Directorate for Internal Audit and Assurance

Internal Audit Report

Social Security Scotland 2022-23

Internal Controls

Post Award Controls

Directorate for Internal Audit and Assurance

Issue Date: 10-01-2023

Audit Personnel

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Report Distribution

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* Final Report only

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1. Introduction

1.1. Introduction

This internal audit review of Internal Controls - Post Award Controls formed part of the Audit Plan agreed by the Accountable Officer and noted by the Audit and Assurance Committee on 25 March 2022. The Accountable Officer for Social Security Scotland is responsible for maintaining a sound system of governance, risk management and system of internal control that supports the achievement of the organisations policies, aims and objectives.

1.2. Audit Scope

The scope of this review was to evaluate and report on the internal controls in place to manage the risk surrounding Social Security Scotland's arrangements for post award activities and ongoing claims maintenance.

The agreed Terms of Reference for this review is attached at Annex B.

1.3. Assurance and Recommendations

Assurance Category	Limited		
Recommendations Priority	High	Medium	Low
	3	1	0

Our review has identified three high and one medium priority recommendations. A limited assurance rating has been provided. There are weaknesses in the current risk, governance and/or control procedures that either do, or could, affect the delivery of any related objectives. Exposure to the weaknesses identified is moderate and being mitigated.

The rationale for this is that overall, processes and controls for post award maintenance remain in development, as such there are elements which are lacking in guidance or operating with workarounds and policy developments in progress which mean the current arrangements are not sufficient or sustainable for managing post award maintenance effectively.

Findings are summarised against recommendations made in the Management Action Plan.

Full details of our findings, good practice and improvement opportunities can be found in section 3 below.

Please see Annex A for the standard explanation of our assurance levels and recommendation priorities.

2. Management Action Plan

2.1. Management Action Plan

Our findings are set out in the Management Action Plan below

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
1	**Issue**: Governance of Claims Maintenance There are weaknesses in the governance of post award activities due to: • gaps in leadership/ownership in relation to policy, system and process development; • gaps in policy for post award actions; • lack of consideration of the impact on resources; • System and process developments are in undertaken in silo by several teams; and • lack of management information. **Risk:**	Management should identify ownership in developments of Post Award controls along with Programme Directorate support and seek to develop an action plan to address governance issues of post award controls and seek assurance that all identified weaknesses are being appropriately managed and mitigated.	H	**Response: Accepted** **Action:** Collaborative work between Programme Service Design and Social Security Scotland Operational Teams has been ongoing to focus on impact of gaps in ownership for case maintenance, and the cohesion of various post award events which can occur in the claim lifecycle. A dedicated Case Maintenance team has been established in Programme and Social Security Scotland resource has been assigned specifically focussed on improvement.	Mar 2024

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	• Post award processes and controls are ineffective or insufficient due to poor governance of development of processes. • Insufficient management information and reporting resulting in an inability to effectively manage current benefits in payment and ensure appropriate post award administration and claims maintenance activities are undertaken.			**Action Owner:** REDACTED	
2	**Issue**: Training & Guidance Elements of guidance for post award claims maintenance are incomplete and sufficient training is not in place to support post award maintenance. **Risk:** Ineffective training for staff and poor communication of guidance and processes, leading to lack of staff knowledge and an inability to effectively	Management should review existing training and guidance and understand where gaps are before implementing a plan to address gaps.	M	**Response: Accepted** **Action:** Improvements to guidance products are within the scope of the Case Maintenance Service Design workstream. Dedicated resource from Social Security Scotland has been assigned to develop new/improved training and	March 2024

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	maintain and review ongoing benefit claims, resulting in financial loss and reputational damage.			guidance relating to Payment Correction Cases. Lessons learned from our experience with Low Income Benefits are being shared with Disability Benefit colleagues to help support identification of improvements to guidance, while numbers of error cases remain relatively low. **Action Owner:** REDACTED	
3	**Issue**: <u>Management of Claims Maintenance</u> Post award controls are insufficient due to: • Task management and work queue processes being inefficient and ineffective and;	Management should seek to improve controls for task management and work queues which are less resource intensive and manual and address the root cause i.e. system issues.	H	**Response: Accepted** **Action:** User research was commissioned to explore impact of manual processes;	March 2024

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	• manual processes resulting in priority changes being missed and generating payment corrections. **Risk:** Post award processes and controls are ineffective or insufficient due to reliance on manual intervention resulting in an inability to ensure the ongoing eligibility of a client or application increasing the risk of fraudulent or erroneous payments being made.			management are considering actions to address. In addition, Social Security Scotland have dedicated resources for the investigation and improvement of workflow management provisions. **Action Owner:** REDACTED	
4	**Issue**: SPM Controls SPM does not have controls in place to ensure the correct action is taken when processing a post award change and to prevent staff from doing the wrong thing or abandoning a case which has led to high levels of unnecessary payment corrections and changes being made without sufficient approval.	Management should take necessary action to ensure system controls are imbedded within SPM to support colleagues and ensure actions are undertaken correctly and also provide sufficient approval processes as part of the post award maintenance activities.	H	**Response: Accepted** **Action:** improvements to system controls for post-award event processing are within the scope of the Case Maintenance Service Design workstream.	March 2024

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
	Risk: Insufficient internal controls in relation to the processing of payment correction cases to ensure they are processed fully and accurately to ensure they are not abandoned and any under or over payment errors are identified and referred to the correct team to enable appropriate action to be taken.			**Action Owner:** REDACTED	

3. Findings, Good Practice and Improvement Opportunities

3.1. Good Practice

3.1.1. Whilst in this report we are highlighting the gaps we found in the Internal Controls for Post Award administration we can also highlighted elements of good practice where we identified the work ongoing to improve the controls in this area. We recognise the activity which highlights the risks resulting from the poor Internal Controls in post award administration as well as the recognition of the weaknesses and issues in the processes and controls from Social Security Scotland and Programme Directorate which are known. There are also noticeable actions of Programme and Social Security Scotland colleagues working together to highlight and mitigate risks and issues in this area, including teams and projects for Claims Maintenance, Change of Circumstances, Bereavement and Live Service working with the Low Income Benefit Team, Disability & Carers Benefits Teams and Fraud and Error Resolution Unit.

3.1.2. Also, although there are gaps in guidance and SPM doesn't have sufficient controls to prevent the wrong actions being taken, where existing guidance is in place for post award administration, proactive steps have been implemented to reduce the risk by highlighting key stages in the guidance to minimise the likelihood i.e. unnecessary payment corrections. Where guidance doesn't exist, many areas have developed their own guidance or training to aid understanding, such as for processing payment corrections.

3.2. Improvement Opportunities

Governance of Post Award Claim Maintenance

3.2.1. Overall, our findings highlighted that processes for post award activities have either not yet been considered, are in development or are operating with workarounds based on processes already in SPM. We found elements of post award processes have not yet been built into policy, such as bereavement and split liability, therefore training, guidance and consistent processes for staff to apply are not yet in place in these areas. As such there are elements which are lacking in guidance and policy developments need to be progressed, some of which are already being considered and others which we are yet to see evidence of developments.

3.2.2. Gaps in post award controls across benefits are known within Social Security Scotland, however there is a lack of assurance that live issues are being sufficiently addressed and action is being taken on all areas to implement controls. From our review we believe this is primarily due to teams working in silos, no strategic plans which set out actions, focus on developments for future benefits and no view of the wider priorities across teams to ensure all issues are in scope of existing teams. There is also no clear lead on developing post award controls in Social Security Scotland.

3.2.3. The resource impact on post award workarounds i.e. work queues, are unsustainable and unmanageable with risk of error. Due to volumes, staff are having to prioritise new applications which impacts capacity to deal with post award tasks and maintenance and therefore have created a backlog. Management have commenced action to review the processes for approval across Client Services Delivery which would help with resource constraints however, the root cause of issues with work queues is system issues which should be considered separately.

3.2.4. Whilst Client Services Delivery aim to give priority to some tasks over others, there is no defined timescales for completing any of the change of circumstances or case review tasks, therefore no evidence of consideration of the impact of delays in processing changes on the client and other teams such as payment corrections and liability for any over/underpayments.

3.2.5. There is a lack of management information to manage post award processes and they do not meet the needs of the organisation to be able to provide relevant data needed for reporting purposes. The only developed management information we were able to evidence was the REDACTED

Training and Guidance

3.2.6. Elements of change of circumstances guidance and subsequent training are incomplete such as:

- system generated change of circumstances,
- low income benefit guidance except Scottish Child Payment,
- role specific guidance i.e. Decision Team Managers,

- types of changes i.e. other payee, competing claims for disability benefits and handling bereavement cases.

3.2.7. We also noted disability errors guidance had been removed. We are aware guidance is being developed in some areas however gaps remain with no clear plan or timescales of implementation and training does not support this.

3.2.8. Staff are trained in the benefits they process, however they are expected to process changes across other varied benefits and processes when a change occurs and the client is in receipt of other benefits. As such the Client Advisor may be making changes to benefits with potentially no knowledge or training of the benefits involved. Staff should be sufficiently trained in areas they are expected to action changes for to ensure there are no knowledge gaps and that they are able to comply with the correct process and deliver a high quality and accurate service.

3.2.9. There is a need when processing Disability benefits to notify the Department for Work and Pensions of changes. There is no similar process in Low Income benefits to ensure changes are notified to the Department for Work and Pensions, as such management should consider if this is a further gap in processes that needs to be addressed or whether due to the nature of Low Income benefits this is sufficient.

3.2.10. Staff processing disability benefits have not been trained in processing payment correction cases. In response the Low Income Benefits Payment Correction Team have developed their own guidance and provided informal training to Adult Disability Payment colleagues. Further action was ongoing in relation to Child Disability Payment colleagues. This highlights that there is a gap in considering training for all relevant staff in this area, increasing the risk of disability benefit payment correction cases being dealt with incorrectly leading to inaccurate payments being made to clients which could result in financial hardship for clients or financial loss and reputational damage for Social Security Scotland.

3.2.11. There is lack of clarity in processing changes with split liability and therefore in some instances cases are being left while action to take is unknown. Work is required to understand gaps in the process and knowledge and avoid these cases being left without action or processed incorrectly. (see recommendation two)

Management of Post Award Maintenance

3.2.12. Across all benefits, task management and work queue controls are insufficient and unmanageable with risk of post award actions not being addressed due to lack of system controls, manual processes and lack of awareness of where tasks should go and who is responsible for actioning. Current ways of working are resource intensive and provide risk of error and missing actions which could have financial and data protection risks

3.2.13. System generated tasks are causing high volumes of unnecessary tasks. For many of theses it's unknown why the tasks are generated and what action should be taken with these notifications. The process for notifying the Department for Work and Pensions of changes also generates duplicate tasks for actions already completed, again increasing the task load with duplicate tasks which do not need to be actioned.

3.2.14. There is also no way to filter for such tasks so they can be identified and deleted in one action or prioritised. SPM only allows a certain number of tasks to show per page which means tasks need to be manually selected by each page. Capabilities in SPM of filtering functionality requires review to improve these weaknesses which impact the management of tasks. Current system functionality also doesn't prevent tasks being closed with outstanding issues and therefore could appear as closed however no action taken to address the reason a task was created. A process to bulk close these tasks is being undertaken.

3.2.15. Case Ownership rules vary across benefits. REDACTED Processes for case ownership in Low Income benefits are being reviewed

3.2.16. There is a known issue with Child Disability Payment case transfer cases. Evidence is not being received from the Department for Work and Pensions and therefore cases are unable to be processed which has created a backlog. Action is required to ensure the data from the Department for Work and Pensions is being received as expected.

3.2.17. There are different functionalities for recording case review dates on SPM

therefore there is a risk that case review dates are being recorded inconsistently which may impact management information. Guidance, data and system controls on case review dates are also yet to be developed for end to end processes to ensure action is taken promptly when a case review is due and it is unknown how case review tasks will be managed or whether review dates transferred over from the Department for Working Pensions align with Social Security Scotland expectations. There is some automation in this area, however there are issues with case transfers as clients have not been advised of their review dates therefore review action cannot commence, a policy fix is due in May 2023.

3.2.18. Specific types of changes should be actioned as a priority, such as bereavement cases, however SPM does not support management of this and manual controls are required. SPM priorities are not defined and does not allow filtering to support prioritisation and therefore a time consuming exercise is undertaken to manage this offline which is using a significant amount of resource. REDACTED

SPM Controls for Post Award

3.2.19. SPM does not support ensuring the correct action is taken or preventing staff doing the wrong thing therefore putting the onus on the Client Advisors and Case Managers knowing the correct process and following this through to completion, and increasing the risk of a high level of payment corrections. We found evidence of this in the five changes we reviewed, all demonstrated that incorrect actions had been taken which led to payment corrections and we are aware that levels of payment corrections are high.

3.2.20. There are gaps in the approval processes post award, REDACTED

3.2.21. REDACTED

Annex A Definition of Assurance and Recommendation Categories

Assurance Levels

Substantial Assurance **Controls are robust and well managed**	Risk, governance and control procedures are effective in supporting the delivery of any related objectives. Any exposure to potential weakness is low and the materiality of any consequent risk is negligible.
Reasonable Assurance **Controls are adequate but require improvement**	Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature.
Limited Assurance **Controls are developing but weak**	There are weaknesses in the current risk, governance and/or control procedures that either do, or could, affect the delivery of any related objectives. Exposure to the weaknesses identified is moderate and being mitigated.
Insufficient Assurance **Controls are not acceptable and have notable weaknesses**	There are significant weaknesses in the current risk, governance and/or control procedures, to the extent that the delivery of objectives is at risk. Exposure to the weaknesses identified is sizeable and requires urgent mitigating action.

Recommendation Priority

High	Serious risk exposure or weakness requiring urgent consideration.
Medium	Moderate risk exposure or weakness with need to improve related controls.
Low	Relatively minor or housekeeping issue.

Annex B – Terms of Reference

Scottish Government
Riaghaltas na h-Alba
gov.scot

Directorate for Internal Audit and Assurance

Internal Audit Terms of Reference

Social Security Scotland 2022-23

Internal Controls – Post Award Controls

Directorate for Internal Audit and Assurance

Issue Date: 14-07-2022

Key Audit Contacts

Audit Year:	2022-23
Client Accountable Officer:	David Wallace, Chief Executive
Client Audit Contact(s):	REDACTED
Lead Senior Internal Audit Manager:	REDACTED
Internal Audit Manager:	REDACTED
Internal Auditor	REDACTED

Estimated Reporting Timescale

Fieldwork Starts:	July 2022
Fieldwork Ends:	August 2022
Draft Report Issued:	August 2022
Final Report Issued:	September 2022
Estimated Resource Days:	40

1. Introduction

1.1. This review forms part of our planned audit coverage set out in our Annual Internal Audit plan issued on 25 March 2022 and agreed by the Accountable Officer and noted by the Audit and Assurance Committee.

1.2. To aide understanding it is important to clearly set out the relationship between Social Security Scotland and the Social Security Directorate (Programme). Programme, using agile methodology, designs and builds the new Scottish social security system and is delivering the components on an incremental day by day basis. As such Minimal Viable Products for policies, systems and processes for each benefit are built by Programme, and then handed to Social Security Scotland to deliver. It is then the responsibility of Social Security Scotland to develop these as appropriate to make them fit for purpose and reflecting actual processes and controls in place.

1.3. This review follows on from the Internal Controls audit undertaken in 2021/22. The previous review focussed on eligibility criteria and predominantly considered new applications and the controls in place to determine a new applicant's eligibility for a Scottish social security benefit.

1.4. For benefits which are not one off payments, once a benefit award has been determined the claim must be maintained to ensure, as a claimants circumstances change, the amounts being paid are accurate and reflect any such changes. If there are not effective controls in place for effectively maintaining a claim and undertaking appropriate reviews then there is an increased risk that over or under payments may occur leading to financial hardship of clients or financial loss to Social Security Scotland.

1.5. The Social Security Scotland Strategic Risk Register includes the following risks related to this review:

- *IF the Agency is not provided with policy and product (for live and future benefit launch) to deliver robustly tested and effective internal control for the delivery of benefit products which are secure by design THEN the Agency may experience increased levels of error and fraudulent activity both internal* *and external RESULTING IN financial loss and missed/delayed client payments and resulting reputational damage.*

- *If the Agency do not have sufficiently developed processes to enable effective maintenance of ongoing benefit awards THEN this will lead to inaccurate client records being held, awards being paid incorrectly and an inability to recognise, account for, and correct associated underpayments and overpayments RESULTING in financial loss through increased fraud and error, non-compliance with Data Protection statutory obligations, poor client service offering and associated reputational damage.*

1.6. We held a planning meeting on 8th June with the Head of Error Control and Debt Management, the Finance Projects and Controls Lead and the Head of Fraud and Error Resolution to discuss this audit and the proposed scope of our review.

1.7. Our key risks below have been developed through these discussions and our knowledge of Social Security Scotland and its objectives

2. Scope

2.1. To evaluate and report on the internal controls in place to manage the risk surrounding Social Security Scotland's arrangements for post award activities and ongoing claims maintenance.

2.2. Remit Item 1 – Policy, Guidance and Training

To ensure that post award administration and claims maintenance policies are in place, processes are established and guidance and training supports delivery and ongoing benefit administration.

Key Risks:

- A failure to establish appropriate policies, procedures and guidance for both internal and external stakeholders leading to an inconsistent or ineffective approach to post award administration and ongoing claims maintenance, increasing the possibility that benefits will remain in payment which are fraudulent or erroneous resulting in financial loss and reputational damage.

- Ineffective training for staff and poor communication of guidance and processes, leading to lack of staff knowledge and an inability to effectively maintain and review ongoing benefit claims, resulting in financial loss and reputational damage.

2.3. Remit Item 2 – Processes and Controls

To assess the system and manual processes and controls in place for post award administration of Scottish social security benefits and ongoing claims maintenance and assess for efficiency and effectiveness.

Key Risks:

- Post award processes and controls are ineffective or insufficient resulting in an inability to ensure the ongoing eligibility of a client or application increasing the risk of fraudulent or erroneous payments being made. This could arise from;
    - Reliance on manual intervention
    - System automated processes and controls which are inaccurate or ineffective
- Insufficient internal controls in place to identify and process changes to a benefit recipient's circumstances which may affect eligibility and lack of proactive checks as part of ongoing claims maintenance, including insufficient action in relation to the processing of reported changes in circumstances, to verify eligibility resulting in payments being made to ineligible individuals.
- Insufficient internal controls in relation to the processing of payment correction cases to ensure they are processed fully and accurately to ensure they are not abandoned and any under or over payment errors are identified and referred to the correct team to enable appropriate action to be taken.
- Insufficient internal controls in place for case reviews and competing claims, resulting in insufficient, inconsistent or inadequate action being undertaken leading to payments being made to individuals which may not be accurate or aligned to their current eligibility status.
- Lack of knowledge and/or understanding of gaps in the processes and controls for post award administration and claims maintenance, leading to acceptance of these without full understanding of the immediate and long-term impacts on Social Security Scotland and the risks they pose.

- Insufficient management information and reporting resulting in an inability to effectively manage current benefits in payment and ensure appropriate post award administration and claims maintenance activities are undertaken.

3. Approach

3.1. We will undertake the audit in compliance with the Internal Audit Charter and Memorandum of Understanding agreed between Internal Audit and Social Security Scotland.

3.2. At the conclusion of the audit a customer satisfaction questionnaire will be issued to the main client audit contact. Internal Audit appreciate feedback and to facilitate continuous improvement, we would be grateful if you could complete and return the questionnaire.

3.3. Management are reminded of our need for timely access to people and responsiveness to information requests, to enable the reporting timetable to be met.