership of the Strategic Risk Review Group has become diluted over time and there has been a lack of consistency with regards to the chairing of the group. There is an opportunity now to reset the group and the Terms of Reference.
- 5.3. RF agreed we need to get to a settled position with risk reporting as the current Strategic Risk Register contains risks that overlap and has detail that is not clear to understand. JW confirmed he has taken time to engage divisions to have that strategic discussion. JW highlighted divisional discussions have been held at the strategic tier which has caused the high number and duplication of risks on the Strategic Risk Register and the additional risks imported and exported by Social Security Programme.
- 5.4. RF highlighted that comments in the action column such as “treatment plan needed” needs improved, currently the Strategic Risk Register does not demonstrate what action is being taken on the risks identified.
- 5.5. BM noted that part of the engagement challenge may be that reporting managers are asked to report on similar risks and would encourage anything that simplifies this for reporting managers.
- 5.6. The Audit and Assurance Committee thanked RM and noted the update.

Action	RM	To provide a progress update on development of Principal Risks and associated actions, including any proposed timelines.
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6. Internal Audit Directorate Update

- 6.1. IB provided the Internal Audit update and noted the following:
- Quarter 3 work from the 2022-23 Audit Plan is progressing well and planning is underway on Quarter 4 reviews with a view to complete the plan by the end of March.
 - Planning for the 2023-24 plan is underway with meetings planned across December.
 - 1 final report is being presented today with a further 3 draft reports issued, 2 of which have in the last few days gone to final and will be shared at the next meeting.
 - Good progress has been made with advisory and follow up work.

- 6.2. LS confirmed the IT Supply review has been given a Reasonable Assurance rating. Internal Audit noted that a lot of work has been carried out around IT supply and significant improvements were noted. Some progress has been hindered by workload pressures and competing priorities of the IT Service Desk. The highest risk identified was around IT asset management and the registers in use. The 1 high, 4 medium and 2 low priority recommendations have all been accepted and dates for implementation provided with a follow up review scheduled for early in the new audit year.
- 6.3. RF questioned if any reconciliation done between the asset registers held by IT and registers held by Finance. NB confirmed since 2018 all equipment bought has been added to the register, there are some transitional issues with historic equipment previously bought by the Programme.
- 6.4. IB confirmed where Internal Audit have made a recommendation but the Agency is not in a position to mitigate due to capacity or capability, management can accept the risk. RF agreed this is acceptable. AM will cascade this to senior management. DW agreed we need to enable senior managers to look at these recommendations and sharpen up responses,
- 6.5. The Chair thanked IB and LS and noted the contents of the report.

Action	AM	AM will inform senior management that Internal Audit recommendations can be accepted when the Agency is not in a position to resolve.
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7. Social Security Scotland – Audit Recommendations Update

- 7.1. MB presented the Audit Recommendations update and noted the following:
 - The 3 remaining open recommendations from the 2020-21 Stakeholder Engagement review have been addressed in the follow up report.
 - 47 Recommendations are outstanding from 2021-22 reviews, this is expected to reduce over the next reporting period as Internal Audit carry out further follow up reviews.
 - 7 new recommendations have been added from 2022-23 reviews.
 - 9 open recommendations have missed their initial deadlines, 5 of these are currently at follow up stage.
 - All previous Healthcheck recommendations have been closed, updates will be provided from February onwards on the new 2022 Healthcheck recommendations.
- 7.2. MF asked if there is a requirement to collate and revisit recommendations where we accept and tolerate the risk? MB agreed and highlighted we will need to consider how we track and revisit these recommendations.



7.3. The Audit and Assurance Committee thanked MB and noted the update.

8. Audit and Assurance Committee Terms of Reference

8.1. MB provided the committee with an updated Terms of Reference and noted the following changes:

- The Committee membership has been updated with a Non-Executive Director moving on.
- The quorum has been changed from 3 to 2 Non-Executive Directors.
- Audit Scotland representatives have been updated due to movement within that area.
- The Calendar of Business has been revised and updated.

8.2. The Committee approved all the changes.

8.3. The Chair thanked MB and noted the contents of the report.

9. Any Other Business

9.1. BM and NA confirmed they had no comments on the Assessment of External Audit paper. NB confirmed we have a very good constructive and challenging relationship with Audit Scotland and we would aim to do more on site auditing. DW agreed and confirmed there are no current plans to hold a Social Security Scotland specific report for the time being but value the separate engagement with Audit Scotland and the Directorate.

9.2. LD agreed there is no piece of work sitting in the work plan at the moment but the monitoring role will continue. Audit Scotland are also keen to get back on site where it is convenient for Social Security Scotland.

9.3. No comments or questions were received on the Register of Compliance paper.

9.4. No other business was recorded and RF concluded the meeting.

Date of next Meeting – 14 February 2023

Action(AP)/Decision(DP)	Detail	Owner	Due Date	Status
AP – 22/11/2022 - 01	Provide the Committee with the October Audit and Assurance Committee minutes.	MB	Next Meeting	Complete
AP – 22/11/2022 – 02	Consider error, fraud and debt reporting frequency and consider report annexes.	MF	Next Meeting	Ongoing
AP – 22/11/2022 – 03	Consider adding error, fraud and debt examples to report.	MF	Next Meeting	Ongoing