

Scottish Commission on Social Security

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Commission on Social Security and the Auditor General for
Scotland

August 2024

Contents

Key messages	3
Introduction	4
Part 1. Audit of 2023/24 annual report and accounts	6
Part 2. Wider Scope	10
Appendix 1. Action plan 2022/24	13

Key messages

2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 Key risks facing the Scottish Commission on Social Security's accounts were outlined in our Annual Audit Plan that was presented to the audit sub-committee on 21 February 2024. There are no significant matters from that work to draw to the attention of the board.
- 3 The annual report and accounts were submitted for audit in line with the agreed timetable.

Wider-scope

- 4 The Scottish Commission on Social Security remained within its budget of £450,000, reporting an underspend of £36,820 (or 8 per cent) in 2023/24.
- 5 The 2024/25 budget of £450,000 was agreed by the board in February 2024.
- 6 The Scottish Commission on Social Security secretariat continues to work closely with Scottish Government finance to maintain effective financial monitoring but actions still need to be identified to address a projected overspend in 2024/25.
- 7 Governance arrangements for the audit sub-committee are being reviewed.

Introduction

1. This report summarises the findings from the 2023/24 audit of the Scottish Commission on Social Security (SCoSS). The scope of the audit was set out in our Annual Audit Plan presented to the 21 February 2024 meeting of the audit sub-committee. This Annual Audit Report comprises:

- significant matters arising from an audit of SCoSS's annual report and accounts
- conclusions on financial sustainability as required by the [Code of Audit Practice 2021](#).

2. This report is addressed to the board of SCoSS and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. I, Lisa Duthie, have been appointed by the Auditor General for Scotland as auditor of SCoSS for the period from 2022/23 until 2026/27.

4. My team and I would like to thank secretariat staff, Scottish Government (SG) finance staff, as well as audit sub-committee members and board members for their cooperation and assistance in this year's audit.

Responsibilities and reporting

5. SCoSS 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 Scottish Ministers. SCoSS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. My responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK (ISAs).

7. Weaknesses or risks are only those which have come to the attention of the audit team 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.

8. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

9. I can confirm that the audit team comply with the Financial Reporting Council's Ethical Standard. I can also confirm that we have not undertaken any non-audit related services and therefore the audit fee of £8,470 as set out in my 2023/24 Annual Audit Plan remains unchanged. I am not aware of any relationships that could compromise our objectivity and independence.

10. The annual audit adds value to SCoSS by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

Part 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Key risks facing the Scottish Commission on Social Security's accounts were outlined in our Annual Audit Plan that was presented to the audit sub-committee on 21 February 2024. There are no significant matters from that work to draw to the attention of the board.

The annual report and accounts were submitted for audit in line with the agreed timetable.

Audit opinions on the annual report and accounts are unmodified

11. The board approved the annual report and accounts for SCoSS for the year ended 31 March 2024 on 29 August 2024. 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
- expenditure and income were in accordance with applicable enactments and guidance
- 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.

Overall materiality was assessed as £8,000

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£8,000
Performance materiality	£5,000
Reporting threshold	£400

14. The overall materiality threshold was set with reference to total operating expenditure, which I judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60% of overall materiality, reflecting our risk assessment that confirmed no significant changes in the business activities, accounting system and systems of internal control at SCoSS.

16. It is my responsibility to request that all misstatements are corrected, other than those below the reporting threshold. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under ISA (UK) 260, I communicate significant findings from the audit to the board, including my view about the qualitative aspects of SCoSS's accounting practices.

18. The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 are those matters judged to be of most significance. I have no issues to report from the audit.

Audit work responded to the risks of material misstatement identified in the annual report and accounts

19. We have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Review the design and implementation of controls over journal processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity. Test journals at the year-end and post-closing entries. Evaluate significant transactions outside the normal course of business. 	<p>We undertook the assurance procedures as planned and found:</p> <ul style="list-style-type: none"> The Scottish Government audit team's review of the design and implementation of controls over journal processing informed our audit procedures. Management are not aware of inappropriate or unusual activity. Detailed testing of journal entries did not identify any errors. There were no significant transactions outside the normal course of business. <p>Conclusion: We did not identify any instances of management override of controls.</p>

20. In addition, I identified an "area of audit focus" in my 2023/24 Annual Audit Plan where I considered there to be a risk of material misstatement to the financial statements. The area of specific audit focus was:

- **The Social Security (Amendment) (Scotland) Bill:** The provisions in the Bill expands the types of regulations that SCoSS is able to review, removes the requirement for SCoSS to prepare accounts for external audit and removes the body corporate status. The Bill is currently at stage 2 of progressing through Parliament, where MSPs can propose amendments. It is expected to complete its parliamentary passage in February 2025. Following royal assent, there will be regulations that will be required to be passed. There is currently no timetable on the post-Bill regulations at this stage. We will continue to monitor developments in future audits.

There were no identified misstatements

21. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no misstatements identified that exceeded our reporting threshold.

The unaudited annual report and accounts were received in line with the agreed timetable

22. The unaudited annual report and accounts were received in line with the agreed audit timetable on 3 June 2024. The working papers which accompanied the annual report and financial statements were of a good standard. Regular communication and support from secretariat and Scottish Government finance staff helped the audit process run smoothly.

Good progress was made on the prior year recommendation

23. SCoSS has made good progress in implementing the agreed prior year audit recommendations, as set out in [Appendix 1](#).

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term.

Conclusion

The Scottish Commission on Social Security remained within its budget of £450,000, reporting an underspend of £36,820 (or 8 per cent) in 2023/24.

The 2024/25 budget of £450,000 was agreed by the board in February 2024.

The Scottish Commission on Social Security secretariat continues to work closely with Scottish Government finance to maintain effective financial monitoring but actions still need to be identified to address a projected overspend in 2024/25.

Governance arrangements for the audit sub-committee are being reviewed.

SCoSS operated within its 2023/24 budget

24. The main financial objective for SCoSS is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government (SG).

25. SCoSS reported operating expenditure of £413,180 in 2023/24, an underspend of £36,820 (or 8 per cent) against the allocated budget for the year. The underspend was attributed to:

- a reduction in staff costs due to the number of secretariat staff decreasing from six to five in the final quarter of 2023/24. The majority of operating expenditure is represented by staff costs, including board members fees (£387,861 or 94 per cent).
- The Scottish Government sought collective action to reduce expenditure in the final quarter of 2023/24 which consequentially had an impact.

The 2024/25 budget was agreed by the board in February 2024

26. The 2024/25 budget allocated to SCoSS in the Budget (Scotland) Act 2024 is £450,000. The budget allocation is consistent with 2023/24 and was agreed by the board at its meeting on 29 February 2024.

27. The latest financial monitoring report presented to the board on 27 June 2024 projects an overspend of £20,000 (or 4 per cent) for the year to 31 March 2025.

This is a contrast to prior year underspends which range from 8 percent (23/24) to 25 per cent (22/23 and 21/22). The forecast position is explained by an increase in staff costs and members fees.

28. The financial position is subject to monthly monitoring and forecasting by secretariat staff and Scottish Government finance. Finance updates are also subject to scrutiny by the board and audit sub-committee. It is important that effective financial management arrangements are maintained with Scottish Government finance to ensure the forecast overspend is managed appropriately.

29. The statement of financial position as at 31 March 2024 records a balanced position. SCoSS's liabilities are balanced by recognising Scottish Government funding as an amount receivable in the following year. Note 1(g) of the Statement of Accounting Policies refers to the preparation of the accounts on a going concern basis and we are content with that judgement.

Governance arrangements for the audit sub-committee are being reviewed

30. The Scottish Commission on Social Security was created by the Social Security (Scotland) Act 2018 and is an advisory non-departmental public body. It was set up to provide independent scrutiny of the Scottish social security system, including benefit regulations and to hold Scottish Ministers to account. SCoSS is separate from the Scottish Government and carries out its functions independently of both Scottish Ministers and the Scottish Parliament.

31. SCoSS is governed by a board which comprised of four members at 31 March 2024, including two interim co-chairs. The interim co-chair appointments and the appointment of an interim board member were initially made until 31 March 2024 but were extended to 31 July 2024. A recruitment exercise was recently held to appoint a new chair and board member. The successful candidates took up post on 1 August 2024.

32. An audit sub-committee was established in 2022/23 and quarterly meetings have been held since December 2022. The audit sub-committee is responsible for providing support to the board in their responsibilities for issues of risk, control and governance and associated assurance, including consideration of the annual report and accounts.

33. The Audit Adviser has played a key role in ensuring the effective operation of the audit sub-committee on governance, performance, assurance and risk management. The Audit Adviser also attended bi-monthly meetings between the SCoSS secretariat and Scottish Government finance. The Audit Adviser's contract concluded in March 2024.

34. Prior to the contract concluding, the Audit Adviser provided a legacy report which made a range of recommendations seeking to ensure the loss of the post did not result in a diminution in the governance of SCoSS. In May 2024, the audit sub-committee agreed a number of actions to address the recommendations in the legacy report, including:

- An assessment of the SCoSS governance framework would be undertaken by the secretariat, SG finance and sponsor unit as part of the annual report and accounts process.
- Existing processes provide sufficient support for budget monitoring and forecasting. If any further support were considered necessary the secretariat would raise this with SG finance and sponsor unit and report to the audit sub-committee.
- SG finance to continue to provide support for the preparation of the annual report and accounts and assurance with regard to compliance with the government finance reporting manual (FReM) and Scottish Public Finance Manual (SPFM).
- The secretariat will produce the annual assurance checklist and SG finance will provide assurance with regard to the content of the checklist. SG finance and sponsor unit will provide a letter of representation to the Accountable Officer as part of the annual report and accounts process.
- An assessment of whether there is a need for audit training for audit sub-committee members will be undertaken once a new chair of SCoSS has been appointed.
- Consideration of the extent of internal audit support required to support the annual report and accounts process going forward.

35. All audit committees in organisations to which the Scottish Public Finance Manual (SPFM) is directly applicable are subject to the guidance in the [Audit Committee Handbook](#) published by the Scottish Government. The audit sub-committee, with support from the secretariat, sponsor unit and SG finance, should perform a self-assessment using the checklist in the Audit Committee Handbook. This would enable the audit sub-committee to identify areas for improvement and, where appropriate, document the alternative assurance arrangements where best practice principles are not being met. The SPFM acknowledges that a degree of flexibility will be appropriate in applying the guidance, particularly with regard to smaller accounting entities.

Recommendation 1

The audit sub-committee, with support from the secretariat, sponsor unit and SG finance, should perform a self-assessment using the checklist in the Audit Committee Handbook published by the Scottish Government.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Audit Sub-Committee</p> <p>The Audit Adviser played a key role in ensuring the effective operation of the audit sub-committee until the contract ended in March 2024.</p> <p>Prior to the contract concluding, the Audit Adviser provided a legacy report which made a range of recommendations seeking to ensure the loss of the post did not result in a diminution in the governance of SCoSS.</p> <p>Risk: Appropriate challenge and scrutiny on key items of business is lost at audit sub-committee meetings.</p>	<p>The audit sub-committee, with support from the secretariat, sponsor unit and SG finance, should perform a self-assessment using the checklist in the Audit Committee Handbook published by the Scottish Government.</p> <p>Paragraph 35.</p>	<p>Accepted</p> <p>The Audit Sub-Committee will perform a self-assessment, using the checklist in the Audit Committee Handbook, during 2024-25.</p> <p>Secretariat / Sponsor Unit / SG Finance</p> <p>March 2025</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>4. Financial Sustainability</p> <p>SCoSS is facing increased costs and pressures in 2023/24. It is important that effective financial management arrangements are maintained, particularly</p>	<p>The SCoSS secretariat should continue to work closely with Scottish Government finance to maintain effective financial monitoring and plan a</p>	<p>Regular and effective financial monitoring was maintained throughout 2023/24 between the SCoSS secretariat and Scottish Government finance to discuss budget monitoring.</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>as pressure on the budget has increased.</p> <p>Risk: There is a risk that future financial pressures and uncertainties will affect SCoSS's ability to maintain expenditure within budget.</p>	<p>response to potential budget pressures in future years.</p> <p>31 March 2024</p>	<p>The secretariat considers that existing processes provide sufficient support for budget monitoring and forecasting. If any further support were considered necessary the secretariat would raise this with SG Finance and sponsor unit and report to the audit sub-committee.</p> <p>Complete</p>

Scottish Commission on Social Security

2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk