

Scottish Commission on Social Security

2021/22 Annual Audit Report



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

December 2022

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Key messages

2021/22 annual report and accounts

- 1 The Scottish Commission on Social Security's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 Expenditure and income were incurred in accordance with applicable enactments and guidance.
- 3 The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

Financial sustainability and governance

- 4 The Scottish Commission on Social Security remained within its budget of £340,000, reporting an underspend of £84,679 in 2021/22.
- 5 We have no concerns about the overall financial sustainability of the Scottish Commission on Social Security.
- 6 The information disclosed in the governance statement complies with guidance issued by the Scottish Ministers.

Introduction

- 1.** This report summarises the findings from our 2021/22 audit of the Scottish Commission on Social Security (SCoSS).
- 2.** The scope of our audit was set out in our 2021/22 Annual Audit Plan presented to the March 2022 meeting of the Board. This report comprises the findings from:
 - an audit of the Scottish Commission on Social Security's annual report and accounts
 - our consideration of the disclosures in the governance statement and of SCoSS's financial sustainability.

Adding value through the audit

- 3.** We add value to SCoSS through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides.
- 4.** We aim to help SCoSS promote improved standards of financial reporting and governance.

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.
- 6.** SCoSS is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
- 7.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK.
- 8.** As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness of the disclosures in the governance statement and the financial sustainability of SCoSS. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

9. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. As highlighted in our 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2021/22 audit.

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

11. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

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

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £6,120 as set out in our 2021/22 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to 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 from 2022/23

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

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23, Audit Scotland will remain the appointed auditor for SCoSS. We are working closely with the new auditors to ensure a well-managed transition.

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

18. We would like to thank Board members, secretariat staff and the Scottish Government sponsor unit for their co-operation and assistance over the last three years.

Part 1. Audit of 2021/22 annual report and accounts

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

Main judgements

The Scottish Commission on Social Security's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Expenditure and income were incurred in accordance with applicable enactments and guidance.

The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

Our audit opinions on the annual report and accounts are unmodified

19. The annual report and accounts for the year ended 31 March 2022 were presented to the board on 14 December 2022 and the board recommended that the accountable officer sign the accounts. As reported in the independent auditor's report:

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

We received the annual report and accounts 17 weeks later than originally planned

20. The unaudited annual report and accounts were received on 17 October 2022, 17 weeks later than originally planned. We were unable to commence the audit at that point due to other work priorities. The delay in receiving accounts was largely due to the turnover of secretariat staff. There were also some delays in receiving the required evidence due to the limited handover arrangements

which affected SCoSS's capacity to respond to audit queries and to provide the necessary back up.

Overall materiality is £5,000

21. Our initial assessment of materiality was carried out during the planning 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	£5,000
This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 2% of reported gross expenditure for the year ended 31 March 2022.	
Performance materiality	£2,500
This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	
Reporting threshold	£250
We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	

Source: Annual Audit Plan 2021/22

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

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Remuneration and staff report</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 a Director or have Directorial responsibilities.</p>	<p>We discussed the inclusion of the disclosure in accordance with applicable guidance.</p> <p>We have agreed with the view taken by SCoSS that the disclosure is not applicable in 2021/22 given that SCoSS did not have any employees that met the definition of a director. We have recommended that SCoSS keep the applicability of the disclosure under review going forwards, particularly if organisational structures change.</p>
<p>2. Financial management</p> <p>We identified a number of errors in the recording of expenditure and accruals. These were:</p> <ul style="list-style-type: none"> • the over accrual of the audit fee (£1,613) • the over accrual of website costs (£10,193) • the inclusion of recoverable VAT in reported expenditure (£622) <p>These errors demonstrate an absence of sufficient financial review and oversight.</p>	<p>We have discussed the underlying reasons for these errors and consider these to be isolated errors. We have recommended that SCoSS undertake a full review of their financial management arrangements and accounting processes and ensure sufficient oversight.</p>
<p>3. Accounts preparation</p> <p>As reported above, the unaudited annual report and accounts was not received in line with the agreed audit timetable. In addition, delays in responding to audit queries together with processing agreed changes meant that the audit took longer to conclude.</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>

Source: Audit Scotland

We identified risks of material misstatements to the financial statements as part of our planning process

23. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3 Significant risks from the audit of the financial statements

Audit risk	Assurance procedure	Results and conclusions
1. Risk due to fraud caused by the management override of controls 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.	Detailed testing of journals Testing to supporting documentation for a sample of transactions Review of accounting estimates Evaluation of significant transactions that are outside the normal course of business Substantive testing of transactions after the year end to confirm transactions have been accounted for in the correct financial year Testing of accounting adjustments at the year-end	Our testing did not identify any issues and we found no evidence of management override of controls.
2. Accounts preparation In 2019/20 and 2020/21 we reported that there were significant delays in receiving supporting documentation. In addition, the unaudited accounts did not include all the required information. There is a risk that the annual report and accounts are not prepared in accordance with the appropriate guidance and statutory deadline is not achieved.	Ongoing discussions with the SCoSS over accounts preparation	We identified a number of instances during the 2021/22 audit where the accounts and working papers were not of a sufficient standard. We have continued to raise this concern. See exhibit 2 , point 3

We identified a number of misstatements

- 24.** Misstatements identified totalled £12,428. We reviewed our audit approach in response to the identification of these misstatements and concluded that no additional audit procedures were required due to the extensive coverage of audit testing already performed in the relevant account areas and the isolated nature of the errors.
- 25.** Adjustments made in the audited accounts decreased net expenditure in the Statement of Comprehensive Net Expenditure by £11,806 and decreased trade payables in the Statement of Financial Position by the same amount.
- 26.** One misstatement (£622) was identified that has not been adjusted by management in the accounts, as they consider the amount immaterial to SCoSS' financial position. This adjustment would have decreased net expenditure by £622.
- 27.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. The gross sum of the unadjusted errors is below our materiality level and has not affected our opinion.

Some progress was made on prior year recommendations

- 28.** SCoSS has made some progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2. Financial sustainability and governance

Main judgements

The Scottish Commission on Social Security remained within its budget of £340,000, reporting an underspend of £84,679 in 2021/22.

We have no concerns about the overall financial sustainability of the Scottish Commission on Social Security.

The information disclosed in the governance statement complies with guidance issued by the Scottish Ministers.

SCoSS operated within its 2021/22 budget

29. Funding from the Scottish Government is SCoSS's sole source of income and there is a greater degree of certainty over future funding streams than for some other public sector organisations which are involved in income generating activities. The main financial objective for SCoSS is therefore to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government.

30. SCoSS has reported net operating costs of £255,321 (2021/22: £172,404), remaining within its overall budget for 2021/22 with an underspend of £84,679 (2020/21: £167,596). SCoSS advised that the underspend arose from delays in recruitment and lower than anticipated publication costs.

31. The majority of SCoSS expenditure is represented by staff costs (88%). During 2021/22, £15,066 was incurred by SCoSS in relation to the development of the website. The website became operational in July 2022.

32. The 2022/23 budget allocated to SCoSS in the Budget (Scotland) Act 2022 is £450,000. This is an increase of £110,000 on the prior year.

33. The Statement of Financial Position as at 31 March 2022 records a balanced position. SCoSS's liabilities are balanced by recognising Scottish Government funding as a debtor. 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

34. The Scottish Commission on Social Security was created by the Social Security (Scotland) Act 2018 and is an advisory non-departmental public body 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.

35. SCoSS is governed by a board comprising 4 members, one of whom is chair. We are pleased to note that SCoSS has acted upon our recommendation made in previous years to consider how best to ensure that audit arrangements are considered. The first meeting of the audit sub-committee will take place in December 2022 and will consider the audit of this annual report and accounts. We shall review the operation of the sub-committee going forwards.

36. As part of our audit work we noted that the standing orders which were approved by the board in October 2019 have not been subject to review and update. As noted in the annual report and accounts, a review of all governance arrangements is planned to be undertaken during 2023.

Governance statement

37. HM Treasury's Financial Reporting Manual (the FReM) states that the Scottish Commission on Social Security must prepare an annual governance statement within the annual report and accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) and the FReM for the content of the governance statement.

38. We concluded that the information disclosed in the 2021/22 governance statement complies with the guidance issued by the Scottish Ministers. Based on our knowledge and work performed, it presents an appropriate picture of the governance arrangements in place.

National performance audit reports

39. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 2](#) highlights a number of the reports published in 2021/22.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Remuneration and Staff Report</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 a Director or have Directorial responsibilities.</p> <p>Risk. If organisational structures change, there is a risk that additional disclosure is required without ongoing review.</p>	<p>SCoSS should review the applicability of this disclosure going forwards, particularly if organisational structures change.</p> <p>Exhibit 2</p>	<p>SCoSS agrees to keep under review the applicability of including a fair pay disclosure within the annual report and accounts. The organisational structure of SCoSS is changing during 2022-23 and SCoSS recognises the need to review this position as structures change.</p> <p>Secretary to SCoSS</p> <p>31 March 2023</p>
<p>2. Financial Management</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>Risk. There is a risk that the financial statements are materially misstated due to an absence of sufficient</p>	<p>SCoSS should undertake a full review of their financial management arrangements and accounting processes and ensure sufficient oversight.</p> <p>Exhibit 2</p>	<p>SCoSS agrees to undertake a full review of the financial management arrangements and accounting processes with an emphasis on ensuring sufficient oversight is in place.</p> <p>Secretary to SCoSS</p> <p>31 March 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>financial review and oversight of accounting processes.</p> <p>3. Accounts Preparation</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>Risk. 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>Exhibit 2</p>	<p>SCoSS agrees with this recommendation and will review the year-end processes and accounts preparation timetable.</p> <p>Secretary to SCoSS</p> <p>31 March 2023</p>

Outstanding prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Delays in audit process</p> <p>Delays in responding to audit queries together with processing agreed changes meant that the audit could not be completed within the original agreed timescales and required more audit effort than anticipated.</p> <p>Risk. There is a risk that the financial statements are not prepared in line with the appropriate guidance resulting in a delay in certification and possible modification of the audit opinion.</p>	<p>SCoSS should review their year-end processes and accounts preparation timetable. Working papers should be provided alongside unaudited accounts, together with documentation supporting all disclosures. Audit queries should be addressed timeously.</p>	<p>Work in relation to this recommendation is ongoing and is referenced in Action Plan 1 above.</p>
<p>5. Members' fees</p> <p>A number of incorrect payments were made to members during 2020/21. Amounts disclosed in the 2020/21 financial statements</p>	<p>Additional checks should be routinely performed to ensure that correct amounts are paid to members. Members' fees should be accounted for on an accruals basis.</p>	<p>SCoSS has accounted for members' fees on an accruals basis in 2021/22. No issues were identified with the accounting or reporting of members' fees through the</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>do not cover the full financial year.</p> <p>Risk. There is a risk that errors are made in payments made to board members and that reported fees are not accounted for correctly, resulting in a misstatement.</p>		<p>2021/22 substantive audit work.</p> <p>Matter closed.</p>
<p>6. Governance and transparency: Audit arrangements</p> <p>SCoSS is governed by a board, and there is no audit committee in place. All accounting entities to which the Scottish Public Finance Manual (SPFM) is directly applicable (including SCoSS) should establish audit committees or appropriate alternative audit arrangements</p>	<p>In the absence of an audit committee, SCoSS should review their governance arrangements to ensure that functions which are ordinarily performed by an audit committee are adequately addressed.</p>	<p>SCoSS has reviewed its governance arrangements and has appointed an audit advisor to assist the board in discharging its responsibilities. An audit sub-committee will meet for the first time in December 2022 to consider the findings of this year's audit.</p> <p>This should address the wider dimension risk raised in our 2021/22 annual audit plan.</p> <p>Matter closed</p>

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

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

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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



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