Social Security Scotland

2021/22 Annual Audit Report

AUDIT SCOTLAND

Prepared for Social Security Scotland and the Auditor General for Scotland

October 2022

Contents

Key messages

2021/22 annual report and accounts

1 We qualified our opinion on the regularity of expenditure and income because estimated overpayments in the benefits delivered by the Department for Work and Pensions through agency agreements were material at £67.5 million. This expenditure was not incurred in accordance with the applicable enactments.

2 All other audit opinions are unmodified.

3 Social Security Scotland must develop its understanding of the level of fraud and error within the range of benefits being delivered.

Financial management and sustainability

4 Systems of internal control are operating effectively but Social Security Scotland should continue to work with the programme to develop the Social Programme Management system to ensure it remains fit for purpose.

5 The 2022/23 budget was set at £4.2 billion and there is recognition of the level of uncertainty within the forecasted benefit streams which are demand led.

6 Robust longer-term strategic plans are in place to support the delivery of the Scottish social security system.

7 The financial challenge going forward is significant as annual benefit expenditure is forecast to be considerably higher than the funding received by 2026/27. Demonstrating the impact of this financial investment will be vital.

Governance, transparency and value for money

8 Governance arrangements are appropriate and continue to develop.

9 An action plan to respond to the recommendations in our performance audit report is being prepared and progress will be monitored by the Audit and Assurance Committee.

10 Performance monitoring arrangements must be further developed to support robust decision making and provide more meaningful analysis over time to demonstrate the achievement of value for money.

Introduction

1. This report summarises the findings from our 2021/22 audit of Social Security Scotland. The scope of our audit was set out in our Annual Audit Plan issued to management and the Audit and Assurance Committee in March 2022. This report comprises the findings from our audit of Social Security Scotland's annual report and accounts and consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016.

2. The main elements of our audit work in 2021/22 have been:

- an audit of Social Security Scotland's 2021/22 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of the key financial systems
- consideration of the four audit dimensions.

Adding value through the audit

3. We add value to Social Security Scotland through the audit by:

- identifying and providing insight on significant risks and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports (Appendix 2) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

4. The Accountable Officer of Social Security Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers.

5. The Accountable Officer of Social Security Scotland is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice 2016, and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts.

7. Additionally, we conclude on the financial position and arrangements for securing financial sustainability, the suitability and effectiveness of corporate governance arrangements and the appropriateness and effectiveness of the performance management arrangements. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016.

8. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. Our annual audit report contains an agreed action plan at Appendix 1 setting out recommendations, responsible officers, and dates for implementation. It also includes actions from last year and progress that has been made.

Arrangement for the delivery of benefits

10. Social Security Scotland is an executive agency of the Scottish Government. The Scottish Government set up a social security programme (the programme), within its social security directorate, to manage the implementation of the devolved benefits.

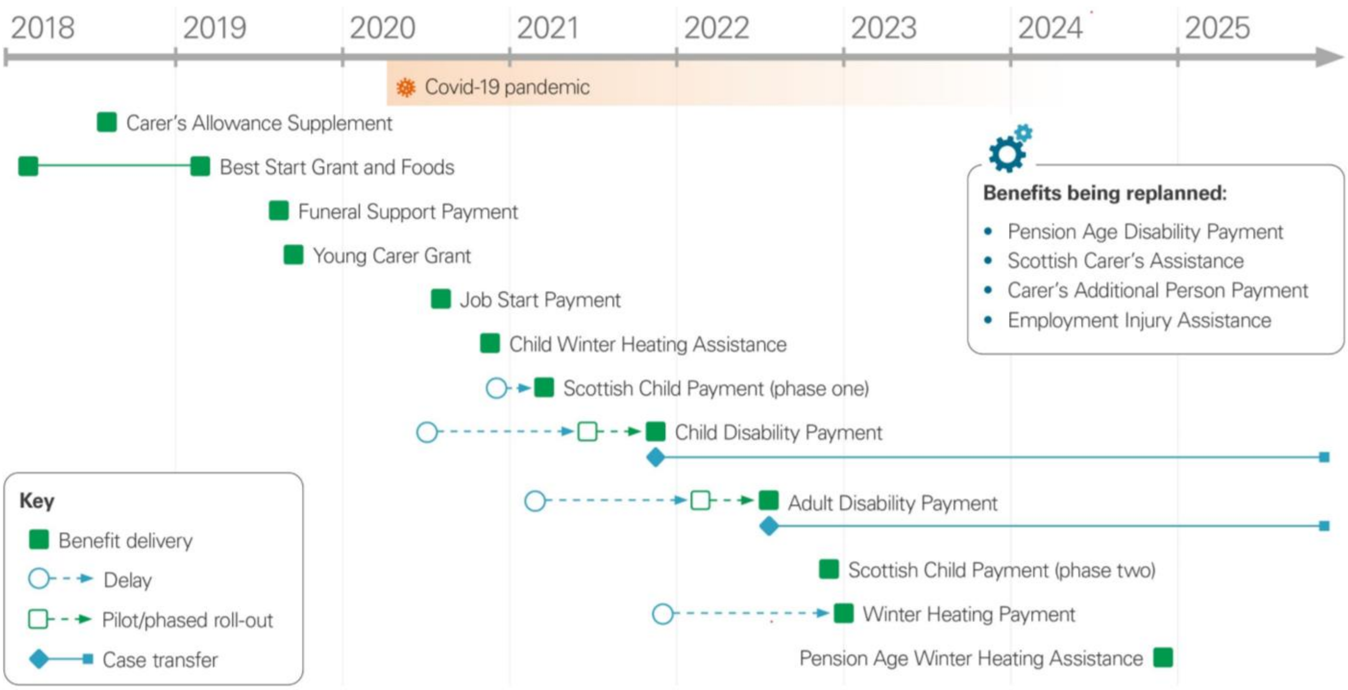
11. The programme is responsible for designing and implementing benefits and the supporting systems and processes needed to administer them. Social Security Scotland depends on the programme for the processes and digital systems it needs to deliver the Scottish social security system in the way intended by the Scottish Government. As the systems transition to Social Security Scotland the investment in future development will be its responsibility. This will include the technical debt that will need to be serviced in future.

12. Legislative competency for the powers was devolved through the Scotland Act 2016, allowing the Scottish Government to develop the necessary legislation. The Scottish and UK Governments agreed a phased approach to the devolution of the social security powers to support a safe and secure transition.

13. Executive competence, the point where administrative responsibility and financial accountability transfers to Social Security Scotland, for all benefits transferred by 1 April 2020.

14. Exhibit 1 sets out the benefits delivered so far and commitments for delivery of the remaining benefits.

Exhibit 1
The timeline for delivering benefits



Note: Executive competence for Severe Disablement Allowance was transferred to the Scottish Government in April 2020. This will still be administered by DWP. Scottish Child Payment (phase 1) opened for applications in November 2020, ahead of the benefit starting on 15 February 2021.

Source: Audit Scotland using information from the Scottish Government

Auditor Independence

15. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice 2016 and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

16. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2021/22 audit fee of £412,620 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

17. This report is addressed to both Social Security Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

18. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance.

Audit appointment from 2022/23

19. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

20. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23, Audit Scotland will continue to be the appointed auditor for Social Security Scotland. We have already factored this in to the current year resourcing to ensure a smooth transition.

21. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

We qualified our opinion on the regularity of expenditure and income because estimated overpayments in the benefits delivered by the Department for Work and Pensions (DWP) through agency agreements were material at £67.5 million. This expenditure was not incurred in accordance with the applicable enactments.

All other audit opinions are unmodified.

Social Security Scotland must develop its understanding of the level of fraud and error within the range of benefits being delivered.

We qualified our audit opinion on the regularity of benefit expenditure

22. The annual report and accounts for the year ended 31 March 2022 were approved by the Accountable Officer on 20 October 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared

23. We qualified our opinion on the regularity of benefit expenditure delivered by the DWP totalling £3.321 billion as we consider the estimated level of overpayments attributable to fraud and error of £67.5 million to be material to our opinion on the accounts (paragraph 27).

- all other expenditure and income was applied in accordance with applicable enactments and guidance issued by Scottish Ministers
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

24. There is an inherent risk of fraud and error in any social security system that is driven by individuals' entitlement to benefits. The system is complex and can be difficult to navigate as each benefit has its own individual regulations and assessment criteria.

25. The 2021/22 accounts of Social Security Scotland include benefit expenditure of £3.321 billion delivered by the DWP through agency agreements. Due to these delivery arrangements, Social Security Scotland cannot directly assess the levels of fraud and error in these benefits and is instead reliant on the DWP's annually published estimates.

26. Attendance allowance is the only devolved benefit that was reviewed in 2021/22. All other rates have been rolled forward from 2020/21 or updated to reflect the revised proxy. We have reviewed these rates and concluded that they are relevant and appropriate for the Scottish benefits paid in 2021/22. Exhibit 2 outlines the estimated overpayment rates for the benefits that are delivered by the DWP, ranging from 1.5 to 5.2 per cent of expenditure.

Exhibit 2

Estimated levels of fraud and error overpayments in benefits delivered by the DWP

Benefit	Expenditure 2021/22	Overpayments estimate % (last reviewed)	Monetary value of overpayments
Personal Independence Payment (PIP)	£1,738.9m	1.5% (2019/20)	£26.1m
Disability Living Allowance (DLA)	£686.1m	1.9% (2004/05)	£13.0m
Attendance Allowance	£515.4m	2.2% (2021/22)	£11.3m
Carer’s Allowance	£293.6m	5.2% (2019/20)	£15.3m
Industrial Injuries Disablement Scheme	£80.2m	1.9% (Never – DLA proxy)	£1.5m
Severe Disablement Allowance	£6.6m	4.0% (ESA[1] proxy)	£0.3m
Total	**£3,320.8m**	**1.5% - 5.2%**	**£67.5m**

1. Employment Support Allowance

Source: Audit Scotland using information from Fraud and error in the benefits system: financial year 2021 to 2022 estimates

27. The benefits delivered by the DWP continue to be regulated by UK legislation, whereby a person is entitled to the benefit if they meet the eligibility criteria. Any payment made to a person who is not entitled to it, does not comply with the legislation.

28. We have qualified our regularity opinion as the estimated level of overpayments attributable to fraud and error in the benefits delivered by the DWP of £67.5 million is material. The expenditure resulting from such overpayments was not incurred in accordance with the relevant legislation and regulations.

29. The same regularity issue does not affect the benefits administered by Social Security Scotland. This is due to the different legislation which applies to these benefits which requires Social Security Scotland to make a payment where it has determined someone is eligible. Any payment in line with a determination complies with the legislation, irrespective of whether this has been based on incorrect or fraudulent information.

We agreed an extension to the audit timetable due to delays in the preparation of the performance report

30. Submission dates for the audited annual report and accounts in the previous two years were deferred due to the impact of Covid-19. For 2021/22, the target submission date for the audited annual report and accounts was brought forward with a target sign off date of 22 September 2022. Due to delays in the preparation of the performance report we agreed to a request to extend the sign off date to 20 October 2022.

31. The unaudited financial statements and part of the annual report was received in line with our agreed audit timetable on 27 June 2022. The working papers provided to support the financial statements were of a good standard and the support received by the audit team from finance staff helped ensure that the audit of the financial statements ran smoothly.

32. We had pre-agreed a four week extension to the submission of the performance report that forms part of the annual report. However, we did not receive it until six weeks after the original target submission date. A number of amendments were required to the performance report following our audit. Management made the required changes and the final version of the performance report met the requirements of the Government Financial Reporting Manual (FReM) (Exhibit 4, item 2).

Overall materiality was unchanged from planning at £38 million

33. Our initial assessment of materiality was carried out during the planning phase of the audit. On receipt of the unaudited annual report and accounts we reviewed our planning materiality levels and concluded that they remained appropriate as summarised in Exhibit 3.

Exhibit 3
Materiality values

Materiality level	Amount
Overall materiality	£38 million
Performance materiality	£23 million
Reporting threshold	£100,000

Source: Audit Scotland

We have significant findings to report on the annual report and accounts

34. Our audit approach for the 2021/22 financial statements included consideration of an audited financial summary prepared by the DWP. The financial statements captured all the transactions and balances for the benefit streams delivered by the DWP, on behalf of Social Security Scotland, during 2021/22.

35. We noted one adjustment was made to the financial summary as part of the audit process to correct a £71.1 million overstatement of the devolved benefit accruals. Due to the way the DWP payment system works the opening balance for accruals is not reversed automatically at the start of the financial year. This was adjusted in the audited financial summary leading to a £71.1 million reduction in benefit expenditure and an equivalent reduction in the benefit accrual.

36. Social Security Scotland identified this error prior to submitting the unaudited financial statements and reversed the accrual. However, following audit it was agreed that the other side of this adjustment should have been credited to benefit expenditure as opposed to funding. This audit adjustment to the unaudited accounts is detailed in Exhibit 4, item 3.

37. In addition to the above adjustment we note that there are two unadjusted misstatements within the financial summary:

- An estimate of omitted, pending and potential debt within the financial summary of £1.795 million. This is debt that has yet to be referred to Debt Management due to errors by referral staff, debt that is in the process of referral, or a situation where information has been received by DWP but a referral to Debt Management has not been confirmed. The accounting policies state that Social Security Scotland does not account for omitted, pending or potential debt and therefore there is no impact on the audited financial statements.

- The methodology used to estimate the impairment applied to the overpayment debt of each benefit is calculated based on historic trends. The current methodology used to estimate this value for Personal Independence Payment is not accurate as the benefit is younger than 15 years and so does not have the full 15 years of data required by the model. The National Audit Office estimates that the impairment reported is overstated by £838,000. This has not been adjusted on the grounds of materiality.

38. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. These are summarised in Exhibit 4.

Exhibit 4
Significant findings from the audit of financial statements in accordance with ISA 260

Issue	Resolution
1. Underlying fraud and error – benefits delivered by the DWP The 2021/22 financial statements include benefit expenditure of £3.3 billion delivered by the DWP under agency agreements with Scottish Ministers. As disclosed in Note 17 of the financial statements there are estimated overpayments of £67.5 million paid to Scottish residents. This is based on estimates by the DWP that overpayments, as a result of fraud and error in relation to each type of benefit, range between 1.5% and 5.2%. Overpayment as a result of fraud and error means the expenditure was not incurred in accordance with legislation specifying benefit entitlement.	We consider this level of overpayments to be material and have qualified our regularity opinion.
2. Performance report We received the performance report two weeks after the revised submission date, six weeks after the start of the financial statements audit. Several changes were required to the performance report to bring it in line with the disclosure requirements of the Government Financial Reporting Manual (FReM). Key areas omitted from the original version were the performance summary and principal risks. This put additional pressure on Social Security Scotland staff and the audit team. To accommodate this we agreed an extension to the audit timetable.	We worked with Social Security Scotland to ensure the performance report met the requirements of the FReM. Social Security Scotland should review and refine its year end preparation process for the delivery of the performance report. Project management principles should be applied to ensure it can be delivered within agreed timescales and to the appropriate standards. **Recommendation 1** (Appendix 1, action plan)

Issue	Resolution
3. Audit adjustment for reversal of prior year accruals During the preparation of the unaudited financial statements finance staff identified that the prior year accrual of DWP administered benefits of £71.1 million had not been reversed. Finance staff had made an adjustment within the unaudited accounts to reverse all prior year benefit accruals which total £72.2 million, including those administered by DWP. However, following audit it was agreed that the other side of this adjustment should have been credited to benefit expenditure as opposed to funding.	The financial statements have been adjusted. The impact of this is a reduction in total benefit expenditure of £72.2 million and an equivalent decrease in funding. There is no impact on the accruals balance or the general fund.
4. Non-current asset misclassification Our audit testing identified £2.4 million of assets under construction that had been incorrectly classified as information technology or leasehold improvements. We also identified that £5.6 milion of leasehold improvements had been incorrectly classified as buildings. This capital expenditure related to office improvements on existing operating leases and should have been classified as leasehold improvements. Indexation was incorrectly applied to these assets. We carried out further audit testing to obtain additional assurance over the classification of non-current assets and no further errors were noted.	The financial statements have been adjusted. The impact of this is a decrease in the value of property, plant and equipment of £0.1 million and a corresponding decrease on the revaluation reserve.

Source: Audit Scotland

Identified misstatements of £72.3 million were adjusted

39. As detailed at Exhibit 4 we identified classification misstatements within property, plant and equipment of £8 million. This resulted in a decrease in the value of property, plant and equipment of £0.1 million with a corresponding decrease in the revaluation reserve. Our audit testing was extended to obtain assurance over the remaining balance. We also reported a £72.2 million misstatement relating to prior year accruals balances. Due to the nature of this error we concluded that the error was isolated and no changes were required to our audit approach. The impact of this is a decrease in net expenditure of £72.2 million and an equivalent decrease in funding from Scottish Government. The overall impact on the general fund balance is nil.

40. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. As outlined at (paragraph 37) the accounts have not been adjusted to reflect the estimated overstatement of £838,000 in the impairment for Personal Independence Payment. We recognise that the reported error is an estimate and is significantly below our materiality level of £38 million.

We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements

41. Exhibit 5 sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 5
Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
Risk of material misstatement due to fraud caused by the management override of controls International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. Management is in a unique position to perpetrate fraud because of the ability to override controls that otherwise appear to be operating effectively.	Assess the design and implementation of controls over journal entries. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity. Test journals at the year-end and focus on significant risk areas. Evaluate significant transactions outside the normal course of business. Assess any changes to the methods and assumptions used in accounting estimates.	We undertook planned procedures and found that: • the authorisation control over journal entries operated effectively • management were not aware of inappropriate or unusual activity • no issues were identified from detailed testing of journal entries • the methodology used in preparing accounting estimates is reasonable and consistent with the previous year. **Conclusion:** We did not identify any instances of management override of controls.

Audit risk	Assurance procedure	Results and conclusions
Risk of material misstatement caused by fraud in benefit expenditure Practice Note 10 extends the requirements of ISA 240 to include consideration of fraud in expenditure for public bodies. For Social Security Scotland this is a significant and extensive risk given the underlying legislation for the benefit streams which gives rise to regularity issues for the £3.3 billion expenditure administered by the DWP. The complexity of social security systems, inter-relationships between devolved and delegated assistance and the volume of payments means there is an inherent risk of error and fraud.	Assess the audited financial summary prepared by the DWP. Completion of 'agreed upon procedures' by the National Audit Office (NAO) on our behalf. Review the DWP published estimates for error and fraud levels and consider appropriateness for Social Security Scotland.	We undertook planned procedures and found that: • the audited financial summary confirms the benefit expenditure that the fraud and error rates have been applied to in reaching the estimated value of overpayments • the NAO report of factual findings confirms the reliability of the fraud and error rates • the DWP fraud and error rates for 2021/22 indicate overpayments of £67.5m. **Conclusion:** We have qualified our regularity opinion for benefit expenditure delivered by the DWP.

Source: Audit Scotland

Other areas of audit focus

42. We identified in our 2021/22 Annual Audit Plan another area where we considered there to be a risk of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider this to represent a significant risk. The area of specific audit focus was:

- Fraud and error in benefits administered by Social Security Scotland: these arrangements are still in development and are critical in the assessment of the extent of fraud and error that exists within these benefit streams.

43. We held discussions with the Head of Fraud and Error Resolution and the Head Statistician from Analysis and Insights to determine how the plans to develop an estimate of the level of fraud and error within benefits administered by Social Security Scotland have progressed. This work is still in the early stages and policy needs to be developed to move this forward. The Analysis and Insights Team has engaged with the DWP and the Northern Ireland Statistics and Research Agency to learn from their approach.

44. We concluded that the absence of an estimate of the level of fraud and error in 2021/22 was not a significant financial statements audit issue. From our knowledge of these benefit streams we are satisfied that the extent of fraud and error present within the total expenditure of £163.6 million would not be material. However, the urgency of this work cannot be overstated as the value of benefits administered by Social Security Scotland increases rapidly over the coming years.

Recommendation 2

Social Security Scotland must develop its understanding of the associated risks of fraud and error within the range of benefits being delivered.

Progress has been made on several of our prior year recommendations

45. Social Security Scotland is progressing our prior year audit recommendations as set out in Appendix 1.

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Main judgements

Social Security Scotland spent £27.5 million less than the revised 2021/22 budget.

Systems of internal control are operating effectively but Social Security Scotland should continue to work with the programme to develop the Social Programme Management system to ensure it remains fit for purpose.

Social Security Scotland's Fraud and Error Resolution Unit has engaged well in the National Fraud Initiative (NFI) pilot.

Social Security Scotland operated within its revised operating and benefit budgets in 2021/22

46. The main financial objective for Social Security Scotland is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. Social Security Scotland's budget consists of two elements: the expenditure on benefits and the operating costs of delivering those benefits.

47. Benefits expenditure is demand led and therefore cannot be controlled in the same way as other budgets where spending limits can be set. The Scottish Parliament sets its budget for benefit payments with reference to the forecasts prepared by the Scottish Fiscal Commission. The 2021/22 budget of £3.511 billion was underspent by £27.5 million primarily due to Carer's Allowance and Attendance Allowance.

48. The initial operating budget for 2021/22 was set at £271 million. As the year progressed, there was a significant projected underspend on both revenue and capital budgets. As part of the Spring Budget revision, £54.5 million was returned to the Scottish Government for reallocation. The main causes of the underspend were:

- lower than anticipated recharges for shared services
- revised recruitment plans
- impact of Covid-19 on the fit out of new buildings
- IT hardware delayed due to global supply issues that were impacted by Covid-19.

49. The outturn position of Social Security Scotland is shown in Exhibit 6.

Exhibit 6
Performance against budget in 2021/22

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Operating Budget (fiscal resource)		198.6	193.8	(4.8)
Capital		17.2	14.1	(3.1)
Depreciation (non-cash)		1.1	1.1	0
Total Operating expenditure	**271.4**	**216.9**	**209.0**	**(7.9)**
Delivered by Social Security Scotland		170.7	163.6	(7.1)
Delivered by DWP		3,335.7	3,320.8	(14.9)
Benefit overpayment impairment (AME)		5.0	(0.5)	(5.5)
Total benefit expenditure	**3,495.5**	**3,511.4**	**3,483.9**	**(27.5)**

Source: Social Security Scotland annual report and accounts 2021/22

Systems of internal control are operating effectively but Social Security Scotland should continue to work with the programme to develop the Social Programme Management system

50. Our review of the main systems of internal control did not identify any significant controls weaknesses that would affect Social Security Scotland's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the 2021/22 financial statements.

51. The main system used by Social Security Scotland to administer benefits is the Social Programme Management (SPM) system. It is developed using the agile approach in conjunction with the Scottish Government Social Security Programme. The fast pace of Agile development is achieved by focusing on the core 'must-have' system functionality identified to allow a benefit to be launched in an acceptable way and in line with the planned timescales.

52. The timetable to deliver the new benefit streams remains challenging and there is little opportunity to review the processes and perform updates to the current payment streams. Technical debt represents the outstanding work needed to add key elements to SPM and rework existing elements to address issues. Technical debt can be either planned or unplanned and represents reduced functionality within the system which is currently replaced by manual processes increasing the risk of fraud and error.

53. In our 2021/22 Annual Audit Plan we identified a risk associated with the SPM system and this is detailed in Exhibit 7 including the result of our audit approach.

Exhibit 7

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
SPM system and the technical backlog The use of a minimum viable product approach means that the initial system may not contain all of the required functionality. As the benefits being delivered become more complex, the need for robust system controls which prevent and detect fraud and error increases. The extent of the technical backlog impacts on the robustness of the control environment and the arrangements for identifying and addressing fraud and error.	Assess the appropriateness of the SPM system and the controls in place. Consider the work done to ensure that the time and resource implications involved in addressing the backlog are fully understood and documented.	Our audit found that: • The key controls over the administration of benefits were operating effectively. • The Chief Digital Office transferred to Social Security Scotland on 1 April 2021 allowing better digital investment. • Internal audit highlighted concerns over the treatment of technical debt and made recommendations for improvement. **Conclusion:** Key controls over the administration of benefits were found to be operating effectively but a structured approach to technical debt is still required. (Appendix 1, Rec 3)

Source: Audit Scotland

54. The transfer of the Chief Digital Office to Social Security Scotland on 1 April 2021 has allowed for better investment in digital work. The IT strategy has been revised and a dedicated team created which is looking to define the transition of SPM and fully assess the level of technical debt at this point.

55. Internal audit reported on Social Security Scotland's SPM system as part of their 2021/22 programme of work. The report highlights the need to strengthen controls in the management of defects inherited from system development and technical debt. In relation to technical debt, the review found that there is no common definition of technical debt between Social Security Scotland and the programme. This makes it more challenging to identify and quantify the impact of technical debt. Internal audit concluded that if the current and future technical debt is not dealt with effectively this could result in significant issues for Social Security Scotland. The complexity of the social security system will continue to require strong engagement between the programme and Social Security Scotland.

Recommendation 3

Social Security Scotland should continue to work with the programme to develop systems that are fit for purpose with a focus on the more complex benefits. This should include a structured approach to dealing with technical debt and system development.

We have used internal audit's work to inform our wider dimension audit conclusions

56. Social Security Scotland's internal audit function is carried out by the Scottish Government's Internal Audit Division. During 2021/22, 16 reviews were completed, alongside a number of follow up reviews and advisory work. Two of the reviews provided substantial assurance, 11 provided reasonable assurance and three reported limited assurance.

57. The Public Sector Internal Audit Standards require the provision of an annual internal audit opinion to support the conclusions in the annual governance statement. The opinion provided in 2021/22 is that of "reasonable" assurance, which means that some improvements are required to enhance the adequacy and effectiveness of controls.

58. We reviewed the internal audit function as part of our planning work to determine the extent to which we could use their work in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors). We concluded that we could rely on the work of internal audit where this would reduce our own audit testing or avoid duplication.

59. We did not plan to place formal reliance on the work of internal audit for our financial statements audit but we have used internal audit's work to inform our conclusions on the wider audit dimensions.

Arrangements are in place to help ensure appropriate standards of conduct are maintained

60. Social Security Scotland is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct. We have reviewed the arrangements in place including the Civil Service and Non-Executive

Members' Codes of Conduct. There are established procedures in place for preventing and detecting any breaches of these standards.

The activity of the Fraud and Error Resolution Unit continues to evolve

61. Social Security Scotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Social Security Scotland has a Fraud and Error Resolution Unit that sets out its objectives in Counter Fraud, Error Control and Debt Management Strategies.

62. Throughout 2021/22, the Interventions Team has been engaged in clearing referrals for corrective activity from operational areas. Priority has been given to the investigation of underpayments. A change in approach means that there has been a reduction in the number of referrals for investigation and work is ongoing with operational areas to reduce the number of incorrect referrals. If the reactive error detection caseload stays the same then the Interventions Team will be able to re-start proactive error detection via sampling and data mining exercises.

63. In the detected error summary reported to the Audit and Risk Committee during 2021/22 there was a Best Start Food system error which led to estimated overpayments of £200,000. A paper was taken to the Leadership Team outlining the actions taken in response to this error and lessons learnt identified. Best Start Foods budget and accounting was transferred to Social Security Scotland in 2021/22 but Social Security Scotland is unable to seek recovery of any overpayments as Best Start Foods is not covered by the Social Security (Scotland) Act 2018.

64. The debt recovery process was paused from April 2020 due to the impact of the pandemic on low income families. In February 2022 the proactive debt recovery has been gradually reinstated.

The Fraud and Error Resolution Unit has engaged well in the National Fraud Initiative pilot

65. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. A pilot is underway with Social Security Scotland and they are using NFI data matching to help provide assurance that only those claimants residing in Scotland receive support and that they only receive support once. The matching aims to identify any claimants not residing in Scotland so that appropriate action can be taken.

66. The matching will also highlight instances of potential fraud where a customer appears to have claimed benefits from more than one Scottish address. Social Security Scotland's claimant data has been matched to the data sets held within the NFI system (UK wide). Social Security Scotland recently reported that a number of cases have been identified as requiring further investigation. The work to review these matches is ongoing.

67. Social Security Scotland has worked well with Audit Scotland throughout the NFI pilot and is preparing to be involved in the main NFI exercise from October 2022.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

Main judgements

The 2022/23 budget was set at £4.2 billion and there is recognition of the uncertainty within the forecasted benefit streams which are demand led.

Robust longer-term strategic plans are in place to support the delivery of the Scottish social security system.

The implementation of devolved benefits has continued in line with the revised timetable, including Child Disability Payment and the phased roll out of Adult Disability Payment.

The financial challenge going forward is significant as annual benefit expenditure is forecast to be considerably higher than the funding received by 2026/27. Demonstrating the impact of this financial investment will be vital.

The 2022/23 budget has been set at £4.2 billion

68. The 2022/23 budget was approved by the Executive Team in March 2022. The initial budget allocation included £3.9 billion of benefit expenditure and £0.3 billion of operating costs, which includes staff costs and the cost of formal agreements with the DWP. This is an overall increase of £0.5 billion, or 12 per cent, on the 2021/22 revised budget which relates to:

- Staff costs (£0.1 billion): expected to double in 2022/23 as Social Security Scotland continues to grow with the implementation of new and existing benefits. Staff numbers are expected to reach in excess of 3,500 by Spring 2023.
- Benefit expenditure (£0.4 billion): this spend is demand led and the budget is based on independent forecasts prepared by the Scottish Fiscal Commission. The Benefit Forecasting Review Group continues to meet monthly to monitor benefit spend and forecasts.

69. At the time the budget was set Social Security Scotland was projecting capital expenditure of £6 million, mainly for the development of the information technology infrastructure. There was no initial allocation provided for this, however, it is anticipated this will be received at the Autumn Budget Revision.

Social Security Scotland is reporting a £25.7 million underspend against its 2022/23 operating budget and a forecasted £125.2 million overspend on benefits

70. The latest financial monitoring report to the end of July 2022 projects an underspend of £25.7 million against the operating costs budget. This relates to lower than anticipated staff costs and a reduction in the cost of formal agreements with the DWP. The underspend identified is aligned with the level of savings committed as part of the Scottish Government savings exercise. These savings will be removed from the Social Security Scotland 2022/23 budget at the Spring Budget Revision and so a breakeven position is anticipated at the year end.

71. Overall benefit expenditure is underspent by £14.4 million to the end of July 2022. However, the full year forecast projects an overspend of £125.2 million. This reflects the Scottish Fiscal Commission forecasts published in May 2022, which includes anticipated higher expenditure on Adult Disability Payment and an adjustment for the earlier implementation of the increase in Scottish Child Payment to £25 per week.

Social Security Scotland has developed robust longer-term strategic plans

72. In our 2021/22 Annual Audit Plan we identified a risk associated with long term strategic planning and this is detailed in Exhibit 8.

Exhibit 8
Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
Long term strategic planning As Social Security Scotland continues to grow, robust long-term plans are required in relation to workforce, estates and IT to ensure that Social Security Scotland is able to deliver future benefits to the agreed timetable. There is a risk that longer term plans do not adequately capture the resources required to deliver future benefits.	Review the revised workforce strategy to assess if it is aligned to the resourcing strategy and estates plan. Consider the development of IT strategies and the impact on future resourcing and finances.	Our audit found that: • Longer-term plans have been developed, including financial projections to 2030/31. • Workforce planning arrangements have improved. • The Chief Digital Office has transferred to Social Security Scotland and published a new IT Strategy aligned with the corporate objectives (paragraph 54). **Conclusion:** Social Security Scotland has developed robust longer-term strategic plans.

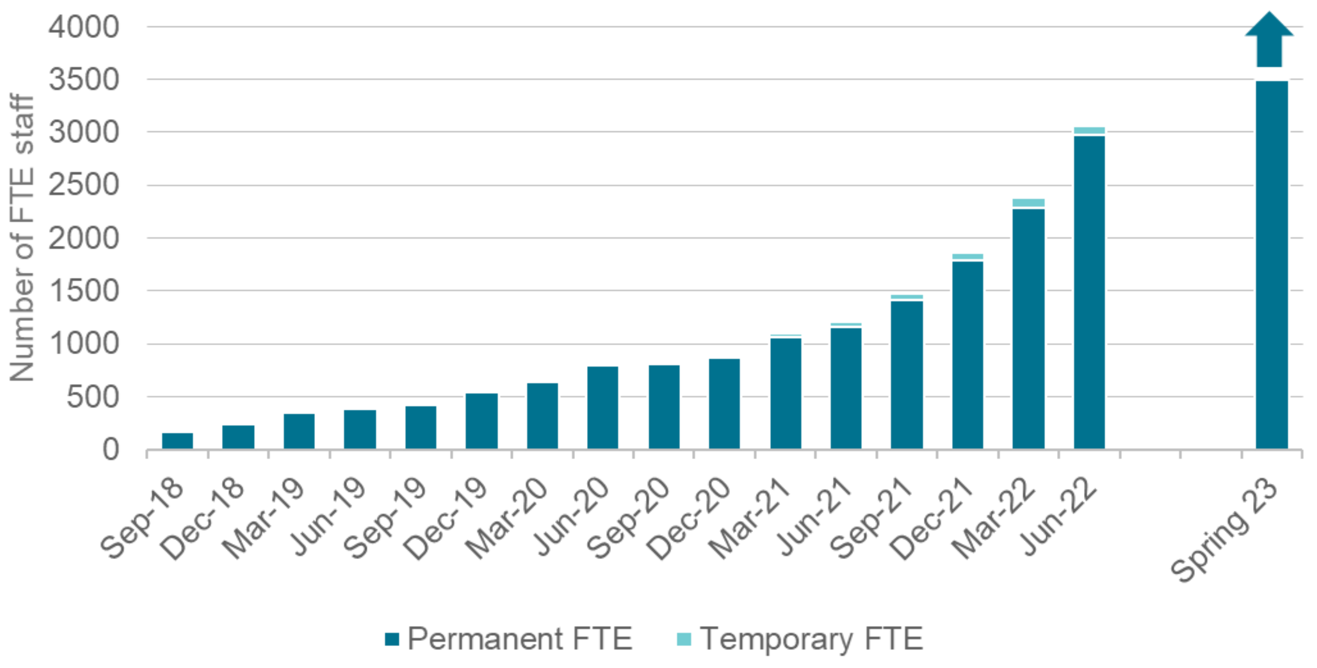
Source: Audit Scotland

73. We previously reported the importance of longer-term planning given the future growth expected as more benefits are delivered by Social Security Scotland. In our report, Social security: Progress on implementing the devolved benefits (May 2022), we concluded that robust processes are in place for in-year financial monitoring and longer-term plans have been developed. We also recommended that Social Security Scotland continue to review and update its workforce planning to build the capacity and capabilities needed for its growing remit.

74. Social Security Scotland has developed a five-year financial plan providing forecasts for key areas of spending to 2026/27. This is supported by detailed expenditure forecasts and projected year-on-year changes to 2030/31. There is a shared understanding with the programme that longer-term financial planning for an Agile programme of this scale is challenging and brings increased uncertainty the further into the future costs are projected.

75. Financial and workforce planning is clearly aligned and this is evident in both high level plans and routine finance reports, which show actual and projected staff costs in year against the headcount trajectory. Social Security Scotland has managed the significant recruitment exercises well so far (Exhibit 9).

Exhibit 9
Number of full time equivalent (FTE) directly employed staff, including forecast to Spring 2023



Source: Audit Scotland using quarterly workforce data from Social Security Scotland

76. Internal audit reported on Social Security Scotland's workforce planning arrangements as part of their 2021/22 programme of work. The report concludes that Social Security Scotland has made substantial improvements to its workforce planning function. It highlights that the new Workforce Planning Team has produced real change in a short period of time by implementing a more robust planning process, engaging top down and bottom up with management, offering support and challenge and providing improved management information. Overall reasonable assurance was provided, with some specific recommendations relating to the adequacy and effectiveness of procedures.

The implementation of devolved benefits has continued in line with the revised timetable

77. Child Disability Payment was launched in July 2021, a year later than originally planned because of the Covid-19 pandemic and prioritisation of the launch of Scottish Child Payment. The case transfer process from DWP started in October 2021 for Child Disability Payment and the plan is for transfers to be completed by Spring 2023. Child Disability Payment started as a pilot in three local authority areas and national roll-out commenced in November 2021. Terminally ill children and those aged 15 and a half to 18 years old were prioritised as a result of changes in eligibility (removal of the six-month time limit for terminally ill and the increase in eligibility from age 16 to 18).

78. In our report, Social security: Progress on implementing the devolved benefits (May 2022), we found a positive culture of learning within the programme and Social Security Scotland. A dedicated team established by the programme ran tailored sessions with staff from across the programme, Social Security Scotland, and Chief Digital Office following the Child Disability Payment pilot to gather feedback and implement change. Learning following the pilot and national roll-out has been valued by the staff involved and used to inform the launch of future benefits.

79. The phased roll out of Adult Disability Payment began in March 2022 in line with the revised timetable for the implementation of devolved benefits. This included all new Scottish applications being processed by Social Security Scotland and the transfer of some existing cases from the DWP. From August 2022, all new Scottish applications continue to be processed by Social Security Scotland and the case transfer has been extended. Given the scale and complexity of this benefit, it is expected to take until 2025 to complete the case transfer.

80. The next step in the implementation of devolved benefits is the roll out of phase two of Scottish Child Payment from November 2022. This extends the benefit payment introduced in June 2019 for children under the age of six to children aged 6 to 15. The Scottish Fiscal Commission estimates that the extension to eligibility will result in around 402,000 children being eligible for the payment in 2023/24. Expenditure is expected to increase to approximately £428 million in the first full financial year, 2023/24.

Annual benefit expenditure is forecast to be significantly higher than the funding received from the UK Government

81. Looking forward, the scale of the financial challenge is significant. Any spending above the funding received from the UK Government, through the social security block grant adjustments for corresponding UK benefits, must be met from the wider Scottish Budget. In practice, this means increased spending on areas of social security above the funding received through the block grant adjustments will result in less funding being available for other parts of the Scottish Budget.

82. The Scottish Fiscal Commission's latest forecasts, from May 2022, project that annual benefit expenditure in Scotland will be £1.3 billion higher by 2026/27, than the corresponding funding received through the social security block grant adjustments. This gap has increased by £540 million from the December 2021 forecast of £760 million. Key factors driving this include the increase in the value of Scottish Child Payment, an increased gap on Adult Disability Payment forecasts and indicative forecasts now being included for the Scottish replacement of Attendance Allowance and Scottish Carer's Assistance.

83. In the Value for Money section we explore the importance of clarity on the intended impact of this financial investment.

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

Main judgements

Governance arrangements are appropriate and there is a focus on continuous improvement.

An action plan to respond to the recommendations in our performance audit report is being prepared and progress will be monitored by the Audit and Assurance Committee.

Clear guidance and processes are in place to support residency checks as part of the assessment of benefit eligibility.

Governance arrangements are appropriate and continue to develop

84. Despite the challenges Covid-19 continued to present throughout 2021/22, appropriate governance arrangements have remained in place. Executive Advisory Body and Audit and Assurance Committee meetings have taken place in a virtual or hybrid environment.

85. In our 2020/21 Annual Audit Report, we noted some changes to Social Security Scotland's governance arrangements designed to improve scrutiny and decision-making and ensure wider engagement and involvement. From our observation of relevant committee meetings throughout the year and review of meeting papers and minutes we have concluded that governance arrangements remain appropriate and are operating effectively.

86. There is evidence that Social Security Scotland continues to take action to improve governance arrangements. For example, a deep dive session into the effectiveness of the Executive Advisory Body took place in September 2022. This provided an opportunity for the Executive Team and Non-Executive Members to discuss the operation and effectiveness of the Executive Advisory Body. Other improvements to governance arrangements during the year have been outlined in the Governance Statement that forms part of Social Security Scotland's Annual Report and Accounts 2021/22.

An action plan is being prepared to respond to the recommendations in our performance audit report

87. In May 2022, we published our latest performance audit report on the implementation of devolved benefits, Social security: Progress on implementing the devolved benefits. The report included a number of recommendations for both Scottish Government and Social Security Scotland. We have been advised that an action plan is in development to outline how Social Security Scotland is planning to respond to our recommendations. Progress against the action plan will be monitored and this will include a quarterly update to the Audit and Assurance Committee with the first update expected in November 2022.

Clear guidance and processes are in place to support residency checks

88. In our 2020/21 Annual Audit Report we commented that the new residency rules for future benefits will be more complex and staff will require tailored training and guidance on residency requirements to ensure these are implemented correctly.

89. Internal audit reported on Social Security Scotland's residency arrangements as part of their 2021/22 programme of work. The report concludes that Social Security Scotland has made progress by establishing clear guidance and processes to assess a claimant's residence eligibility.

90. Overall, reasonable assurance was provided with specific recommendations on two processes to reduce the risk that benefits may be paid to individuals who are not ordinarily resident in Scotland. This relates to the verification of data from other government departments and the process for reviewing the returned mail report. Management actions were agreed in response to these recommendations.

There is a need to improve the processes for preparing the performance report in the annual report and accounts

91. The performance report should provide information on Social Security Scotland's main objectives and the principal risks it faces. It should provide a fair, balanced and understandable analysis of Social Security Scotland's performance as well as helping stakeholders understand the financial statements.

92. We have concluded that Social Security Scotland's final performance report complies with FReM requirements, but reporting on performance should be improved. The disclosures within the performance report are linked to the themes within the three-year Corporate Plan 2022-23. It provides good descriptions of performance activity but further analysis and judgement would help the reader to understand the impact on outcomes. This should be developed in line with Social Security Scotland's overall performance management arrangements (paragraph 104). Refer also to Appendix 1, action plan - recommendation 1 and 4.

5. Value for money

Using resources effectively and continually improving services

Main judgements

Social Security Scotland continues to develop arrangements to secure Best Value.

Performance management arrangements must be further developed to support robust decision making and provide meaningful analysis over time to demonstrate the achievement of value for money.

Social Security Scotland continues to develop arrangements to demonstrate the achievement of Best Value

93. Ministerial guidance to Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

94. Value for money is one of the eight principles that the Social Security Charter is based on, recognising that this is an investment of public money. The three-year Corporate Plan 2020-2023 sets out the objectives it has set to achieve these principles. The objectives within the plan are aligned to three different themes which are linked to their charter commitments. The themes are:

- helping to deliver a social security system with dignity, fairness and respect
- supporting people in Scotland to access devolved benefits that they are entitled to
- running our services in a responsible way.

95. The 2022-23 Business Plan was published in August 2022. Priorities are set around the three themes with key milestones and plans to measure performance also highlighted.

96. As part of our review of best value we look at how Social Security Scotland demonstrates it is fulfilling the general equality duty and the public sector equality duty under the Equality Act 2010. In our 2021/22 Annual Audit Plan we outlined our intention to consider the work carried out by internal audit in this area.

97. Internal audit completed a review of equality and diversity arrangements as part of its 2021/22 programme of work. The report received a reasonable assurance rating with a significant amount of good practice identified. The review also contained a number of recommendations, including three rated as high priority. Social Security Scotland should improve procedures in line with internal audit's recommendations to ensure corporate and legislative requirements are met.

Internal audit has highlighted significant weaknesses in productivity and efficiency arrangements

98. Internal audit published a report on productivity and efficiency. This review evaluated and reported on the controls in place to manage the risk surrounding arrangements for measuring and monitoring productivity and efficiency.

99. The report provided a limited assurance rating due to significant weaknesses in the current risk, governance and control procedures. Two recommendations have been identified to establish a productivity and efficiency framework and embed it across the organisation and produce a data and reporting plan for productivity and efficiency.

100. Social Security Scotland has agreed management actions to address these issues. Addressing these recommendations and implementing the agreed actions will help to embed arrangements to secure best value.

Social Security Scotland is still developing a performance management framework to support its value for money assessment

101. Our report, Social security: Progress on implementing the devolved benefits (May 2022), sets out that the Scottish Government has done a lot of work to establish and produce, along with Social Security Scotland, performance measurement frameworks. The Programme Business Case outlines that performance will be reviewed through three strands - policy evaluation, measurable improvements and the Charter Measurement Framework.

102. The report recommends that the Scottish Government and Social Security Scotland should plan for how they will measure the impact of the benefits being introduced, and how they will evaluate and report on progress against outcomes. In doing so they should ensure that suitable data gathering and reporting processes are established.

103. In our 2021/22 Annual Audit Plan we identified a risk associated with the adequacy of performance management arrangements and this is detailed in Exhibit 10.

Exhibit 10
Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
Adequacy of performance management arrangements A robust performance management system needs to be developed to enable Social Security Scotland to support its decision-making processes. The Charter Measurement Framework should be linked to allow there to be measurable and meaningful outcomes.	Ongoing engagement with Strategy, Policy and Assurance lead to assess progress. Review the development of performance management arrangements as they are being established.	Our audit found that: • Social Security Scotland continues to report performance using qualitative measures. Further work is required to develop a range of measurable metrics and meaningful key performance indicators. • Internal audit highlighted weaknesses in the arrangements for monitoring productivity and efficiency. **Conclusion:** Performance management arrangements need to be developed further. (Appendix 1, Rec 4)

Source: Audit Scotland

104. The Charter Measurement Framework is the key measurement tool for annual performance reporting. This focuses on how the Scottish system will operate and on people's experience of it, using mainly qualitative measures. Social Security Scotland should develop a range of clearly defined performance measures and targets linked to strategic objectives. This will enable them to demonstrate the impact of the Scottish social security system.

Recommendation 4

Social Security Scotland should continue to develop performance management arrangements. This should include setting a range of measurable metrics to support robust analysis over time.

National performance audit reports

105. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 several reports were published which may be of direct interest to Social Security Scotland. These are outlined in Appendix 2.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Performance report There were delays in the preparation of the performance report and several changes were required to bring the report in line with the disclosure requirements of the FReM. There is a risk that the audit opinion and / or timetable is impacted if these matters are not addressed going forward.	Social Security Scotland should review and refine its year end preparation process for the delivery of the performance report to ensure it is realistic. Project management principles should be applied to ensure it can be delivered within agreed timescales and to appropriate standards. Exhibit 4 item 2 Paragraph 91.	We will run a detailed cross-agency lessons learned exercise in November 2022 to identify improvements necessary to the process for next year. Outputs will inform a project plan with clear milestones and task owners. Audit and Assurance Committee will provide independent assurance of any remedial actions identified. This action also links to issue 4 as it relates to reporting on performance. Head of Strategy and Corporate Support November 2022
2. Fraud and error Fraud and error are an inherent risk in a social security system that is driven by individual claims. Social Security Scotland is still reliant on the DWP for many fraud and error estimates as well as developing its own arrangements for the benefits being delivered directly. There is a risk that fraud and error arrangements are not developed at the same pace as the roll-out of new benefits.	Social Security Scotland must develop its understanding of the associated risks of fraud and error within the range of benefits being delivered. Paragraph 42.	We will build on the work that has started with statistical colleagues and will increase our understanding. Final implementation of our arrangements will be enabled by policy and service design. Head of Fraud and Error Resolution April 2023

Issue/risk	Recommendation	Agreed management action/timing
3. Systems development As the benefits being delivered become more complex, the need for robust system controls which prevent and detect fraud and error increases. Technical debt is not clearly defined and so the scale and impact cannot easily be quantified. There is a risk that system functionality and benefits delivery is adversely impacted.	Social Security Scotland should continue to work with the programme to develop systems that are fit for purpose. This should include a structured approach to dealing with technical debt and system development. Paragraph 51.	It will be critical for Social Security Scotland to formulate its investment needs as the Programme transitions and moves to close. Social Security Scotland will take more responsibility for systems as they transition but they will need investment. We will continue our joint approach with the programme. Chief Digital Officer September 2022
4. Performance management arrangements Performance management arrangements are not adequately developed to support robust decision making and the assessment of impact on outcomes. There is a risk that Social Security Scotland will not be able to demonstrate value for money.	Social Security Scotland should continue to develop performance management arrangements. This should include setting a range of measurable metrics to support robust analysis over time. Paragraph 101.	The Agency Leadership Team has commissioned the Insights and Engagement forum to develop a performance management pack that brings together key data on the organisation.This will be initially considered in October but will continue to be developed over the course of 2022 and 2023. Head of Communications Ongoing

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action / timing
b/f 1. SPM system may not be appropriate for the more complex benefits	The establishment of a generic baseline MVP should be finalised as soon as possible to support the delivery of a robust core system for the roll out of new benefits.	**In progress** Social Security Scotland work with the programme to ensure that the SPM release has as much of the baseline functionality as possible. Tight timescales between development and launch dates can lead to workarounds and an increase in technical debt. **Recommendation 3**

Issue/risk	Recommendation	Agreed management action / timing
b/f 2. The technical backlog continues to increase	A structured approach should be introduced to address the increasing technical backlog and ensure a strong system control environment is in place to support fraud and error prevention and detection.	**In Progress** With the transition of the Chief Digital Office into Social Security Scotland, there has been more emphasis on finding a solution for technical debt. It should be noted that not all technical debt can be, or will be addressed. **Recommendation 3**
b/f 3. Fraud and error arrangements	The Fraud and Error team must develop its understanding of the associated risks of fraud and error within the range of benefits being delivered, including those currently delivered by the DWP.	**In progress** Some progress has been made on the fraud and error arrangements but it is in the early stages. **Recommendation 2**
b/f 4. Financial planning	Social Security Scotland must revise its financial planning to reflect the long-term impact of the Covid-19 pandemic on benefit delivery arrangements and underlying costs.	**Complete** Robust processes are in place for in-year financial monitoring. Social Security Scotland has developed a five-year financial plan providing forecasts to 2026/27. This is supported by detailed expenditure forecasts and projected year-on-year changes to 2030/31. Financial and workforce planning is clearly aligned and this is evident in both high level plans and routine finance reports, which show actual and projected staff costs in year against the headcount trajectory.
b/f 5. Workforce planning	A long-term workforce plan, built on the current timetable for benefit delivery, must now be prepared. This should support wider decision making to ensure that there is a sustainable workforce to deliver the Scottish social security system.	**In progress** Social Security Scotland has made substantial improvements to its workforce planning. The new Workforce Planning Team has implemented a more robust planning process, engaging top down and bottom up with management, offering support and challenge and providing improved management information. **Recommendation 4**

Issue/risk	Recommendation	Agreed management action / timing
b/f 6. Residency	The new residency rules for future benefits will be more complex. Guidance needs to be correctly applied by staff to ensure that residency criteria is assessed fairly and consistently.	**Complete** The guidance in place for staff has been improved and it is in line with the relevant legislation. The guidance clearly outlines the checks to be completed in assessing residency. This is in place for both the low-income benefits and the new disability benefits.
b/f 7. Performance management	Robust and transparent performance management arrangements should be further developed to support decision making and ensure the delivery of a quality benefits service.	**In progress** Social Security Scotland should plan for how they will measure the impact of the benefits being introduced, and how they will evaluate and report on progress against outcomes. In doing so they should ensure that suitable data gathering and reporting processes are established. The Charter Measurement Framework is the key measurement tool for annual performance reporting. This focusses on how the Scottish system will operate and on people’s experience of it, using mainly qualitative measures. **Recommendation 4**

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

Local government in Scotland Overview 2021

June

Covid 19: Personal protective equipment

July

Community justice: Sustainable alternatives to custody

September

Covid 19: Vaccination programme

January

Planning for skills

Social care briefing

February

NHS in Scotland 2021

March

Local government in Scotland: Financial Overview 20/21

Drug and alcohol: An update

Scotland's economy: Supporting businesses through the Covid 19 pandemic

Social Security Scotland

2021/22 Annual Audit Report

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