

# Social Security Scotland

Management report 2019/20



 AUDIT SCOTLAND

Prepared for Social Security Scotland

July 2020

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# Audit findings

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## Introduction

**1.** This report contains a summary of the key issues identified during the interim audit work carried out at Social Security Scotland (the agency). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We will use the results of this testing to inform our audit approach for the 2019/20 financial statements.

**2.** Our responsibilities under the Code of Audit Practice require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

**3.** Scotland's public services are under exceptional pressure due to the COVID-19 pandemic. Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We have issued a paper, [COVID-19 What it means for public audit in Scotland](#), setting out the principles of Audit Scotland's approach to our financial and performance audit programmes. It also outlines our plans for assessing the impact of COVID-19 on public bodies and reviewing the Scottish public sector's response to the pandemic.

## Conclusion

**4.** We identified four control weaknesses as summarised in [Exhibit 1](#). We will complete additional substantive procedures in these areas to enable us to obtain the required assurances for our audit of the 2019/20 financial statements.

## Work summary

**5.** Our 2019/20 testing covered key controls in a number of areas including bank reconciliations, payroll validation, and Social Programme Management (SPM) system access controls. Additionally we designed our testing to focus on the key controls operating for each of the benefit streams processed by the agency and considered the adequacy of budget monitoring arrangements.

**6.** In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk-based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

**7.** The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

## Benefits in payment during 2019/20

**8.** Three benefits were introduced in 2018/19 (Carer's Allowance, Carer's Allowance Supplement, Best Start Grant Pregnancy and Baby). During 2019/20 an additional four benefits were introduced (Best Start Grant Early Learning, Best Start Grant School Age, Young Carer Grant and Funeral Support Payment). It is worth noting that although Best Start Foods is administered by the agency it is part of the Health budget and therefore will not be part of the agency financial statements.

**9.** A summary of each of the benefits is outlined below:

- Carer's Allowance - delivered by the Department for Work and Pensions (DWP) on behalf of the agency via an agency agreement. There is no change to how this benefit is delivered in Scotland to the rest of the UK.
- Carer's Allowance Supplement - A top-up benefit, delivered by the agency, which is available to all Scottish residents that are in receipt of Carer's Allowance. It is paid out bi-annually.
- Best Start Grant Pregnancy and Baby - A new benefit delivered directly by the agency and it takes over from the UK Sure Start Maternity Grant.
- Best Start Grant Early Learning – A new benefit for Scotland that is delivered directly by the agency. It is a payment of £250 to cover the costs of early learning for children between 2 and 3½ years old.
- Best Start Grant School Age – A new benefit for Scotland that is delivered directly by the agency. It is a payment of £250 to cover the costs of getting children prepared for school. It applies to children who are of age to start Primary 1.
- Young Carer Grant – A new benefit for Scotland that is delivered directly by the agency. It is an annual payment of £305.10 to young carers in Scotland. To qualify you must be between the ages of 16 and 18 and caring for at least one individual for an average of 16 hours per week, lasting for at least three months.
- Funeral Support Payment - This replaces the funeral expenses payment that is in place in the rest of the UK. It is delivered directly by the agency and is a payment that helps towards the costs of a funeral. In order to qualify for the payment you must be in receipt of certain benefits.

## Risks identified

**10.** The key control risks identified during the interim audit are detailed in [Exhibit 1](#). We will adapt our audit approach to ensure we have sufficient assurances for our audit of the 2019/20 financial statements.

**11.** Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to the agency.

## Exhibit 1

### Key findings and action plan 2019/20

Issue identified	Management response	Additional audit procedures
<b>Payroll Exception Reporting</b>	<p>Exception reports are produced by the finance directorate within the agency, however there is currently no evidence of the review completed by the finance team.</p> <p><b>There is a risk that payroll exceptions are not being fully investigated resulting in errors not being addressed.</b></p>	<p>Pay costs by employee are recorded on a spreadsheet by Finance and compared with previous months and highlighted where there is a difference. This then forms a query to People Services to check with Scottish Government HR. All this information is retained and so we have the evidence and so do not believe that this risk exists. We are looking to revise this spreadsheet and will incorporate a section to show that the queries have been sent to People Services.</p> <p>Stephanie Glavin December 2020</p>
<b>Best Start Grant Bank Reconciliations</b>	<p>Reconciliations in relation to the bank accounts associated with payment of Best Start Grant benefits, are completed by the Department for Work and Pensions (DWP), and then checked by staff within the agency, and further verified against the trial balance. However, the checks that are completed are not always evidenced.</p> <p>This process should be updated to ensure that all checks by the finance staff within the agency are recorded.</p> <p><b>There is a risk that appropriate action is not being taken to address errors or irregularities identified in the checks completed by agency staff.</b></p>	<p>Agreed.</p> <p>Stephanie Glavin Corporate Finance Lead December 2020</p>
<b>Funeral Support Payment weekly checks not evidenced</b>	<p>A weekly check of 10% of Funeral Support Payments is completed to ensure that they have been properly processed and approved. Although a spreadsheet of the checks is retained there is no sign off on the spreadsheet or on the system to indicate clearance / approval.</p> <p><b>There is a risk that the checks are not completed timely if there is no official sign off.</b></p>	<p>This is completed by a Performance Manager and we will record this in future.</p> <p>Michelle Rumgay Funeral Support Payments Lead September 2020</p>

Issue identified	Management response	Additional audit procedures
<p><b>Funeral Support Payment check to Searchlight</b></p> <p>The funeral support payment client details are checked to the Searchlight system, which is a system used by the DWP. The details completed by the client are then agreed to this to ensure that the correct address has been supplied, and it is verified to supporting documentation.</p> <p>In one case we found that the check to searchlight found that the Funeral Support Payment had been sent to the previous address of the client and not the current address.</p>	<p>We incorporate into our training and one to one's with staff the importance of getting things correct first time and the impact if it isn't done.</p> <p>Michelle Rumgay Funeral Support Payments Lead</p>	<p>As part of our substantive testing, we will have a focus on funeral support payments to ensure that they are accurate and complete.</p>
<p><b>There is a risk that the address and residency of the claimant is not being fully checked and that a claim could be paid to the wrong address, or to a non-Scottish Address.</b></p>		

Source: Audit Scotland

- 12.** All our outputs and any matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Impact and response to COVID-19

**13.** Scotland's public services are under exceptional pressure due to the COVID-19 pandemic. With 95 per cent of agency staff working from home, including client advisors, it is recognised that some controls will not now be operating as originally envisaged. We are aware that mitigating controls , such as additional spot checks by team leaders have been introduced and we will consider these as part of our 2020/21 audit approach.

**14.** With Audit Scotland and agency staff working from home we are having to adapt our "normal" audit approach and are working together to develop new ways of auditing remotely. We have established that, as a starting point, SharePoint will be an effective way of obtaining audit evidence and we appreciate the support from agency staff on agreeing these arrangements.

# Social Security Scotland

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