

# Scottish Commission on Social Security

2022/23 Annual Audit Report



 AUDIT SCOTLAND

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

November 2023

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# Key messages

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## 2022/23 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 in March 2023. 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 £110,388 (or 25 per cent) in 2022/23.
- 5 The 2023/24 budget of £450,000 was agreed by the board in June 2023.
- 6 The Scottish Commission on Social Security secretariat should continue to work closely with Scottish Government finance to maintain effective financial monitoring and plan a response to potential budget pressures in future years.
- 7 Governance arrangements are appropriate.

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# Introduction

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**1.** This report summarises the findings from the 2022/23 annual audit of the Scottish Commission on Social Security (SCoSS). The scope of the audit was set out in an Annual Audit Plan presented to the 16 March 2023 meeting of the audit sub-committee. This Annual Audit Report comprises:

- significant matters arising from an audit of SCoSS's annual report and accounts.
- wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability.

**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](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**3.** I, Lisa Duthie, have been appointed by the Auditor General as auditor of SCoSS for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

**4.** My team and I would like to thank secretariat staff, Scottish Government finance staff, as well as audit sub-committee members and board members for their cooperation and assistance in the year. We look forward to working together constructively over the course of the five-year appointment.

## 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 account's direction from the Scottish Ministers. SCoSS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**6.** The responsibilities of 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.

**7.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of SCoSS 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](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## **Auditor Independence**

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services. SCoSS received a rebate of £486 against the 2022/23 audit fee and so the proposed audit fee of £7,993 as set out in our 22/23 Annual Audit Plan was reduced to £7,507. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to SCoSS by:

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

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# Part 1. Audit of 2022/23 annual report and accounts

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

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## 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 in March 2023. 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.

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## 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 2023 on 22 November 2023. 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 £6,800

**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.** Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). This revisions to materiality levels had no impact on our planned audit approach.

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## Exhibit 1

### Materiality values

| Materiality level       | Amount |
|-------------------------|--------|
| Overall materiality     | £6,800 |
| Performance materiality | £3,400 |
| Reporting threshold     | £340   |

Source: Audit Scotland

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**14.** The overall materiality threshold was set with reference to total operating expenditure, which we 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 50% 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 our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

## Significant findings and key audit matters

**17.** Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

**18.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements. The significant findings are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings and key audit matters from the audit of the annual report and accounts

| Issue  | Resolution  |
|--|---|
| <p><b>1. Fair Pay Disclosure</b></p> <p>The remuneration and staff report did not include a fair pay disclosure in line with the requirements of the FReM.</p> <p>SCoSS advised that they do not consider the disclosure to be applicable on the basis that SCoSS does not employ any staff or have any Board Members that fulfil the role of a Director or have Directorial responsibilities.</p> <p>Furthermore, the disclosure requirement is considered disproportionate given the size of SCoSS and very small number of staff members.</p> | <p>Written approval was obtained from the Scottish Government sponsor unit that confirms it would not be appropriate or proportionate for a fair pay disclosure to be included in the annual report and accounts.</p> <p>A non-disclosure paragraph has been included in the audited remuneration and staff report to explain the approach that has been taken.</p> |
| <p><b>2. Parliamentary Accountability Report</b></p> <p>The Government Financial Reporting Manual (FReM) requires bodies to include the following disclosures relating to parliamentary accountability:</p> <ul style="list-style-type: none"> <li>• Gifts or charitable donations</li> <li>• Losses or special payments</li> <li>• Fees and charges income</li> <li>• Material remote contingent liabilities</li> </ul> <p>A Parliamentary Accountability Report was not included in the unaudited 2022/23 annual report and accounts.</p>      | <p>A Parliamentary Accountability Report has been included in the audited annual report and accounts.</p>   |

Source: Audit Scotland

## Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

**19.** We have obtained audit assurances over the identified significant risk of material misstatement to the annual report and accounts. [Exhibit 3](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.



### Exhibit 3

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

| Audit risk   | Assurance procedure  | Results and conclusions   |
|--|--|---|
| <p><b>1 Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in International Standard on Auditing (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"> <li>Review the design and implementation of controls over journal processing.</li> <li>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity.</li> <li>Test journals at the year-end and post-closing entries.</li> <li>Evaluate significant transactions outside the normal course of business.</li> </ul> | <p>We undertook the assurance procedures as planned and found:</p> <ul style="list-style-type: none"> <li>Through the work of the Scottish Government audit team, the general ledger controls were found to be operating as expected.</li> <li>Management are not aware of inappropriate or unusual activity.</li> <li>Detailed testing of journal entries did not identify any errors.</li> <li>There were no significant transactions outside the normal course of business.</li> </ul> <p><b>Conclusion:</b> We did not identify any instances of management override of controls.</p> |

Source: Audit Scotland

**20.** In addition, we identified an “area of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be a risk of material misstatement to the financial statements. This area of specific audit focus was:

- Financial management:** The prior year audit identified a number of errors in the recording of expenditure and accruals. We carried out detailed testing at the year end to obtain assurance over the accuracy and completeness of expenditure and accruals. No issues were identified.

**21.** We kept this area under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

### There were no identified misstatements

**22.** 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 audit timetable**

**23.** The unaudited annual report and accounts were received in line with our agreed audit timetable on 26 September 2023. The working papers which accompanied the annual report and financial statements were of a good standard. Regular communication and support from staff helped the audit process run smoothly.

## **Good progress was made on prior year recommendations**

**24.** SCoSS has made good progress in implementing the audit recommendations identified in 2021/22 which are set out in [Appendix 1](#).

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# 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.

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## Conclusion

The Scottish Commission on Social Security operated within its budget of £450,000, reporting an underspend of £110,388 (or 25 per cent) in 2022/23.

The 2023/24 budget of £450,000 was agreed by the board in June 2023.

The Scottish Commission on Social Security secretariat should continue to work closely with Scottish Government finance to maintain effective financial monitoring and plan a response to potential budget pressures in future years.

Governance arrangements are appropriate.

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## SCoSS operated within its 2022/23 budget

**25.** 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.

**26.** SCoSS reported operating expenditure of £339,612 in 2022/23, an underspend of £110,388, or 25 percent, against the allocated budget for the year. The underspend was attributed to:

- There was significant turnover both within the board and the secretariat during the year, which led to an underspend in this area. The majority of operating expenditure is represented by staff costs, including board members fees (£320,597 or 94 per cent).
- Lower than anticipated website and publication costs.

## The 2023/24 budget was agreed by the board in June 2023

**27.** The 2023/24 budget allocated to SCoSS in the Budget (Scotland) Act 2023 is £450,000. The budget allocation is consistent with 2022/23 and was agreed by the board at its meeting in June 2023.

**28.** The latest financial monitoring report presented to the board in October 2023 projects a small underspend of £13,000, or three percent, for the year to 31 March 2024. This is significantly lower than the underspends reported in previous years which range from 25 per cent (22/23 and 21/22) to 49 percent (20/21). The forecast position is explained by the increase in the number of staff

in the secretariat, which has stabilised. The 2023/24 Scottish Government pay award has also increased pressure on staff costs.

**29.** 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 SG finance, particularly as pressure on the budget increases.

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## Recommendation 1

The SCoSS secretariat should continue to work closely with SG finance to maintain effective financial monitoring and plan a response to potential budget pressures in future years.

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**30.** The statement of financial position as at 31 March 2023 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 are appropriate

**31.** 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. The Commission is separate from the Scottish Government and carries out its functions independently of both Scottish Ministers and the Scottish Parliament.

**32.** SCoSS is governed by a board which was comprised of three members at 31 March 2023, including two interim co-chairs. This followed the resignation of the chair and a board member in September 2022. Action has since been taken to expand membership and in August 2023, a further temporary appointment was made to the board and the interim co-chair positions were formally approved. A recruitment round is planned to appoint a chair and permanent board member, and the aim is for this to be concluded in 2023/24. We will continue to monitor developments in this area.

**33.** 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. The audit advisor has played a key role in ensuring the effective operation of the audit sub-committee. Our attendance at these meetings has confirmed appropriate discussion and challenge from members on key items of business, including SCoSS's financial position.

**34.** Overall, we have concluded that governance arrangements are appropriate.

# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

| Issue/risk   | Recommendation   | Agreed management action/timing   |
|--|--|---|
| <p><b>1. Financial Sustainability</b></p> <p>SCoSS is facing increased costs and pressures in 2023/24. It is important that effective financial management arrangements are maintained, particularly as pressure on the budget has increased.</p> <p><b>Risk:</b> There is a risk that future financial pressures and uncertainties will affect SCoSS's ability to maintain expenditure within budget.</p> | <p>The SCoSS secretariat should continue to work closely with Scottish Government finance to maintain effective financial monitoring and plan a response to potential budget pressures in future years.</p> <p><a href="#">Paragraph 28.</a></p> | <p>Agreed. SCoSS Secretariat and Scottish Government Finance will maintain regular effective financial monitoring to ensure an effective response to potential budget pressures and the updating of forecasts as appropriate.</p> <p>SCoSS Secretariat and Scottish Government Finance</p> <p>31 March 2024</p> |

## Follow-up of prior year recommendations

| Issue/risk  | Recommendation  | Agreed management action/timing   |
|---|---|---|
| <p><b>b/f 1. Remuneration and Staff Report</b></p> <p>The annual report and accounts include a reference to the non-applicability of the fair pay disclosures requirements set out in guidance.</p> <p>SCoSS advised that they did not consider the disclosure to be applicable on the basis that SCoSS does not employ any staff or have any Board Members that fulfil the role of</p> | <p>SCoSS should review the applicability of this disclosure going forwards, particularly if organisational structures change.</p> | <p>The fair pay disclosure was re-visited in 22/23 and the judgement reflected in the unaudited accounts. Further discussion has taken place as part of the 22/23 audit as described in <a href="#">Exhibit 2</a>.</p> <p><b>Complete</b></p> |

| Issue/risk   | Recommendation   | Agreed management action/timing   |
|--|--|---|
| <p>a Director or have Directorial responsibilities.</p> <p><b>Risk:</b> If organisational structures change, there is a risk that additional disclosure is required without ongoing review.</p>  |  |   |
| <p><b>b/f 2. Financial Management</b></p> <p>A number of errors were identified in the recording of expenditure and accruals. If undetected, these errors would have constituted a material misstatement in the financial statements.</p> <p><b>Risk:</b> There is a risk that the financial statements are materially misstated due to an absence of sufficient financial review and oversight of accounting processes.</p> | <p>SCoSS should undertake a full review of their financial management arrangements and accounting processes and ensure sufficient oversight.</p>   | <p>Detailed testing was carried out to obtain appropriate assurance that expenditure and accruals were not materially misstated. No issues identified.</p> <p><b>Complete</b></p>                                   |
| <p><b>b/f 3. Accounts Preparation</b></p> <p>The unaudited annual report and accounts was not received in line with the agreed audit timetable. Delays in responding to audit queries together with processing agreed changes meant that the audit took longer to conclude.</p> <p><b>Risk:</b> There is a risk that delays to the audit process mean statutory deadlines are missed.</p>                                    | <p>SCoSS should review their year-end processes and accounts preparation timetable. Working papers should be provided alongside unaudited accounts in line with the agreed timetable, together with documentation supporting all disclosures. Audit queries should be addressed timeously.</p> | <p>The unaudited annual report and accounts and working papers were provided to the audit team as planned on 26 September 2023. There were no delays in response times to audit queries.</p> <p><b>Complete</b></p> |

# Scottish Commission on Social Security

## 2022/23 Annual Audit Report

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