

Social Security Scotland

2024/25 Annual Audit Report



Prepared for Social Security Scotland and the Auditor General for Scotland
September 2025

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Accessibility

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Key messages

Audit of the 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 £40 million. This expenditure was not incurred in accordance with applicable enactments.
- 2** There are two other significant findings to report which relate to the implementation of an impairment model and the remuneration and staff report. No audit adjustments to the financial statements were required as a result of these findings.

Financial management and sustainability

- 3** Social Security Scotland was responsible for £5.9 billion of benefit payments in 2024/25, which was £42.2 million (or 0.7 per cent) below forecast.
- 4** Appropriate arrangements are in place to ensure sound financial management. Social Security Scotland spent £291.1 million on operating expenditure which was £2.5 million (or 0.9 per cent) below budget. This related to planned savings in line with Scottish Government spending controls.
- 5** An independent assessment of the Social Security Scotland's digital ecosystem found that significant investment is needed to maintain and develop the current systems.
- 6** Social Security Scotland has continued to estimate the level of official error that exists within its benefit caseload. It recognises the significant work that is required to complete the fraud and error exercises once the new regulations are in place. 2025/26 will be a critical year for fraud and error estimates as Social Security Scotland will be responsible for delivering the majority of devolved benefit expenditure. It is therefore increasingly important that it can estimate the fraud and error within the benefits it administers.
- 7** The 2025/26 budget was set at £7.0 billion which comprises an operating budget of £320.6 million and a benefit expenditure budget of £6.7 billion. The

benefit expenditure budget is based on Scottish Fiscal Commission's independent forecasts and recognises the uncertainty within the forecasted benefit streams which are predominantly demand led.

- 8 Social Security Scotland recognises the significant risks associated with the approaching closure of the Scottish Government Social Security Programme ("the Programme") in 2026. They are working closely with the Scottish Government to agree and manage the transition of resources and funding.
- 9 Social Security Scotland now delivers fifteen benefits that support people across Scotland – seven of which are only available in Scotland. Annual benefit expenditure is forecast to be significantly higher than the funding received from the UK Government.

Vision, leadership and governance

- 10 Social Security Scotland has appropriate governance arrangements in place and is updating its structure in preparation for the Programme closure.
- 11 Improvements to cyber security arrangements have been made during 2024/25 and work continues in this area.

Use of resources to improve outcomes and Best Value

- 12 The Benefit Performance Review Group was created and replaced the Performance Forum. This is a subgroup of the Executive Team and aims to better embed performance in the governance structure.
- 13 Social Security Scotland has developed a Performance and Quality Framework that aims to provide a performance evidence base, that will demonstrate continuous improvement, value for money and achieve added public value.
- 14 The Social Security Scotland Equality Mainstreaming Report was published in 2025. The findings in the report demonstrates that it meets the fairness and equality best value characteristics.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Social Security Scotland's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Social Security Scotland, and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Scope of the audit

3. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:
 - An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
 - An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
 - An opinion on the audited part of the Remuneration and Staff Report.
 - Conclusions on arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
 - Reporting on arrangements for securing Best Value.
 - Provision of this Annual Audit Report.

Appointed auditor and independence

4. Pauline Gillen, of Audit Scotland, has been appointed as the external auditor of Social Security Scotland for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Pauline Gillen and the audit team are independent of Social Security Scotland in accordance with relevant ethical requirements, including the Financial Reporting Council's

Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from Social Security Scotland, including no provision of non-audit services.

Responsibilities and reporting

5. The Code of Audit Practice sets out the respective responsibilities of the body and the auditor, with a summary outlined below.

Auditor's responsibilities

6. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts and concluding on Social Security Scotland's arrangements for the wider scope areas and Best Value.

7. The Annual Audit Report includes an agreed action plan at [Appendix 1](#). The matters reported are those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve Social Security Scotland from its responsibilities outlined below.

Social Security Scotland's responsibilities

8. Social Security Scotland has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for Social Security Scotland that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Arrangements for the delivery of benefits

9. 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.

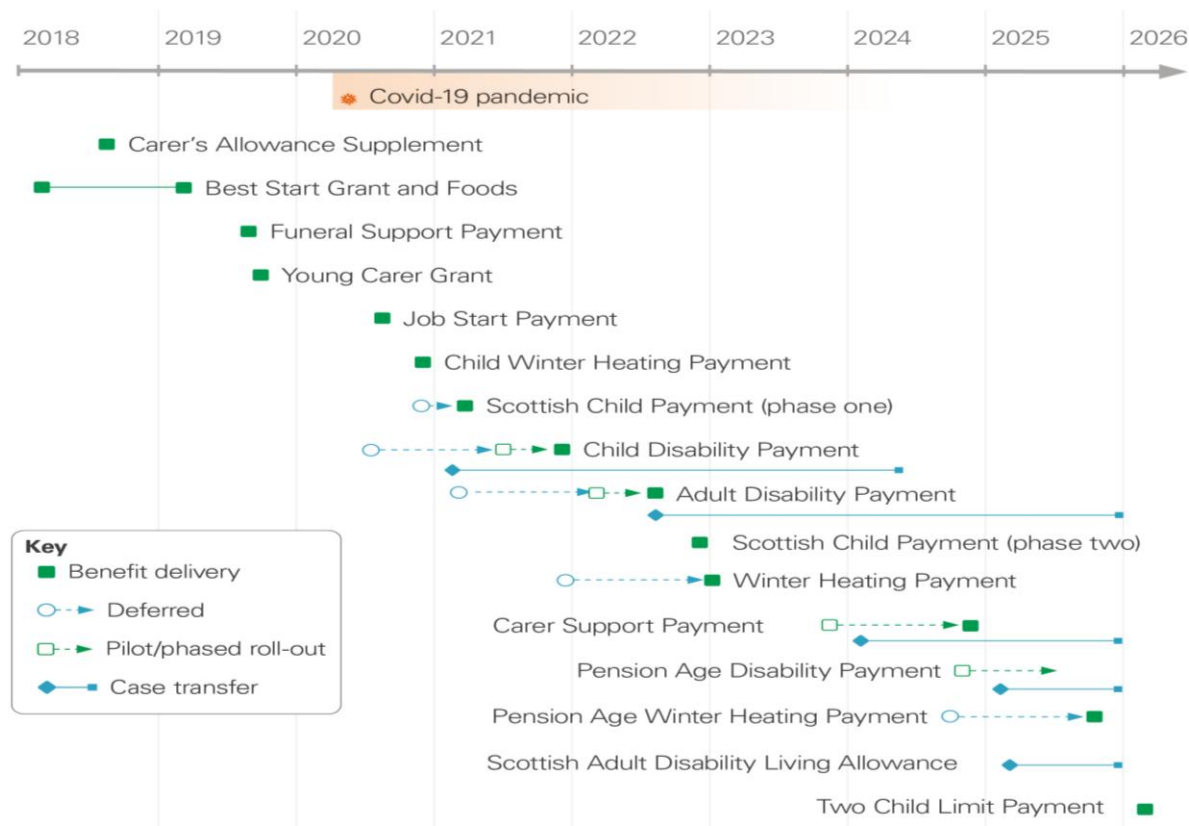
10. The Programme is responsible for designing and implementing benefits and the supporting systems and processes needed to administer them. Social Security Scotland depends largely on the Programme for the processes and digital systems it needs to deliver its part of the Scottish social security system in the way intended by the Scottish Government. The Programme delivery life cycle ends in 2026 (Programme closure) and responsibility for investment in the future development and management of the processes and systems that enable the ongoing delivery of social security payments will transition to Social Security Scotland and other parts of the Scottish Government.

11. The Scottish Government and UK Government agreed a phased approach to the devolution of the social security powers to support a safe and secure transition. Legislative competence for the powers was devolved through the Scotland Act 2016, allowing the Scottish Government to develop the necessary legislation. Executive competence, the point where administrative responsibility and financial accountability transfers to Social Security Scotland, for all benefits, transferred by 1 April 2020.

12. [Exhibit 1](#) outlines the timeline for delivering devolved benefits. Social Security Scotland now delivers fifteen benefits that support people across Scotland – seven of which are only available in Scotland.

Exhibit 1

The timeline for delivering the devolved benefits



Note 1: Best Start Grant includes Best Start Pregnancy and Baby, Early Years and School Age.

Note 2: Employment Injury Assistance is expected to replace Industrial Injuries Disablement Benefit in Scotland. The final timeline will depend on the outcome of ongoing policy development and stakeholder engagement.

Note 3: The planned launch of Pension Age Winter Heating Payment was delayed until December 2025, following an announcement by the Scottish Government.

Source: Audit Scotland using information from the Scottish Government and Social Security Scotland

National and performance audit reporting

13. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to Social Security Scotland and the Audit and Assurance Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Acknowledgements

14. We would like to thank Social Security Scotland and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit of the annual report and accounts

Main judgements

We qualified our opinion on the regularity of expenditure and income because estimated overpayments in the benefits administered by the Department for Work and Pensions through agency agreements were £40 million. This expenditure was not incurred in accordance with the applicable enactments.

There are two other significant findings to report which relate to the implementation of an impairment model and the remuneration and staff report. No audit adjustments to the financial statements were required as a result of these findings.

We qualified our audit opinion on the regularity of benefit expenditure

15. The annual report and accounts for the year ended 31 March 2025 were approved by the Accountable Officer and signed by the appointed auditor on 30 September 2025. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

16. We qualified our opinion on the regularity of benefit expenditure administered by the Department for Work and Pensions totalling £2.2 billion as we consider the estimated level of overpayments attributable to fraud and error of £40 million to be material to our opinion on the accounts.

- 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 was prepared in accordance with the financial reporting framework
- the performance report and governance statement were consistent with the financial statements and properly prepared in accordance

with the relevant legislation and directions made by Scottish Ministers.

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

18. The 2024/25 accounts of Social Security Scotland include benefit expenditure of £2.2 billion administered by the Department for Work and Pensions 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 Department for Work and Pensions' annually published estimates.

19. Estimated levels of overpayments of Personal Independence Payment and Carer's Allowance were reviewed by the Department for Work and Pensions in 2024/25. All other rates have been rolled forward or updated with a more appropriate proxy. [Exhibit 2](#) outlines the estimated¹ overpayment rates for the benefits that are administered by the Department for Work and Pensions, ranging from 0.5 to 3.9 per cent of expenditure.

Exhibit 2

Estimated levels of fraud and error overpayments in benefits administered by the Department for Work and Pensions

Benefit	Expenditure 2024/25	Overpayments estimate %, review date (previous review)	Monetary value of overpayments
Personal Independence Payment (PIP)	£651.9m	1.3%, 2024/25 (0.4%, 2023/24)	£8.5m
Carer's Allowance	£297.4m	3.9% 2024/25 (5.2%, 2019/20)	£11.6m
Disability Living Allowance (DLA)	£429.7m	0.5%, 2023/24 (1.9%, 2004/05)	£2.1m

¹ Figures quoted are from The Department for Work and Pensions Central Estimates, which are based on a sample of benefit claims.

Attendance Allowance	£760.2m	2.2%, 2021/22	£16.7m
Industrial Injuries Disablement Benefit	£82.4m	1.3%, PIP proxy	£1.1m
Severe Disablement Allowance	£5.0m	0.8%, ESA ² proxy	£0.0m
Total	£2,226.6m	0.5% - 3.9%	£40.0m

2. Employment Support Allowance

Source: Audit Scotland using information from [Fraud and error in the benefits system: financial year 2024 to 2025 estimates](#)

20. We have reviewed the fraud and error rates and concur with Social Security Scotland's view that they are the best available estimate of the fraud and error that exists in the Scottish caseload for these benefits.

21. The benefits delivered by the Departments for Work and Pensions 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.

22. We have qualified our regularity opinion as the estimated level of overpayments attributable to fraud and error in the benefits administered by the Department for Work and Pensions of £40 million is considered material. The expenditure resulting from such overpayments was not incurred in accordance with the relevant legislation. Key factors considered in reaching this conclusion are both quantitative and qualitative and include: the significant parliamentary and public interest that fraud and error in the social security system attracts and the substantial breach of our performance materiality level ([Exhibit 3](#)) based on latest available rates.

23. 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 and which requires Social Security Scotland to make a payment where it has determined someone is eligible. Any payment in line with a determination is deemed to comply with the legislation, irrespective of whether this has been based on incorrect or fraudulent information.

The audit has been delivered in accordance with the agreed timetable

24. The unaudited annual report and accounts and all working papers were received on 20 June 2025 in accordance with the agreed audit timetable. The working papers that accompanied the annual report and accounts were of a good standard. Regular communication and support from staff, including on-site working, helped the audit process run smoothly.

The audit fee is unchanged from the level reported at planning

25. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £446,920. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality was reviewed on receipt of the unaudited annual report and accounts

26. Materiality is applied by auditors in planning and performing an audit. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor’s professional judgement.

27. Materiality levels for the audit of Social Security Scotland were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts and can be seen in [Exhibit 3](#).

Exhibit 3
2024/25 Materiality levels for Social Security Scotland

Materiality	Amount
Materiality – set at 1% of gross expenditure	£62 million
Performance materiality – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£37 million
Reporting threshold	£500,000

Source: Audit Scotland

The audit has identified significant findings and key audit matters

28. Our audit approach for the 2024/25 financial statements included consideration of an audited financial summary prepared by the Department for Work and Pensions. The financial summary captured all the transactions and balances for the benefits administered by the Department for Work and Pensions, on behalf of Social Security Scotland, during 2024/25.

29. We have reviewed the findings from the audit of the financial summary and assessed the impact on our audit:

- In 2024/25, the Department for Work and Pensions administered Pension Age Winter Heating Payment on behalf of Social Security Scotland as a one-off arrangement. The £29.4 million of Pension Age Winter Heating Payments were correctly excluded from the financial summary but a payable of this amount was included in the Statement of Financial Position which represented the fact that Social Security Scotland had not yet reimbursed the Department for Work and Pensions for the benefit payments by 31 March 2025. The balance is not within the scope of the financial summary and was therefore removed from the Statement of Financial Position by the Department for Work and Pensions, reducing liabilities by £29.4 million. There is no impact on the audited financial statements of Social Security Scotland.
- The Department for Work and Pensions prepared an estimate of omitted debt to support the audit of the financial summary. Omitted debt 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 the Department for Work and Pensions 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. This debt is estimated at £3.0 million (net impact is £2.1 million) and is reported as an unadjusted error.

30. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for Social Security Scotland is the Audit and Assurance Committee.

31. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and include:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

32. The significant findings and key audit matters to report are outlined in [Exhibit 4](#).

Exhibit 4**Significant findings and key audit matters**

Significant findings and key audit matters	Outcome
Underlying fraud and error in benefit expenditure The 2024/25 financial statements include benefit expenditure of £2.2 billion administered by the Department for Work and Pensions under agency agreements on behalf of Scottish Ministers. As disclosed in Note 18 of the financial statements there are estimated overpayments of £40 million paid to Scottish residents. This is based on estimates by the Department for Work and Pensions that overpayments, as a result of fraud and error in relation to each type of benefit, range between 0.5% and 3.9%. Overpayments 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. This was judged to be a key audit matter.
Measurement of expected credit losses for Social Security Scotland administered benefits The methodology used to estimate the impairment applied to the overpayment debt of each benefit is calculated based on historic trends. For benefits directly administered by Social Security Scotland, the debt level at the 31 March 2025 is £10.7 million which is an increase from £4.0 million in 2023/24. Social Security Scotland has developed an impairment methodology based on the Department for Work and Pension's impairment model. A management decision was taken in 2024/25 not to implement this due to further work required to enhance the underlying data and to ensure the model provides accurate values. We are content that the estimated amount is not material to the accounts however as the majority of benefit expenditure next year will be administered by Social Security Scotland, the implementation of a model is increasingly important.	As the transition of benefits will conclude in 2026, Social Security Scotland should continue to refine the management information which supports the impairment model for use in future years. Recommendation 1 (Appendix 1, action plan)

Significant findings and key audit matters	Outcome
Remuneration and Staff Report Our testing of the remuneration and staff report identified differences between the salary disclosure of executive and non-executive members and the underlying payroll data. This required an amendment to the remuneration disclosure of two executive members.	The figures in the remuneration and staff report were updated to reflect payroll records. We selected an additional sample of three disclosures for testing. No further issues were found. Recommendation 2 (Appendix 1 , action plan)

Source: Audit Scotland

Qualitative aspects of accounting practices

33. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

34. The appropriateness of accounting policies adopted by Social Security Scotland was assessed as part of the audit. These were considered to be appropriate to the circumstances of Social Security Scotland, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

35. Accounting estimates are used in Social Security Scotland's financial statements, including the impairment of benefit overpayments. Audit work considered the process Social Security Scotland has in place, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

36. The adequacy and quality of disclosures in the financial statements was assessed as part of the audit and were considered to be satisfactory.

There were no misstatements identified during the audit process

37. No audit adjustments were required to the financial statements greater than the reporting threshold of £500,000. Several amendments were agreed to the presentation and content of the performance report, accountability report and notes to the accounts as part of the audit process.

Our audit work responded to the significant risks of material misstatement identified in the Annual Audit Plan

38. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#).

Exhibit 5**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journal entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate any significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • There were no significant transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • The methodology used in preparing significant estimates is reasonable. Conclusion: We did not identify any instances of fraud caused by management override of controls.

Risk of material misstatement	Planned audit response	Outcome of audit work
Risk of material misstatement caused by fraud and error in benefit expenditure delivered by DWP 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 difference benefit streams which gives risk to regularity issues for the £2.2 billion expenditure administered by the Department for Work and Pensions (DWP). The complexity of social security systems, inter-relationships between devolved and delegated assistance and the volume of payments means that there is an inherent risk of fraud and error.	The audit team will: • Assess the audited financial summary prepared by the DWP. • Review 'agreed upon procedures' completed by the National Audit Office on our behalf. • Review the DWP published estimates for fraud and error levels and consider appropriateness for Social Security Scotland. • Review benefit expenditure against independent forecasts and investigate any significant variances.	Audit work performed found: • 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 National Audit Office report of factual findings confirms the reliability of the fraud and error rates. • The fraud and error rates published by the Department for Work and Pensions indicate overpayments of £40 million. • The Scottish Fiscal Commission's Forecast Evaluation Report adequately explains any variances from forecast. Conclusion: We have qualified our regularity opinion for benefit expenditure delivered by the Department for Work and Pensions.

Risk of material misstatement	Planned audit response	Outcome of audit work
Risk of material misstatement caused by fraud and error in benefit expenditure delivered by Social Security Scotland The value of benefits administered by Social Security Scotland has increased significantly in 2024/25. Social Security Scotland's understanding of the fraud and error that exists within the range of benefits it delivers is still in development. There is a risk that fraud and error arrangements are not developed at the same pace as the roll-out of new benefits. If Social Security Scotland is unable to accurately disclose the level of fraud and error that exists there may be an impact on the audit opinion.	The audit team will: • Review the design and implementation of internal controls over benefits administered by Social Security Scotland, including case transfer, with a focus on prevention and detection of fraud and error. • Review developments in fraud and error prevention and detection arrangements. • Engage with management to assess progress with the development of arrangements to estimate levels of fraud and error. • Complete detailed testing of benefit payments.	Audit work performed found: • The controls over benefit administration were found to be appropriate. • Social Security Scotland is continuing to develop arrangements to estimate the level of official error in the benefits it administers. • Developments have been made in the arrangements for the prevention and detection of fraud and error. • No issues were identified through our detailed testing. Conclusion: Social Security Scotland has made further progress towards understanding the fraud and error that exists in the benefit caseload that it administers. However further work remains to be done. Recommendation 5 (Appendix 1, action plan)

Source: Audit Scotland

Prior year recommendations are being progressed

39. Social Security Scotland has made some progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with Social Security Scotland and are outlined in [Appendix 1](#).

Financial management and sustainability

Financial Management

Conclusion

Social Security Scotland was responsible for £5.9 billion of benefit payments in 2024/25, which was £42.2 million (or 0.7 per cent) below forecast.

Appropriate arrangements are in place to ensure sound financial management. Social Security Scotland spent £291.1 million on operating expenditure which was £2.5 million (or 0.9 per cent) below budget. This related to planned savings in line with Scottish Government spending controls.

An independent assessment of the Social Security Scotland digital ecosystem found that significant investment is needed to develop and maintain the current systems.

Social Security Scotland has continued to estimate the level of official error that exists within its benefit caseload. It recognises the significant work that is required to complete the fraud and error exercises once the new regulations are in place. 2025/26 will be a critical year for fraud and error estimates as Social Security Scotland will be responsible for delivering the majority of devolved benefit expenditure. It is therefore increasingly important it can estimate the fraud and error within the benefits it administers.

Social Security Scotland benefit expenditure was £5.9 billion which was £42.2 million (or 0.7 per cent) below forecast

40. 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.

41. Social Security Scotland has reported an outturn of £6,230 million against its overall budget for 2024/25, which was £68.8 million below

forecast. The financial performance against fiscal resources is shown in [Exhibit 6](#).

Exhibit 6

Performance against fiscal resource in 2024/25

	Initial Budget £m	Final Budget £m	Outturn £m	Over / (under) spend £m
Operating expenditure (fiscal resource)	309.6	293.6	291.1	(2.5)
Capital	5.0	4.0	3.9	(0.1)
Depreciation	7.4	6.9	7.2	0.3
Total	322.0	304.5	302.2	(2.3)
Delivered by Social Security Scotland		3,636.7	3,717.0	80.3
Delivered by the Department for Work and Pensions		2,349.1	2,226.6	(122.5)
Total benefit expenditure		5,985.8	5,943.6	(42.2)
Provision for benefit underpayments			(19.7)	
	0.2	8.5		(24.3)
Benefit overpayment impairment			3.9	
Total		6,298.8	6,230.0	(68.8)

Source: Social Security Scotland annual report and accounts 2024/25

Budget processes and reporting were appropriate

42. Social Security Scotland's budget processes remain appropriate. The 2024/25 total revised budget increased by £857.2 million in comparison to the previous year. The most significant area of additional expenditure in 2024/25 relates to the continued roll-out of Adult Disability Payment and the increasing demand for disability benefits across the UK.

43. The movement between the original operating budget presented to the Executive Advisory Body on 23 April 2024 and the final budget mainly relates to:

- the return of £12 million of funding to the Scottish Government due to staff savings and the delayed implementation of the Pension Age Winter Heating Payment
- the realignment of £4.4 million to the Programme to help deliver joint priorities in 2024/25
- the transfer of £8.8 million for services transitioning from the Programme.

44. There is a £24.3 million underspend against the budget for the provision for benefit underpayments and the benefit overpayment impairment. This mainly relates to the unexpected write back of previously estimated provision. Social Security Scotland relies on the Department for Work and Pensions to provide information on the provision for benefit underpayments. This information was not provided until after the spring budget revision.

45. Although the financial outturn for the year is below forecast, this mainly relates to benefit expenditure which is demand led and cannot be controlled in the same way as other budgets where spending limits can be applied. The December 2023 Scottish Fiscal Commission forecasts were used to inform the 2024/25 Scottish Budget. The Scottish Fiscal Commission publishes an annual forecast evaluation report that provides detailed analysis on reasons why benefit expenditure differs from budget forecast.

Our review of internal control arrangements in 2024/25 found that these were appropriate but we identified some areas for improvement

46. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

47. From our review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach, we identified some internal control weaknesses which could affect Social Security Scotland's ability to record, process and report financial and other relevant data to result in a material misstatement in the financial statements.

48. We found that there are appropriate user access restrictions in place for the Oracle general ledger system and the Social Programme Management (SPM) case management system but there is currently no formal process for management to regularly monitor or review user access rights to ensure it is appropriate. While our testing of user access rights confirmed that only appropriate staff have access to Oracle and SPM,

failure to review user access on a regular basis increases the risk of unauthorised or inappropriate access.

Recommendation 3

Social Security Scotland should implement a formal, periodic review process to ensure that user access rights for the Oracle general ledger system and the SPM case management system remain appropriate and aligned with current job roles.

49. We have reported since 2022/23 that work is ongoing to review and update the disaster recovery strategy. Our review of the design and implementation of systems of internal control relating to IT in 2024/25 has confirmed that the process of updating the disaster recovery plan remains ongoing. We also found that although the SPM case management system is backed up on a daily basis there is currently no routine testing to confirm this can be recovered.

Social Security Scotland experienced some challenges when the new Oracle system was implemented but these did not affect the preparation of the financial statements

50. In October 2024 the Scottish Government commenced the implementation of a new HR and Finance platform (Oracle Cloud) as a shared service to Scottish Government core and 32 public bodies. The systems are now being embedded to support a stronger overall control environment, but this is taking time to be fully established, with specific weaknesses remaining in payroll and in the process for ensuring appropriate access rights. Oracle Fusion has inbuilt controls in the system which prevents users from approving journals that they have created. This removes the previously identified control weakness.

51. Social Security Scotland experienced some operational challenges when the system was implemented. This involved issues with generating reports and variances in payroll reconciliations. Despite the challenges that were encountered during the implementation stage, these did not affect the preparation of the financial statements. As reported in the Governance Statement, Social Security Scotland is supporting the Scottish Government's ongoing process to manage and maintain the platform.

52. The Scottish Government's external audit team will also be undertaking a review of the Scottish Government's implementation of the new system. The review will consider the implementation process and provide insight on the post 'go live' position. It will also assess future plans, including how the assurance landscape will be strengthened. We will monitor progress with this review and update management and the Audit and Assurance Committee on its findings in due course.

Significant investment is required to ensure the maintenance and development of the digital ecosystem

53. For several years we have identified a wider dimension audit risk associated with the configuration of the Social Programme Management (SPM) case management system that is used to administer benefits. As the system continues to be developed, to allow for the implementation of new benefits, the accumulation of technical debt continues. Technical debt is commonly understood to be a representation of the extra work arising from technical shortcuts taken in the technology implementation process, together with the natural ageing of systems through their expected lifecycle.

54. The single prioritised backlog continues to be used by the Programme and Social Security Scotland as a structured process to actively track technical debt and system development. Social Security Scotland will be responsible for implementing system enhancements and ensuring long-term sustainability beyond the Programme closure in 2026.

55. During 2024/25 an independent assessment of the digital ecosystem was conducted. The findings from this assessment have highlighted that significant future investment is required to maintain and develop the digital ecosystem, which includes the SPM case management system. Capital investment is also required to enable efficiencies and automation within current systems, which is essential for the sustainable delivery of services in the future, and reduce reliance on inefficient manual processes.

56. The assessment has helped to inform the creation of a new Digital, Delivery and Change division that will bring more capability into Social Security Scotland after the Programme closure.

Recommendation 4

Social Security Scotland should draw on the findings and recommendations from the independent assessment of the digital ecosystem to ensure capital funding is targeted towards priority areas for future investment.

Arrangements to estimate the level of official error in the benefits it administers continue to be developed

57. Social Security Scotland published the findings from its exercise to estimate the level of official error that exists within the Best Start Foods benefit caseload in November 2024. The review found that official error overpayments were estimated in 2 per cent of cases and payments between September 2023 and January 2024. The monetary value of official error overpayments was £110,000. This is the first full review completed and the results were published as official statistics in development.

58. Following on from the pilot exercise to estimate the level of official error that exists within the Scottish Child Payment benefit caseload, a full review covering the period May to October 2024 was published in June 2025. The review found that official error overpayments were estimated in 1.1 per cent of cases with an estimated monetary value of £2.4 million. Although a direct comparison is not possible between the pilot Scottish Child Payment exercise and the full review, the findings suggest that both the estimates of the proportion of cases, and the percentage monetary value of official error overpayments and underpayments, may be broadly similar across both reviews.

59. The Fraud and Error Resolution Unit and the Analysis and Insights teams have continued to make progress in understanding and estimating official error levels. The next official error exercise will focus on Adult Disability Payment which is the largest benefit delivered by Social Security Scotland. The review is a pilot exercise due to the new processes required to review official error for a disability benefit. Findings from the pilot exercise are due to be published as a research report by May 2026.

60. Social Security Scotland can currently only estimate official error, and significant work is still required to measure the fraud and error that exists within the full range of benefits. From 2025/26 Social Security Scotland will be responsible for delivering the majority of devolved benefit expenditure, making it increasingly important that it can estimate the fraud and error within the benefits it administers.

61. The Social Security (Amendment) (Scotland) Act 2025 came into effect in December 2024. The Act introduced a key change that mandates participation in fraud and error exercises by individuals receiving benefits. Social Security Scotland recognise the extent of work that will be required to implement these exercises once the new regulations come into force. It has identified requirements for future investment to allow these exercises to be carried out.

Recommendation 5

Social Security Scotland should work at pace to ensure that the necessary resources and systems are in place to carry out fraud and error estimation exercises once the new regulations are in place.

Further developments have been made in detection and prevention of fraud and error

62. The Fraud and Error Resolution Unit has continued to undertake error detection, correction and analysis work. In 2024/25, 21,236 low income and carer's benefit cases, and 2,312 disability benefit cases were corrected by the intervention teams. This is an 83% increase by volume in comparison with the previous year.

63. During 2024/25 improvements were made to the key systems used for counter fraud activities. A new fraud case management system was introduced which has improved efficiency, workflows and data standards. A new data analysis tool became operational to support fraud prevention and detection. This technology supports the use of data analysis to identify fraud and error indicators within the benefit data.

64. We reported in our 2023/24 Annual Audit Report that Social Security Scotland is currently limited to voluntary debt repayment arrangements to recover overpayments. Work has been ongoing to develop a policy to support deductions from ongoing benefit awards when voluntary repayments have not been agreed. Social Security Scotland aim to introduce enforced deductions in 2025/26.

65. Social Security Scotland has adequate arrangements in place to prevent and detect fraud or other irregularities. Given resource restrictions, it should continue to prioritise its work based on risk and value.

Financial Sustainability

Conclusion

The 2025/26 budget was set at £7.0 billion comprising an operating budget of £320.6 million and a benefit expenditure budget of £6.7 billion. The benefit expenditure budget is based on Scottish Fiscal Commission independent forecasts and recognises the uncertainty within the forecasted benefit streams which are demand led.

Social Security Scotland recognises the significant risks associated with the approaching closure of the Programme in 2026. They are working closely with Scottish Government to agree and manage the transition of resources and funding.

Social Security Scotland now delivers fifteen benefits that support people across Scotland – seven of which are only available in Scotland. Annual benefit expenditure is forecast to be significantly higher than the funding received from the UK Government.

The 2025/26 budget has been set at £7.0 billion

66. The 2025/26 Social Security Scotland budget was approved by the Executive Team on 25 March 2025 with an operating budget of £320.6 million and a benefit expenditure budget of £6.7 billion.

67. This is an overall increase of £757.1 million, or 12 per cent, on the 2024/25 revised budget and mainly relates to benefit expenditure. This type of spend is demand led and the budget is based on independent forecasts prepared by the Scottish Fiscal Commission. The Benefit

Forecast Review Group continues to meet monthly to monitor in year benefit spend and forecasts.

Social Security Scotland expects operating costs and benefit expenditure to be delivered on budget in 2025/26

68. The latest financial monitoring report to July 2025 reported a £0.6 million overspend against operating budget. However, the forecast for the full year indicates operating costs will be delivered on budget. The budget includes £11.1 million to fund services transitioning to Social Security Scotland in preparation for Programme closure.

69. Benefit expenditure to July 2025 was reported as £2.1 billion, which is £94.9 million below plan. This is mainly due to caseload differences with Adult Disability Payment, Child Disability Payment and Carer Support Payment benefits appearing lower than assumed as well as timing differences. The full year revised budget and forecast spend on benefit expenditure has increased by £61.7 million to reflect the change in policy for Pension Age Winter Heating Payment and the Two Child Limit Payment.

Social Security Scotland and the Scottish Government Social Security Programme continue to work together to agree funding requirements after Programme closure however further work is needed

70. Our 2023/24 Annual Audit Report highlighted that Social Security Scotland should work closely with the Programme to agree and manage the capabilities, services and funding that will transition when the Programme closes. Social Security Scotland recognises Programme closure as its highest-rated risk. It acknowledges that, post-closure, it will be fully accountable for providing its services. Without the necessary funding and resources it risks being unable to sustain current service levels over time.

71. A recent internal audit review of transition and Programme closure found that there was no overarching strategy or plan to deliver transition by the end of March 2026, when the Programme is scheduled to have ended. During the year, Social Security Scotland took the decision to pause Transition in recognition of the risks to the approach. A different approach was agreed to create a Future Operating Model to ensure that Social Security Scotland has appropriate capacity and capability to deliver beyond Programme Closure in March 2026.

72. During 2024/25 collaborative working has continued between Social Security Scotland and Programme colleagues. A joint financial plan has been agreed which sets out resource and capital forecasts. The group also reviews budget transfers required to support transition costs incurred by Social Security Scotland.

73. During 2025/26 capital assets owned by the Programme will transfer to Social Security Scotland. The plan recognises increased capital investment is required, including the identification of priority activities.

74. Significant work is underway to develop the future operating model in 2025/26 to ensure Social Security Scotland can successfully manage the transition when the Programme closes. Work is currently ongoing to forecast future staff funding requirements. Internal audit recently conducted a review of the Future Operating Model and found there was limited evidence that the necessary resources would be in place from 2026/27 onwards. Management advised that it has been agreed that additional resource can be included in the Social Security Scotland headcount and budget for 2026/26 onwards. It recognises that this headcount is currently funded from the Programme budget for 2024/25.

75. Social Security Scotland is considering future funding requirements and specific areas that require development and investment in 2025/26. There is a risk that without agreed funding it will lack the necessary staff capacity and capability to operate after Programme closure.

Recommendation 6

Social Security Scotland should work with the Scottish Government to agree and secure adequate funding to support its staffing and operational needs beyond March 2026. This should include a detailed assessment of the resources required to implement the Future Operating Model and deliver its strategic objectives.

Social Security Scotland faces increasing pressure to reduce operating expenditure

76. Similar to other public bodies Social Security Scotland faces increasing pressure to reduce non-essential spending. Staff costs represent the most significant element of the operating cost budget, which means there is limited flexibility in the budget in the short term. Social Security Scotland has developed a five-year financial plan providing forecasts for key areas of spending to 2029/30. This is supported by detailed expenditure forecasts and projected year-on-year changes.

77. A strategic approach to the budget setting process is in place with staff modelling used to understand resource requirements and staff cost forecasts. The finance team work with the Analysis and Insights team to understand the assumptions used and associated risks, using benefit forecasts to understand expected application volumes. The modelling is compared to budget allocations across the next five year period to identify any gaps.

78. During 2024/25, a Strategic Workforce Forum was set-up, to work alongside the Finance and Investment Forum, to address the financial

sustainability risk with a particular focus on workforce planning and recurring savings. Modelling has been used to review workforce numbers and to calculate resource requirements against affordability in the longer-term with future pay awards representing a significant risk.

79. 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. Developments in financial and workforce planning is ongoing to ensure future operations are affordable. This will need to include the identification of recurring savings.

The majority of benefit expenditure will be administered by Social Security Scotland by 2025/26

80. Carer Support Payment became available across Scotland in November 2024. Pension Age Disability Payment pilot phase was launched in October 2024 with a national roll out in March 2025. Social Security Scotland now delivers fifteen benefits to people in Scotland.

81. Social Security Scotland will continue to launch new benefits in the final year of the Programme. This includes the Pension Age Winter Heating Payment that is due to be made in December 2025 and the new Two Child Limit Payment that is planned to be launched in March 2026.

82. Case transfer for Adult Disability Payment, Carer Support Payment, Attendance Allowance and Scottish Disability Living Allowance is expected to be complete by end of the 2025. Social Security Scotland will then be responsible for administering the majority of devolved benefits with just two benefits continuing to be delivered by the Department for Work and Pensions under agency agreements: Industrial Injuries Disablement Benefit and Severe Disablement Allowance.

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

83. Once the process of transfer of devolved benefits is complete and Social Security Scotland is responsible for all benefit payments, the scale of the financial challenge will be 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 other parts of the wider Scottish Budget.

84. The Scottish Fiscal Commission's latest forecasts from June 2025, project that annual benefit expenditure in Scotland will increase from £6.9 billion in 2025/26 to £8.6 billion in 2028/29. The report explains that this is because of in-year policy changes and changes to the number of people receiving disability payments.

85. Compared to December 2023, the social security spending forecast in 2025/26 has increased by £69 million. This reflects increased demand for

disability payments and more successful applications than anticipated for Child Disability Payment.

86. The Scottish Government has implemented policy and operational changes to improve the experience of people applying for its payments and with the aim of maximising take-up. The effect of these changes has seen an increase in benefit payments above the level of block grant adjustments funding received. Spending on social security payments with a block grant adjustment is estimated to exceed the funding received by £474 million in 2025/26.

87. The largest component of this is Adult Disability Payment, with spending estimated to be £320 million more than the block grant adjustment funding associated with Personal Independence Payment in 2025/26, with the gap rising to £770 million in 2029/30.

88. In addition, the Scottish Government has also introduced new payments which are only available in Scotland and so there is no block grant adjustment for these benefits. These include Scottish Child Payment, Carer's Allowance Supplement and Child Winter Heating Payment. Spending on these payments is forecast to be £543 million by 2025/26.

89. By 2029/30, it is expected the Scottish Government will spend £1.9 billion more on social security than the funding received from the UK Government through the block grant adjustments.

Scottish Government's medium-term position looks increasingly challenging

90. This increase in benefits spending is set within an increasingly challenging financial context in the public sector. In June 2025 the Scottish Government published a new [Public Service Reform Strategy](#) (PSRS), its seventh [Medium-Term Financial Strategy](#) (MTFS) and the first [Fiscal Sustainability Delivery Plan](#) (FSDP). These documents provide a framework for the future of Scottish public sector finance and public service reform.

91. The 2025 MTFS presents a stark picture with gaps in resource projected to grow from a balanced budget in 2025/26, to a gap of £2.6 billion in 2029/30. Similarly capital spending is forecast to exceed the available budget by £1.1 billion in 2026/27, rising to a gap of £2.1 billion in 2029/30. Significant further action is required, for both resource and capital, to deliver a sustainable future for the Scottish public sector.

Vision, leadership and governance

Conclusion

Social Security Scotland has appropriate governance arrangements in place and is updating its structure in preparation for the Programme closure.

Improvements to cyber security arrangements have been made during 2024/25 and work continues in this area.

Social Security Scotland has a clear vision and strategy

92. Social Security Scotland published its 2024-27 Corporate Plan in September 2024 that sets out its strategic goals over the three year period. The 2024/25 Business Plan was published in September 2024 and is linked to the Corporate Plan. It focusses on the actions and activities that support the strategic goals.

93. The Charter, *Our Charter*, outlines what individuals can expect from the Scottish social security system and the commitment to delivering services with dignity, fairness, and respect, in line with the principles of the Social Security (Scotland) Act 2018.

94. The Charter was reviewed and updated in 2023 and both the Corporate Plan and the Business Plan were developed to achieve its principles. The recent internal audit review of the Future Operating Model highlights the importance that the current corporate strategy, values, culture and vision of Social Security Scotland are incorporated and considered as part of the future design and implementation work.

Social Security Scotland is updating its governance structure in preparation for Programme closure

95. Social Security Scotland's governance arrangements have been set out in the governance statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate.

96. Social Security Scotland continues to amend the governance structure to ensure it remains fit for purpose. There was a restructure of the Executive Team in March 2025 where the Client Services Delivery and the

Health and Social Care divisions were merged to create a new operational delivery division. The Programme Director Social Security rejoined the Executive Team in July 2024 ahead of the planned closure of the Programme in 2026.

97. In preparation for the planned closure of the Programme Social Security Scotland is developing a Future Operating Model. A Future Operating Model Senior Group was established to oversee the project and provide strategic direction over the workstreams of the project from design through to implementation.

98. A new division has been created in the Future Operating Model, the Digital, Delivery and Change Model. The creation of the division is being overseen by the Digital, Delivery and Change Working Group.

99. Governance and leadership arrangements are currently under review and are being updated in preparation for the Programme closure in March 2026. This should ensure that the structure is aligned with Social Security Scotland's evolving responsibilities.

Social Security Scotland has made progress to address the risk of cyber security

100. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have the appropriate cyber security arrangements in place. Recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2024/25, we considered Social Security Scotland's arrangements for managing and mitigating cyber security risks.

101. Social Security Scotland recognises the risk that cyber security presents to its operations. The Digital Risk and Security Branch has primary responsibility for cyber security.

102. Following an internal audit recommendation, Social Security Scotland published its 2024-2027 Cyber Security Strategy in October 2024. In November 2024, a Cyber Security Capability Review was presented to the Executive Agency Board. This highlighted a number of cyber security improvements:

- A maturity assessment was completed against the Scottish Government's Cyber Resilience Framework to improve the organisations cyber capability.
- The incident management and response capabilities were reviewed and tested in incident exercises, including an Executive Team session led by the Scottish Government.
- A Cyber Threat Intelligence function was created to proactively deal with threats and work with the Scottish Government to integrate intelligence feeds.

- The logging, monitoring, and alerting functions were further developed.
- A security awareness and training programme has been devised to improve the security culture of all colleagues.

103. Social Security Scotland has started the process of transitioning to the National Cyber Security Centre's Cyber Assessment Framework. Progress has been made to address the risk of cyber security to Social Security Scotland and we will continue to monitor developments in this area.

Use of resources to improve outcomes and Best Value

Conclusion

The Benefit Performance Review was created and replaced the Performance Forum. This is a sub group of the Executive Team and aims to embed performance in the governance arrangements.

Social Security Scotland has developed a Performance and Quality Framework that aims to provide a performance evidence base that will demonstrate continuous improvement, value for money and achieve added public value.

The Social Security Scotland Equality Mainstreaming Report was published in 2025. The findings in the report demonstrates that it meets the fairness and equality best value characteristics.

Social Security Scotland has developed an appropriate Best Value framework

104. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

105. The Charter Measurement Framework is the key measurement tool for annual performance reporting. It is published annually to assess how well Social Security Scotland and the Scottish Government are delivering on the Charter's commitments.

106. Social Security Scotland use a balanced scorecard and a performance pack to measure and monitor organisation performance. This is updated on a monthly basis and presented to the Executive Team. The balanced scorecard is also considered by the Executive Advisory Body.

107. Consideration of the arrangements Social Security Scotland has in place to secure Best Value has been carried out alongside the wider scope audit. We have concluded that these arrangements are effective.

Social Security Scotland is continuing to develop its performance management arrangements

108. We reported last year that Social Security Scotland had established a performance forum to support performance management arrangements. During 2024/25 a new sub group of the Executive Team was created, the Benefit Performance Review Group, that aims to embed performance in the governance structure. This replaced the performance forum and a number of forum members will attend these meetings.

109. A core function of the new group will be to assess benefit product performance over the previous period, analyse any variances from expected outcomes, and agree on appropriate actions to ensure alignment with desired performance objectives.

110. One of the key responsibilities of the performance forum was the development of a Performance and Quality Framework which was published in July 2025. The framework outlines performance outcomes for Social Security Scotland and provides a comprehensive directory of data and evidence on each of those outcomes. The Quality Framework sets out how Social Security Scotland will achieve quality measures held within the Performance Framework within benefit delivery.

111. The Performance and Quality Framework aims to ensure that a performance evidence base is available, demonstrating value for money and achieving added public value. We will consider the recent changes to the performance management arrangements as part of our 2025/26 audit.

The Adult Disability Payment performance audit includes recommendations for Social Security Scotland

112. Audit Scotland published its performance audit of Adult Disability Payments on 18 September 2025. The audit considers how well the Adult Disability Payment benefit has been implemented and the added value of the approach. The report highlights the growing gap between funding and expenditure and the need for a clearer understanding of the impact on the delivery of the desired outcomes. It includes recommendations for Social Security Scotland as outlined in [Exhibit 7](#). We will monitor progress against these recommendations during the 2025/26 audit.

Exhibit 7

‘Adult Disability Payment’ performance audit recommendations The Scottish Government and Social Security Scotland should:

For the 2025/26 annual performance reporting publications:

- Define acceptable levels of satisfaction and build them into evaluation reporting. This will enable the Scottish Government and Social Security Scotland to identify and action areas of concern more quickly.
- Include analysis of client satisfaction to understand possible reasons for change, such as backlogs, success rates and the differences in survey results for new applicants and case transfers, and how trends may change over time.
- Add dignity, fairness and respect more clearly into performance frameworks.

Over 2026/27 use this improved performance information to produce cost/benefit analyses of the cost drivers of the two areas of spend, benefit delivery and benefit expenditure. This will allow for better analysis of the added value of the spend on ADP. This could involve:

- Completing policy evaluations for each aspect of ADP that differs to PIP.
- Modelling analysis to consider ADP separately to other benefits administered and identify which areas are making the biggest difference to clients.
- Analysis of whether Social Security Scotland are getting decisions right first time, both for initial awards and awards reviews, and comparisons with PIP. This will allow for better analysis of reconsideration and appeals data.

Source: Audit Scotland

113. In July 2025 an independent review of Adult Disability Payment was published. This review was commissioned by the Scottish Government and examined the first year of Adult Disability Payment delivery, with the aim of identifying improvements to the eligibility framework, decision-making process and client experience. The report included 58 recommendations, with a number directed specifically at Social Security Scotland.

Social Security Scotland has demonstrated that fairness and equality is embedded across its organisation

114. As reported in the Annual Audit Plan, specific work covering the 'fairness and equality' Best Value characteristic was carried out as part of the 2024/25 audit.

115. Social Security Scotland published its Equality Mainstreaming Report in June 2025 that sets out how it meets its obligation under the public sector equality duty. It demonstrates that fairness and equality is embedded across its responsibilities as an employer and in the service it delivers.

116. The report highlights some key developments in this area:

- A Diversity and Inclusion Team is in place, and in 2024 the Diversity and Inclusion Group was established
- A Mainstreaming Inclusive Communication and Equality Strategy 2025 to 2027 has been developed
- Completion of equality impact assessments across all business areas are required.

117. Our audit work found evidence of appropriate arrangements in place to demonstrate fairness and equality, both strategically and operationally.

Appendix 1 – Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Impairment model Social Security Scotland has developed an impairment methodology based on the Department for Work and Pension's impairment model. A management decision was taken in 2024/25 not to implement this due to further work required to enhance the underlying data and to ensure the model provides accurate values. Risk: The value of benefit receivables and overpayments may be overstated and does not accurately reflect the recoverable amount.	As the transition of benefits will conclude in 2026, Social Security Scotland should continue to refine the management information which supports the impairment model for use in future years. Exhibit 4, item 2	Accepted This is within our agreed workplan with the intention to implement in 25/26. Benefit Forecasting and Debt Lead March 2026

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. Remuneration and Staff Report Our testing of the remuneration and staff report identified differences between the salary disclosure of executive and non-executive members and the underlying payroll data. This required an amendment to the remuneration disclosure of two executive members. Risk: Disclosures in the remuneration and staff report do not agree to underlying payroll records.	Social Security Scotland should complete a review of Remuneration and Staff Report disclosures before the unaudited annual report and accounts are provided to audit. Exhibit 4, item 3	Accepted Reconciliation of remuneration and staff report disclosures to be incorporated into monthly monitoring processes. Head of Finance March 2026
3. Regular review of user access rights There is currently no formal process for management to regularly monitor or review user access rights to the Oracle general ledger system or the Social Programme Management (SPM) case management system. Risk: Users of the Oracle or SPM system may have unauthorised or inappropriate access rights.	Social Security Scotland should implement a formal, periodic review process to ensure that user access rights for the Oracle general ledger and the SPM case management system remain appropriate and aligned with current job roles. Paragraph 48	Accepted The Scottish Government are responsible for access permissions and controls to the Oracle ERP platform. We will continue with our access controls and permissions reviews for all Oracle Finance and SPM users and ensure their access remains appropriate. Chief Digital Office Head of Finance December 2025

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
4. System Development An independent assessment of the digital ecosystem found that significant investment is required to maintain and develop the current systems that is essential for the sustainable delivery of services in the future. Risk: The capital funding provided to Social Security Scotland may be insufficient to support the critical maintenance, development, and enhancement of its systems.	Social Security Scotland should draw on the findings and recommendations from the independent assessment of the digital ecosystem to ensure funding is targeted towards priority areas for future investment. Paragraph 55	Accepted Subject to financial allocations to Social Security Scotland we will develop detailed delivery plans supported by robust business cases to inform investment requirements; ensuring available budget is effectively targeted on priority systems and technology to deliver best value. Peter Smith – Chief Digital Office March 2026
5. Fraud and Error From 2025/26 Social Security Scotland will be responsible for delivering the majority of devolved benefit expenditure, making it increasingly important that it can estimate the fraud and error within the benefits it administers. Risk: Social Security Scotland is not able to estimate the level of fraud and error that exists in its benefit caseload.	Social Security Scotland should work at pace to ensure that the necessary resources and systems are in place to carry out fraud and error estimation exercises once the new regulations are in place. Paragraph 60	Accepted We are continuing to develop the methodology, systems, and processes to support estimation of the level of fraud and error within our benefits. Changes to legislation are required which are being progressed. Head of Fraud and Error Resolution Unit Ongoing

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
6. Future Operating Model Funding Capabilities and services continue to transition from the Programme to Social Security Scotland and other parts of the Scottish Government as the Programme approaches the end of its lifecycle. Social Security Scotland is developing a Future Operating Model and is considering future funding requirements and specific areas that require investment. Risk: All costs are not fully funded for the expected transfer of services and staff by 31 March 2026 and beyond.	Social Security Scotland should work with the Scottish Government to agree and secure adequate funding to support its staffing and operational needs beyond March 2026. This should include a detailed assessment of the resources required to implement the Future Operating Model and deliver its strategic objectives. Paragraph 75	Accepted We will work with the Scottish Government Social Security Programme to manage transition and support successful programme closure. Deputy Director, Finance and Corporate Services Deputy Director Organisational, Strategy and Performance Deputy Director, Social Security Programme 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Impairment model Social Security Scotland does not have an impairment model for benefits receivable or overpayments. With benefit expenditure predicted to increase in future years, this will become increasingly important. Risk: Social Security Scotland is unable to calculate impairment of benefits receivable or overpayments.	Recommendation: Social Security Scotland should develop an impairment model for benefits receivable and overpayments for use in future years. Management Response: We understand the requirement and will continue to develop and implement an impairment model for overpayments related to benefits we directly administer when appropriate. Benefit Forecasting and Debt Lead March 2025	Work in progress Recommendation 1

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. Reconciliations We identified some discrepancies in the reconciliation between the Department for Work and Pensions system information and the Social Security Scotland general ledger. On this occasion there was no impact on the financial statements. Risk: If a significant variance is not understood this could result in a material misstatement in financial reporting.	Recommendation: Regular reconciliations performed between the Department for Work and Pensions and Social Security Scotland record of transactions and balances for devolved benefits should be subject to appropriate review. Management Response: In-year and year-end reconciliations between Social Security Scotland and the Department for Work and Pensions finance systems are performed and variances understood, but we accept that some improvements are required and a review of these has already begun with the changes being implemented immediately to enhance controls further. Benefit Forecasting and Debt Lead March 2025	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. System development As the benefits being delivered become more complex, the need for robust system controls which prevent and detect fraud and error increases. Social Security Scotland and the Programme do not have the capacity to make all required improvements to the Social Programme Management (SPM) case management system. Risk: System functionality and benefits delivery is adversely impacted.	Recommendation: Social Security Scotland should continue to work with the Scottish Government Social Security Programme to implement system improvements and demonstrate how systems will be sustained beyond Programme closure. Management Response: Social Security Scotland works closely with the Scottish Government Social Security Programme and will continue to do so to improve a number of our systems beyond SPM. The prioritisation of reducing and remediating technical debt through further releases from the Programme will be key to maturing the detection and prevention of fraud and error through greater systems controls. Chief Architect Ongoing	Work in progress Recommendation 4

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
4. 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 Department for Work and Pensions for many fraud and error estimates as well as developing its own arrangements for the benefits being delivered directly. Risk: Arrangements are not developed at the required pace and so fraud and error in the system is not understood.	Recommendation: Social Security Scotland should further develop processes to measure the level of fraud and error within the range of benefits being delivered. Management Response: We are continuing to develop the methodology, systems, and processes to support estimation of the level of fraud and error within our benefits. Changes to legislation are required which are being progressed. Head of Fraud and Error Resolution Unit Ongoing	Work in progress Recommendation 5
5. Transition funding Capabilities and services continue to transition from the Programme to Social Security Scotland and other parts of the Scottish Government as the Programme approaches the end of its lifecycle. Risk: The Programme does not fund all costs for all services expected to transfer, including staff.	Recommendation: Social Security Scotland should work with the Scottish Government Social Security Programme to agree and manage the capabilities, services and funding that will transition when the programme closes. Management Response: We will work with the Scottish Government Social Security Programme to manage transition and support successful Programme closure. Deputy Director Finance and Corporate Services Deputy Director Organisational, Strategy and Performance Deputy Director Social Security Programme 2026	Work in progress Recommendation 6

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
6. Cyber security Social Security Scotland should ensure appropriate action is taken to implement the findings from recent cyber security assessments carried out. This will ensure arrangements in place are adequate and secure. Risk: Any control weaknesses could affect the organisation's resilience to handle future cyber incidents.	Recommendation: Social Security Scotland should continue to review the cyber security arrangements that exist and implement identified improvements. Management Response: The findings from the individual assessments are being considered and appropriate action plans are being developed and will have corresponding implementation plans developed. Each individual assessment's findings will be implemented in a different timeframe, overall completion is likely to take until the end of the 2024/5 financial year. Additional resources are being made available to prioritise progress in this key area of Cyber Defence and Protection. Chief Digital Information Officer March 2025	Implemented

7. Performance management framework

Performance management arrangements are not adequately developed to support robust decision making and the assessment of impact on outcomes.

Risk: Social Security Scotland will not be able to demonstrate value for money.

Recommendation: Social Security Scotland should implement performance management arrangements that will allow an evidence based assessment of performance to support decision making and demonstrate value for money.

Management Response: Social Security Scotland's performance management arrangements are based around: the Charter, our legal obligations as a public body (including Social Security (Scotland) Act), economy and efficiency measures and the development of organisational delivery performance indicators underpinned by relevant management information. These support us to deliver effectively and positively impact a number of Scottish Government National Performance Outcomes. We will continue working with Programme and will define performance measures consistent with the Programme's Measurable Improvements Strategy and Evaluation Activity.

Our Business Plan 2024/25 includes a commitment to develop and publish a Quality and Performance Framework, setting out clearly our quality standards for our clients. It will also identify areas for further learning and improvement. The framework will demonstrate our links with National Outcomes, the Scottish Government's Social Security Programme's Measurable Improvements Strategy and Evaluation

Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	Activity and the Charter Measurement Framework. Head of Strategy, Performance and Governance December 2024	

Appendix 2 – National reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

Social Security Scotland

2024/25 Annual Audit Report



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot