

Audit and Assurance Committee

Date of Meeting	11 February 2025
Time	10:00 – 12:30
Location	Glasgow High Street Conference Room.

Attendees

Present

Non-Executive Members

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

Social Security Scotland

David Wallace (DW)	Accountable Officer, Chief Executive
Stephanie Devenny (SD)	Deputy Director Finance and Corporate Services
Andy McClintock (AM) (item 3 only)	Chief Digital Information Officer
LS	Risk and Assurance Team Leader
DP	Head of Strategy and Corporate Services
MF	Head of Fraud and Error Resolution
MW (item 7 only)	Senior Corporate Reporting Manager
MMcC (item 7 only)	Benefit Expenditure and Debt Finance Lead
	Risk Team Manager
SM (item 8 only)	Corporate Assurance Manager
MB	Head of Business Support for the Chief Executive and Chief Operating Officer
AO	

Internal Audit

LC	Lead Senior Internal Audit Manager
PM	Internal Audit Manager
IB	Lead Senior Internal Audit Manager

Audit Scotland

PG	Audit Scotland Director
PM	Audit Scotland

Secretariat

GE	Corporate Assurance Co-Ordinator
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Apologies

Gayle Devlin
LD

Deputy Director, Disability Operations
Audit Scotland

1. Welcome and Conflicts of Interest

- 1.1. The Chair welcomed everyone to the meeting and noted the apologies and observers as listed above.
- 1.2. No conflicts of interest were noted.

2. Minutes and Action Tracker

- 2.1. The minutes from the November 2024 Audit and Assurance Committee have been agreed and are awaiting publication.
- 2.2. RF proposed a Deep Dive into evidence being received for benefit applications focusing on what Social Security Scotland accepts. Client Services Delivery will lead and outline acceptable evidence standards for example the original or a copy. The Deep Dive should assess risks and exposures associated with evidence handling with the aim to provide assurance to the Committee. DW suggested extending the scope to examine the existing policy and if it is being correctly applied.

Action	Corporate Assurance	Arrange a Deep Dive for the May 2025 meeting focusing on clients' supporting evidence accepted, associated risks and if policy is correctly applied.
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3. Directorate for Internal Audit and Assurance update

- 3.1. LC presented the Directorate for Internal Audit and Assurance update and noted the following:
 - There is no substantial update on the new 2024 Global Internal Audit Standards which were implemented in January 2025. The associated Public Sector Application Note was published in December 2024 and Internal Audit are still investigating the range of changes.
 - The Oracle system is planning to have an International Standard on Assurance Engagements (ISAE) 3402 report from a Service Auditor. This will allow the Scottish Government to provide assurance on the controls to the users of the shared service. Internal Audit will provide timescales and more information as this audit progresses.
- 3.2. PM presented the three final Internal Audit reports, this included the assurance ratings, a breakdown of recommendations and findings:

- Data Sharing Data Governance – Limited.
 - Complaints – Reasonable.
 - Learning and Development – Reasonable.
- 3.3. PM provided an update on advisory work and audit activity for quarters three and four.
 - 3.4. The remainder of the fieldwork for the Governance Portfolio Sponsor Arrangements audit has been deferred to quarter two of 2025-26 to allow ongoing work in this area to conclude. DW advised the Committee a stress test is required by the Scottish Government and outlined the reasons why.
 - 3.5. The Committee invited AM, Chief Digital Information Officer, to discuss the Data Sharing Data Governance review recommendations and the implementation of management responses within agreed timescales. AM provided background on the transition of the Data Office, recruitment efforts, data retention, navigating laws and legislation and also factors outside the teams controls.
 - 3.6. RF suggested that formal data sharing agreements with external bodies could be reviewed biannually instead of annually. AM confirmed this will be considered if possible.
 - 3.7. BM questioned the absence of some data sharing agreements? AM confirmed due to time constraints the focus was on benefit delivery during Social Security Scotland's set up and confirmed plans to review gaps and make improvements.
 - 3.8. The Chair thanked LC and PM and the Committee noted the contents of the report.

4. Internal Audit Plan 2025-26

- 4.1. LC presented the proposed Internal Audit Plan for 2025-26 and noted the following:
 - Internal Audit reviewed Risk Registers, Corporate and Business Plans, engaged with senior management, Non-Executive Members and the Executive Team to identify risks and assurance gaps.
 - The plan includes both assurance and advisory activities which address key risks facing Social Security Scotland. The plan will be continually reviewed and updated as required.
 - The Corporate Assurance team will consult the Executive Team quarterly to ensure the upcoming audit activities remain relevant.
- 4.2. RF noted that Internal Audit have not reviewed Cyber Security since 2023. LC confirmed it was considered for the Audit Plan but excluded due to ongoing internal Cyber Security activities being undertaken within Social Security Scotland.
- 4.3. RF asked if Internal Audit considered reviewing Net Zero as this is a Government objective? It was confirmed although a priority in some areas of

Government it would not bring value to Social Security Scotland as it is adequately captured on Risk Registers and Social Security Scotland have a Net Zero Coordinator in place. LC will consider reviews from other areas of Government to share with the Committee.

- 4.4. The Committee was satisfied with the range of audit suggestions and noted the update.

5. Audit Scotland Audit Plan 2024-25

- 5.1. PG presented the Audit Scotland Audit Plan for 2024-25 noting the following:
- 5.2. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024-25 audit of Social Security Scotland's Annual Report and Accounts.
- A breakdown of materiality levels and reporting thresholds that if exceeded will be flagged to the Committee. These are similar to previous years.
 - A breakdown of the three significant risks of material misstatement to the financial statements.
 - Social Security Scotland management have plans in place for the wider scope risks. These will be monitored and reported throughout the year.
 - The implementation of the Oracle system is not identified as a significant risk of material misstatement. Audit Scotland will monitor the system and will consider the findings of the work undertaken by the Scottish Government audit team.
 - Completion of the Audit is expected by 30 September 2025, this is in line with the Annual Report and Accounts.
- 5.3. RF questioned plans as last years estimated value of Fraud and Error was below the materiality threshold and with more Case Transfers expected this year? PG confirmed a risk assessment is being conducted to determine the performance materiality level, factoring in quantitative factors, public interest and Auditor General scrutiny.
- 5.4. RF asked if last years Audit was subject to review internally or by ICAW? PG confirmed a review was undertaken by ICAW with a positive assurance rating being provided. This provided assurance to Audit Scotland's approach and methodology.
- 5.5. DW highlighted Audit Scotland are reviewing Adult Disability Payment and recently circulated the scope. The target publication date Autumn 2025.
- 5.6. The Committee thanked PG and Audit Scotland and noted the update.

6. Social Security Scotland Fraud and Error Resolution Update

- 6.1. MF presented the Counter Fraud, Error Interventions and Recoveries and Recharge quarter three reports and noted the following:
 - An update on approach to performance management and efficiency savings within Recoveries and Recharge.
 - The largest contributor to write-offs by value is routine changes of circumstances which the Error Interventions team are reviewing.
- 6.2. The Error Interventions Team has strengthened Assisted Vehicle and Equipment Claims (AVE) guidance, proactively identifying and correcting errors whilst working closely with the Error Control Working Group.
- 6.3. RF requested an update on calculating estimated value of Fraud and Error savings? MF confirmed operational policy is in place involving all Fraud teams with future savings being estimated with the support of the Analysis and Insights team statisticians.
- 6.4. The Committee discussed covert operations, including the definition of objectives met/not met and relevant examples.
- 6.5. RF thanked MF and the Committee noted the update.

7. Social Security Scotland Finance Update

- 7.1. MW and MMcC provided the Committee with an update on Social Security Scotland's financial results as at 31st December 2024 and advised the following:
 - An update on Capital Expenditure, Benefit Expenditure and Depreciation Charges.
 - The 2024-25 budget has been revised to reflect the agreements from the Spring Budget revision which will enable priority work to be delivered. The full year forecast remains on plan.
 - Plans are being considered for management of the 2025-26 budget settlement.
 - To mitigate Financial Risks the team will continue working with colleagues from Social Security Programme to align financial plans, this will allow direct funding to priority areas.
 - Work is ongoing to define the required service design after the closure of Social Security Programme.
- 7.2. The Audit and Assurance Committee thanked MW and MMcC and noted the contents of the report.

8. Social Security Scotland Risk Management Update

- 8.1. SM provided the Committee with an update of the risk management activity noting the following:
- The Strategic Risk Register was reviewed through November 2024 to January 2025.
 - CR-001 Workforce planning and organisational design, as a result of growing confidence this risk has moved from treat to tolerate and will be reviewed quarterly for any changes
 - CR-015 Mailroom score has decreased. Controls will be reviewed once provided and the risk will be considered for de-escalation in March 2025.
- 8.2. Other risks remain static in regard to their residual score due to the tactical nature of the current controls. As strategic solutions are implemented scores will be reviewed.
- The Director General Communities, supported by the Risk team, developed a risk relating to the reputational and fraud exposure of Social Security for the Scottish Government. This risk was drafted from a Scottish Government perspective and not escalated by Social Security Scotland.
 - The Executive Team have agreed to take clerical review of risk appetite and tolerance which will conclude in April 2025, the Risk team are awaiting feedback and this may change risk appetite and tolerance.
- 8.3. RF highlighted within the Risk dashboard the planned actions have a 16 month period to get to target risk score with all planned actions ending by February 2025. RF suggested a broader range of actions extending to target risk date. LS agreed and confirmed this will be included within the next Risk update.
- 8.4. BM expressed reassurance by the Director General Communities creating and supporting a Fraud risk on their Risk Register. BM and the Committee discussed the Risk Framework and escalations process. LS advised the framework is under development with ongoing discussions with the Director General's Office to establish escalation levels.
- 8.5. RF thanked SM and the Committee noted the update.

Action	SM	Include within the Risk Dashboard paper a broader range of actions extending to the target risk date.
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9. Social Security Scotland Audit Recommendations Update

- 9.1. MB presented the Audit Recommendations update and noted the following:

- 9.2. Internal Audit Follow-up reports with a Limited assurance rating will now be shared with Non-Executive Members once finalised and included within the Audit Recommendation report.
- A breakdown of the number of audit recommendation that are Open or Proposed for Closure.
 - A breakdown of recommendations with missed deadlines was provided. Some deadlines were set before the current Business Plan initiatives which has contributed to missed deadlines.
- 9.3. RF asked if any recommendations are being tolerated indefinitely and how are they tracked? The Corporate Assurance team confirmed they work with the Risk team to capture on Risk Registers ensuring they are reviewed.
- 9.4. NA questioned if older recommendations can be superseded? MB confirmed this can happen and highlighted the upcoming Performance Management review may supersede recommendations from the Productivity and Efficiency review. Internal Audit also consider similar past recommendations before issuing new ones if a follow-up has not happened.
- 9.5. RF thanked MB and the Committee noted the contents of the report.

Action	Corporate Assurance	Internal Audit Follow-up reports to be shared be shared with Non-Executive members once finalised and included within the Audit Recommendation report.
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10. Audit and Assurance Committee Self-Assessment

- 10.1. RF presented the annual Audit and Assurance Committee Self-Assessment and discussed the following:
- Financial Reporting and Regulatory Matters currently marked as Further Development Required can be updated as the Committee felt they have the necessary skills.
 - The Committee and Accountable Officer discussed succession planning to ensure Social Security Scotland continues to have Non-Executive Members with relevant skills and financial and accountancy expertise.
- 10.2. No further comments were received.

Action	Corporate Assurance	Financial Reporting and Regulatory Matters currently marked as Further Development Required can be updated to reflect necessary skills are in place.
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11. Any Other Business

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

Next meeting – 13 May 2025

Action (AP)	Detail	Owner	Due Date	Status
AP – 11/02/2025 - 01	Arrange a Deep Dive for the May 2025 meeting focusing on clients' supporting evidence accepted, associated risks and if policy is correctly applied.	Corporate Assurance	Next Meeting	Complete
AP – 11/02/2025 - 02	Include within the Risk Dashboard paper a broader range of actions extending to the target risk date.	SM	Next Meeting	Complete
AP – 11/02/2025 - 03	Limited Internal Audit Follow-up reports to be shared be shared with Non-Executive members once finalised and included within the Audit Recommendation report.	Corporate Assurance	Next Meeting	Complete
AP – 11/02/2025 - 04	Financial Reporting and Regulatory Matters currently marked as Further Development Required can be updated to reflect necessary skills are in place,	Corporate Assurance	Next Meeting	Complete