Social Security Scotland
Tèarainteachd Shòisealta Alba

Social Security Scotland
Audit and Assurance Committee

Terms of Reference

Dignity,
fairness,
respect.

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Purpose

The Accountable Officer has established an Audit and Assurance Committee (the Committee) as a Committee of the Executive Advisory Body to provide them with support in their responsibilities for issues of risk, control, governance and associated assurance through a process of constructive challenge. The Committee formally reports to both the Accountable Officer and Social Security Scotland's Executive Advisory Body.

Membership

The Committee is a statutory function and is independent of Social Security Scotland's management. Membership will be composed of three non-executive or independent external members. A non-executive member will chair the Committee, and at least one member will have significant financial experience.

The period of non-executive member appointments to the Committee will be linked to their appointment to the Executive Advisory Body. Independent Audit and Assurance Committee members, if applicable, will be appointed for a period of up to three years, renewable once by mutual consent, and will be timed to maintain relevant membership of the Committee.

Committee meetings will normally be attended by the Accountable Officer, the Deputy Director for Finance and Corporate Services, the Directorate of Internal Audit and Assurance, and a representative of External Audit.

The Committee may ask any other officials from within Social Security Scotland to attend and assist with discussions on any particular matter, or request that those who normally attend but who are not members, withdraw in order to facilitate open and frank discussion on particular matters.

The members of the Committee are:
Non-Executive Members:

- Russell Frith (Chair)
- Naghat Ahmed
- Barry Mathieson
- Deborah Rodger

Social Security Scotland:

- David Wallace (Accountable Officer)
- The Acting Deputy Director, Finance and Corporate Service
- Governance and Assurance Team Leader
- There may be other staff from Social Security Scotland attending as appropriate.

Audit Representatives :

- Senior Internal Audit Manager (Directorate for Internal Audit and Assurance)
- Lisa Duthie (Audit Scotland)
  There may be other representatives from both the Directorate for Internal Audit and Assurance and Audit Scotland attending as appropriate.

The Committee will be Chaired by a Non-Executive Member. The Committee will be provided with secretariat support by the Social Security Scotland Corporate Assurance Team.

Reporting

The Committee will formally report in writing to the Executive Advisory Body and Accountable Officer after each meeting. A copy of minutes of the meeting may form the basis of the report.

A minute of the meeting will be recorded by the secretariat. This will then be reviewed by Deputy Directors/Directors in attendance at the meeting before submission to the chair for final approval. These will then be circulated to all members and attendees within 21 calendar days; with an opportunity provided to note any disagreement/clarification at that point.

The Committee will provide the Executive Advisory Body and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

Responsibilities of the Committee

The Committee's responsibilities will include scrutinising the adequacy of risk management, internal control and governance arrangements and the efficient and effective use of public funds.

The Committee will advise the Executive Advisory Body and the Accountable Officer on the:

- Strategic processes for risk, control, and governance and the governance statement;
- Accounting policies, the accounts, and the annual report of Social Security Scotland, including the process for review of the accounts before submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- Planned activity and results of both internal and external audit;
- The adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- The effectiveness of the internal control environment;

- Assurances relating to the corporate governance requirements for the organisation, including on the overall framework for planning, monitoring and reporting on performance and corporate information governance;
- Proposals for the tendering of either internal or external audit services or for purchase of non-audit services from contractors who provide audit services; and
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.
- Effectiveness of Business Continuity measures.
- Consideration of Data Protection Annual report outputs.

In relation to risk management specifically, the Committee will support the Accountable Officer in monitoring the corporate governance and control systems by:

- Gaining assurance that risks are being monitored;
- Commenting on the appropriateness of the risk management and assurance processes which are in place;
- Receiving risk management assurance information and consequently delivering an assurance about risk management as part of the annual assurance exercise; and
- Assisting in the identification of emerging risks and challenging mitigating actions.

The Committee will also periodically review its own effectiveness and report the results of to the Executive Advisory Body and Accountable Officer.

The Committee may, in its annual report to the Accountable Officer, draw attention to areas where risk is appropriately managed, risk is inadequately controlled, risk is over-controlled, or where there is a lack of evidence to support a conclusion.

The Committee is also responsible for drawing any significant matters to the attention of the relevant Director General Quarterly Assurance meeting, and the Scottish Government Audit and Assurance Committee. However, the Committee will not own or manage risks.

Examples members might wish to pursue is set out in Annex A.

Rights

The Committee may:

- Co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
- Procure specialist ad-hoc advice at the expense of Social Security Scotland, subject to budgets agreed by the Executive Advisory Body or Accountable Officer.

Responsibilities and access to the Chair

The Chair will agree the business for all Committee meetings, having final say in the decision about what business will be pursed at any particular meeting. They will also ensure after each meeting appropriate reports are prepared from the Committee to the Accountable Officer and Executive Advisory Board.

The Chair should have bilateral meetings at least annually with the Accountable Officer, the Head of Internal Audit and the External Auditor. In addition, the Chair should meet any people newly appointed to these positions as soon as is practicable after their appointment.

Scottish Government internal audit and the representative of external audit will have free and confidential access to the Chair of the Committee and vice versa. It is expected, however, that exercise of this right will be on an exceptional basis.

The Chair should take the lead in ensuring that committee members are provided with appropriate appraisal of their performance as a committee member and that training needs are identified and addressed. The Chair should seek appraisal of their performance from the Accountable Officer.

The Chair should ensure that there is a periodic review of the overall effectiveness of the Committee and of its Terms of Reference.

Escalation and Reporting

The Committee is authorised by the Accountable Officer to undertake any activity within this Terms of Reference. However, it does not have any executive responsibilities nor is it charged with making or endorsing any decision, although it may draw attention to strengths and weaknesses in control and make recommendations for how weaknesses should be addressed. The overarching purpose of the Committee is to advise the Accountable Officer. It is then for the Accountable Officer to take the relevant decisions.

If a member fundamentally disagrees with a decision taken by the Committee, they have the option of recording their disagreement in the minutes. However, ultimately, members should accept and support the collective decision of the Committee. Members will not undermine Committee decisions or distance themselves outside of Committee Meetings.

Where a disagreement between the Audit and Assurance Committee and Social Security Scotland executives cannot be resolved, or where the Committee has specific concerns about the manner in which the organisation is managed these concerns will be recorded in the minutes and brought to the attention of the Executive Advisory Body and Accountable Officer. The Executive Advisory Body may, in turn, escalate issues to Social Security Scotland's Portfolio Sponsor.

The Director General (Portfolio Accountable Officer) reserves the right to have appropriate representatives (e.g. internal audit) undertake any work required to provide independent assurance of Social Security Scotland's management and control if he or she considers it necessary.

Social Security Scotland is subject to external audit by the Auditor General for Scotland (AGS) or by auditors appointed by the AGS. Following audit, the final accounts will be presented to the Committee to advise the Accountable Officer on signing these and the governance statement.

Meeting Frequency and Operating Arrangements

The procedures for meetings are:

- The Committee will meet at least four times per year; however, the Chair of the Committee may convene additional meetings, as he/she deems necessary;
- The Committee may also meet, in private, with auditors immediately prior to, or after, a Committee meeting;
- The Chair and Accountable Officer should be advised before the meeting of any non-attendance of members;
- Papers for the Committee meetings will be circulated to members and attending officials five working days ahead of the meeting date;
- A minimum of two members of the Committee will be present for the meeting to be deemed quorate;

Details of the yearly core work programme of the Committee can be found in Annex B. It is not exhaustive or in any way restrictive, additional issues can be considered with the agreement of the Chair.

Information Requirements

Information management arrangements include the numbering and storage of all papers within the Audit and Assurance Committee Objective file; the use of an agenda template, minute template, and covering paper template; and an action point tracker.

In order to provide the secretariat with sufficient time to prepare the agenda for the Chair's approval, agenda items and accompanying papers will be submitted at least five working days in advance of the meeting. Documents received after the five day deadline will only be accepted with the approval of the Chair.

The secretariat will check all the submitted papers for formatting etc. before distributing these to members, providing members with sufficient time to read and digest the information provided. In line with Social Security Scotland’s policy on proactive publication the agenda,

minutes, action tracker and papers from all meetings will be published on the organisation's website. Generally, the Committee will be provided with:

- A report summarising any significant changes to the Risk Register;
- Update reports both on Finance and Fraud and Error Resolution;
- A progress report from the Scottish Government internal audit detailing:
    - Work performed and a comparison with work planned;
    - Key issues emerging from internal audit work;
    - Management response to audit recommendations;
    - Any significant changes to the audit plan; and
    - Any resourcing issues affecting the delivery of internal audit objectives.
- A progress report from External Audit summarising the work done and emerging findings.

As and when appropriate, the Committee will also be provided with:

- Business update reports from the Accountable Officer;
- The Charter/Terms of Reference of the Internal Audit Directorate;
- The Internal Audit Strategy of the Scottish Government;
- The Annual Internal Audit Plan
- The Scottish Governments Head of Internal Audit Annual Opinion and Report;
- Quality assurance reports on the internal audit function;
- The draft Annual Report and Accounts;
- The draft Governance Statement to review;
- A report on any changes to accounting policies;
- External Audit's management letter/report;
- A report on any proposals to tender for audit functions;
- An update on co-operation between Internal and External Audit;
- A report on the Counter Fraud and Bribery arrangements and performance;
- Reports from other sources within the "three lines of assurance" integrated assurance framework.

Review and Assessment of the Committee's Performance

Members and the Accountable Officer will be responsible for reviewing the operating arrangements and effectiveness of the Committee on an annual basis.

Date December 2025
These Terms of Reference were reviewed and agreed in March 2026

Annex A

Key Lines of Enquiry for Audit and Assurance Committee Members

This list of questions is not intended to be exhaustive or restrictive nor should it be treated as a tick list substituting for detailed consideration of the issues it raises. Rather it is intended to act as a 'prompt' to help the Committee ensure that their work is comprehensive.

On the strategic processes for risk, control and governance, how do we know:

- That the risk management culture is appropriate?
- That there is a comprehensive process for identifying and evaluating risk, and for deciding what levels of risk are tolerable?
- That the risk register is an accurate reflection of the risks facing the organisation?
- That appropriate ownership of risk is in place?
- That management has an appropriate view of how effective internal control is?
  That risk management is carried out in a way that really benefits the organisation or is it treated as a box ticking exercise?
- That the organisation as a whole is aware of the importance of risk management and of the risk priorities?
- That the system of internal control will provide indicators of things going wrong?
- That the Accountable Officer's annual governance statement is meaningful, and what evidence underpins it?
- That the governance statement appropriately discloses action to deal with material problems?
- That the organisation is appropriately considering the results of the effectiveness review underpinning the governance statement?

On risk management processes, how do we know:

- How senior management (and Ministers where appropriate) support and promote risk management?

- How well are people equipped and supported to manage risk well?
- That there is a clear risk strategy and policies?
- That the organisation's risk appetite has been articulated?
- That there are effective arrangements for managing risks with partners?
- That the processes incorporate effective risk management?
- If risks are handled well?
- If strategic risks have changed significantly?
- If 'bubbling under' risks exist?
- If Risk focus is wide enough?
- If external and emerging risks are considered?
- If 'financial' risks and 'non-financial' risks are reviewed?
- If risk management contributes to achieving outcomes?
- That management are regularly reviewing top risks?

On the planned activity and results of both internal and external audit, how do we know:

- That the internal audit strategy is appropriate for delivery of a positive reasonable assurance on the entirety of risk, control and governance?
- That the internal audit plan will achieve the objectives of the internal audit strategy and, in particular, is it adequate to facilitate a positive, reasonable assurance on the key risks facing the organisation?
- That internal audit has appropriate resources, including skills, to deliver its objectives?
- That internal audit takes appropriate account of other assurance activity, especially in the first and second line (and that this assurance is understood and owned by management).
- That internal audit recommendations have been agreed by management are timeously implemented?
- That any issues arising from line management not accepting Internal Audit recommendations are appropriately escalated for consideration?

- That the quality of internal audit work is adequate? What does application of the internal audit quality assessment process tell us about the quality of the internal audit service?
- That there is appropriate co-operation between the internal and external auditors?
- The Accountable Officer and Board have taken all necessary steps to make themselves aware of any relevant information and that auditors are aware of that information?

A more detailed tool for evaluation of the quality of the Internal Audit service is the "Internal Audit Quality Assessment Framework" produced by HM Treasury.

On the accounting policies, the accounts, and the annual report of Social Security Scotland, how do we know:

- How effective and accurate budgeting and in-year forecasting is?
- If the finance function is delivering on its commitments?
- That the accounting policies in place comply with relevant requirements, particularly the His Majesty's Treasury Financial Reporting Manual?
- There has been due process in preparing the accounts and annual report and is that process robust?
- That the accounts and annual report have been subjected to sufficient review by management, the Accountable Officer and the Executive Advisory Body.
- That when new or novel accounting issues arise, appropriate advice on accounting treatment is secured?
- That there is an appropriate anti-fraud policy in place and losses are suitably recorded?
- That suitable processes are in place to ensure accurate financial records are kept?
- That suitable processes are in place to ensure fraud is guarded against and regularity and propriety is achieved?
- That financial control, including the structure of delegations, enables the organisation to achieve its objectives with good value for money?
- If there are any issues likely to lead to qualification of the accounts?
- If the accounts have been qualified?
- That issues raised by the External Auditors are given appropriate attention?

On the adequacy of management response to issues identified by audit activity, how do we know:

- That the implementation of recommendations is monitored and followed up?
- That there are suitable resolution procedures in place for cases when management reject audit recommendations which the auditors stand by as being important?

On assurances relating to the corporate governance requirements for the organisation, how do we know:

- Corporate governance arrangements operate effectively and are clear to the whole organisation?
- The Accountable Officer's Governance Statement is meaningful, and that robust evidence underpins it?
- The Governance Statement appropriately discloses action to deal with material problems?
- The Executive Advisory Body/Executive is appropriately considering the results of the effectiveness review underpinning the annual Governance Statement?
- The range of assurances available is sufficient to facilitate the drafting of a meaningful annual Governance Statement?
- Those producing the assurances understand fully the scope of the assurance they are being asked to provide, and the purpose to which it will be put?
  Effective mechanisms are in place to ensure that assurances are reliable and adequately evidenced?
- Assurances are 'positively' stated i.e. premised on sufficient relevant evidence to support them)?
- The assurances draw appropriate attention to material weaknesses or losses which should be addressed?
- The annual Governance Statement realistically reflects the assurances on which it is premised?

On the work of the Committee itself, how do we know:

- That we are being effective in achieving our terms of reference and adding value to corporate governance and control systems of the organisation?
- That we have the appropriate skills mix?
- That we have an appropriate level of understanding of the purpose and work of the Agency?
- That we understand all of the sources of assurance available to the organisation?
- That we have sufficient time to give proper consideration to our business?
- That our individual members are avoiding any conflict of interest?
- That we are avoiding "group think"
- What impact we are having on an organisation?

Annex B

Meeting Cycle and Draft Work Programme

The following is standard business that will be considered at all Committee meetings. Following this is an outline of what is expected at other meetings throughout the Committee year.

Agenda points at every meeting:

- Conflicts of interest.
- Review of performance in relation to risk management (including updated Risk Register).
- Review of performance in relation to Fraud and Error Resolution .
- Consider any reports from Internal Audit, Audit Scotland and management responses.
- Consider financial reports, including relevant information about financial performance and achievement of financial targets.
- Consider any reports from other sources within the "three lines of assurance" integrated assurance framework.

February Meeting

- Review the Internal Audit plan for the coming financial year and an Internal Audit Directorate Update.
- Consider Audit Scotland Audit Plans for the coming financial year.
- A risk management update from the Social Security Scotland Risk Team.
- An audit recommendations update provided by the Corporate Assurance Team.
- Undertake the Audit and Assurance Committee annual review of a self-assessment of performance.
- An update from the Social Security Scotland Finance Team.
- A quarterly update from the Social Security Scotland Fraud and Error Resolution team.

May Meeting

- Consider Audit Scotland's financial year update.
- Consider the Internal Audit Annual Assurance opinion and an Internal Audit Directorate update.
- Consider the Social Security Scotland Fraud and Error Resolution Annual Report.
- Consider the annual update on Register of Compliance Obligations.
- An audit recommendations update provided by the Corporate Assurance Team.
- An update from the Social Security Scotland Finance Team.
- A risk management update from the Social Security Scotland Risk Team.
- Consider the draft Audit and Assurance Committee Annual Report to the Executive Advisory Body and Accountable Officer.
- Review draft governance statement. (This may be actioned by correspondence).

August Meeting

- A risk management update from the Social Security Scotland Risk Team.
- Consider a financial year update from the Social Security Scotland Finance Team.
- Consider the Social Security Scotland Fraud and Error Resolution Annual Report .
- An update from the Internal Audit Directorate.
- An audit recommendations update provided by the Corporate Assurance Team.
- Review the efficiency of both internal and external audit.
- Consider a progress update for the Audit Scotland Annual Audit Report.
- Consider a draft of the Audit and Assurance Committee Annual Report.
- Review Business Resilience arrangements and progress.
- Consider a progress update for the Social Security Scotland Annual Report and Accounts.

October Meeting

- A pre-meeting involving Internal Audit, Audit Scotland and the Non-Executive Directors.

- Advise the Accountable Office on signing Social Security Scotland Annual Reports and Accounts.
- Consider the Audit Scotland Annual Audit Report and Independent Auditors Report.
- Accept the Audit and Assurance Committee Annual Report.

November Meeting

- Consider the assessment of External Audit.
- Review the Committee's Terms of Reference.
- An update from the Internal Audit Directorate.
- An update from the Social Security Scotland Finance Team.
- A risk management update from the Social Security Scotland Risk Team.
- A quarterly update from the Social Security Scotland Fraud and Error Resolution team.
- An audit recommendations update provided by the Corporate Assurance Team.
- Consider an annual data protection update to be provided.

Version Control

Version 1	Amendment to Committee Members	10th Nov 2022
	Amendment to Quorate	10th Nov 2022
	Amendment to Audit Scotland Representative	10th Nov 2022
	Alignment of Calendar of Business	10th Nov 2022
	Addition of Version control	10th Nov 2022
Version 2	Amendment to Social Security Scotland, Internal Audit and Audit Scotland Representative	1st November 2023
	Amendments to Organisational Strategy and Performance division name, previously Strategy, Change, Data and Engagement.	1st November 2023
	Amendments to “the accounting policies, the accounts, and the annual report of Social Security Scotland, how do we know “section	1st November 2023

Version 3	Page 4 - names of staff have been replaced with job titles.	November 2024
	Page 5 – Text added for minuting approval process.	November 2024
	Page 11 – Text reworded to “An update on co-operation between Internal and External Audit”	November 2024
	Page 18 - Audit Scotland update has been reworded to "Audit Scotland’s financial year update".	November 2024
	Page 18 - Wording updated to "Consider the draft Audit and Assurance Committee Annual Report to the Executive Advisory Body and Accountable Officer."	November 2024
	Page 18 - wording updated to "Consider an progress update for the Audit Scotland annual audit report."	November 2024
	Page 18 - Business Resilience update has been moved from May to August. This was a request from Business Resilience.	November 2024
	Page 18 - added "Consider a progress update for the Social Security Scotland Annual Report and Accounts."	November 2024
	Page 19 - added "Consider an annual data protection update to be provided."	November 2024
Version 4	Amendment to Committee members	October 2025
	Page 6 – added Consideration of Data Protection Report outputs	October 2025
	Page 11 – Text reworded to Reports from other sources within the "three lines of assurance" integrated assurance framework.	October 2025
	Page 11 – wording updated to Members and the Accountable Officer will be responsible for reviewing the operating arrangements and effectiveness of the Committee on an annual basis.	October 2025
Version 5	Page 4 – Amendment to Non-Executive Members.	March 2026
Version 6	Page 4 – Amendment to Audit Scotland member.	April 2026

Version 7	Page 4 – Amended to Acting Deputy Director, Finance and Corporate Service	August 2026