Audit and Assurance Committee	
Date of Meeting	14 May 2024
Subject	Error Annual Report – 2023-24
Agenda No.	
Paper No.	
Prepared By	REDACTED
Purpose	Monitor

Background

1.1   The attached report details error detection, correction and analysis undertaken by Social Security Scotland's Fraud and Error Resolution Unit in 2023-24.

Key Points

2.1   Key highlights are summarised in part 1 of this report, with further detail provided in Annexes.

Conclusion/ Recommendation

3.1   The Committee is asked to review and comment on progress made.

Part 1: Error Intervention Performance

Key points we would like to draw out for the Committee are shown below, with further detail provided within Annexes A, B & C.

- In 2023-24 REDACTED Low Income Benefit cases and REDACTED Disability Benefits cases were corrected by the Interventions teams, a 55% increase by volume in comparison with 2022-23.

- The total value of errors corrected by the Low Income Benefits Interventions Team in 2023-24 was REDACTED, a 139% increase in overall value in comparison with 2022-23:
    - REDACTED

- The total historic value of errors corrected within the newly established Disability Benefits Error Interventions Service in 2023-24 was REDACTED

- Some proactive error detection work was reestablished by Low Income Benefits Interventions - such as data mining, sampling and housekeeping work. REDACTED.

- Best Start Foods continues to have the highest rate of error when the monetary value of historic errors identified is expressed as a percentage of benefit expenditure; but Scottish Child Payment is highest by total monetary value REDACTED

- *Official Error (Human)* classification was the largest cause of underpayments in Low Income Benefits and has grown by 108% in value and 48% in volume in comparison to 2022-23.

- *Client Induced (Good Faith)* classification continues to be the largest cause of overpayments in Low Income Benefits and has more than trebled in comparison with the last year REDACTED

- *Official Error - Human* classification was the largest cause of underpayments in Disability Benefits REDACTED.

- *Official Error - System* classification was the largest cause of overpayments in Disability Benefits REDACTED.

- Our Payment exception rate in 2023/23 was 0.15%.

- MVFE (Monetary Value of Fraud & Error) Fieldwork Team was established to contribute to the production of official statistics on fraud and error loss in our benefits. Initial Pilot Project estimated official error in the Scottish Child Payment caseload, the associated analytical report was published in November 2023.

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Errors Corrected During 2023-24

The table below details corrected error rates effected by Fraud and Error Resolution, with the monetary value of corrections expressed as a percentage of benefit expenditure (and rounded to 2 decimal point.) Please note these are indicative only as benefit expenditure values have still to be finalised.

Part 2: Building Capability and Capacity

Technology and Systems

The following improvements have been made over the year:

- 'Unapplied deduction' functionality was introduced in November 2023 and describes the provision for creating adjustments to incorrect underpayment values on Payment Correction Cases, streamlining corrective processes for Error Interventions and Client Services Delivery teams while reducing manual payment requests and clerical overpayment referrals.

- Automated management information was developed and tested allowing our teams to reduce manual collation of data at the end of Quarter 4, improving our productivity.

- SPM functionality to make classification of Payment Correction Cases mandatory for all users was introduced in November 2023, which will ensure we can provide high-level data on all over- and underpayments created cross the entire organisation. It will also reduce rework associated with incomplete overpayment referrals to Recoveries team. Data is expected to be included in quarterly reports for 2024-25.

- The Disability Interventions Service was established with initial processes, team guidance and training being developed and implemented, which will be iteratively developed as the team matures.

- In Quarter 4 , a group was established to look at issues surrounding Payment Correction Cases across the organisation. Error Interventions, Payment Resolution and Recoveries teams are contributing to this work which aims to reduce official error.

Recruitment and Training

In Quarter 2 Low Income Benefits Interventions team recruitment saw us achieve our headcount target. Our new cohort went through our revised Learning Routeway and Consolidation Plan, and are already achieving higher productivity and accuracy than previous intakes. REDACTED

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Also in Quarter 2 we welcomed new colleagues to form the Disability Benefits Error Interventions team. Their initial consolidation focussed on proactive error detection exercises such as targeted sampling and correcting cases impacted by system faults. The team began accepting reactive referrals from teams across the organisation from 1st April 2024.

Although the benefit payment caseloads have increased substantially, the Payment Resolution headcount has not increased during this year. The team have been reviewing internal processes for efficiencies, and also reviewed guidance on payments used by Client Services Delivery, and suggested some improvements which would help reduce the volume of user errors that results in manual payment requests. The Introduction of Unapplied Deductions for Underpayments has significantly reduced volumes of referrals to Payment Resolution from Low Income Benefit teams, but further work is required to support Disability Benefit colleagues to maximise reductions there.

The team is also forward planning to identify peaks in intake due to planned system releases and benefit launches, while working with analysts to update forecasts. A contingency plan is being developed for Quarter 4 2024-25 when Pensions Age Winter Heating Payment is expected to cause a significant spike in intake.

Estimating the Monetary Value of Fraud and Error

During the year recruitment was completed for the Monetary Value of Fraud & Error Fieldwork Team, bringing in a range of staff to undertake the sampling reviews and information gathering aspects. We focussed on design development, testing and implementation of process and associated guidance and training.

A pilot project estimating the value and prevalence of official error in the benefit caseload of Scottish Child Payment was completed, with results published in November 2023.

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The next benefit to be reviewed is Best Start Foods. Lessons learned from the initial pilot helped us to refine processes and increase confidence in findings. Results are expected to be published in November 2024.

In the meantime, enabling legislation to allow measurement of client induced error and potential fraud is making its way through parliamentary process within a Bill expected to come into force in early 2025. Associated Regulations will be developed to support this auditing activity.

Annex A

Detected Error: Low Income Benefits – Further Detail

The Committee are aware of the high demand for reactive error correction work over the last three years. REDACTED

Low Income Benefit Underpayment Errors

The volume of underpayments corrected by Low Income Benefits Interventions was REDACTED

Scottish Child Payment represents the largest proportion for both volume and value in the Low Income Benefit category, with the value of underpayment corrections REDACTED in comparison to 2022-23 – this was due, in part, to the increase in weekly award value from November 2023.

The volume of underpayments corrections increased by 46% on 2022-23. This can be attributed to additional recruitment and increased team experience that has resulted in higher productivity, as well as prioritisation of underpayment. Client Service Delivery colleagues have been working through a backlog of Payment Correction Cases resulting in a sustained increase in the number of cases referred to Interventions including some historic cases.

Analysis of Detected Low Income Benefit Underpayments – Classifications and Root Cause

Underpayments classified as '*Official Error (Human)*' REDACTED in 2023-24. However, the value increased from REDACTED

The different percentage increases between the value and volumes of underpayments due to Official Error (Human) is due to increased Scottish Child Payment value. However, increased correction of cases caused by Official Error (Human) has contributed significantly to increases in both volume and value. The work being undertaken by Payment Correction Cases group is expected to address some of these ongoing issues.

The volume of '*Client Induced Error*' underpayments REDACTED. This is attributed to improved client communications to explain what changes they need to report to Social Security Scotland. In addition, improvements to Task Management within Client Services and the automated process for exchanging information with DWP, is affording better responses to notifications of change.

The top underpayment error root cause in 2023-24 was '*Evidence Updated Incorrectly*' - REDACTED. In addition to the increase in the Scottish Child Payment award value, the clearance of older tasks in Client Service Delivery is likely to have contributed to this increase. We expect this root cause to feature across 2024-25, as the head of work is cleared.

Low Income Benefit Overpayment Errors

In 2023-24, the volume of overpayments REDACTED while the value of overpayments corrected REDACTED. This is in part due to increased headcount within Error Interventions teams, and some improvements to our processes.

The volume of Scottish Child Payment overpayments has REDACTED in comparison to 2022-23, overtaking Best Start Foods as the top benefit by volume of overpayments. However, this increase can be attributed in part to our prioritisation of Scottish Child Payment corrections over Best Start Foods, given Best Start Foods overpayments are not recoverable.

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In 2023-24, '*Client Induced (Good Faith)*' was the top classification by value for overpayments, REDACTED

The other main classifications Official Error (Human)' and '*Official Error – Policy Implementation*' REDACTED
 The work being undertaken on Payment Correction Cases should support a reduction in *'Official Error (Human)'* instances. *'Official Error – Policy Implementation'* are overpayments related to REDACTED Given the prioritisation of recoverable overpayments for correction by Interventions team, this figure is likely to be an understatement of actual associated loss.

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'Processing Error – Evidence updated Incorrectly' is caused by user error and is linked to Payment Correction Cases. Although there has been continued work to improve guidance and learning support, this root cause has continued to feature in the top 3 root causes over several years. Work being undertaken by the Discovery group is considering reducing handoffs in Client Services and automation of key processes, which should support a reduction.

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 We will continue to monitor this root cause in 2024-25 as the process for reconciling competing claims stabilises.

Due to the demand for reactive correction, limited proactive work has been undertaken:

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Annex B

Detected Error: Disability Benefits – Further Detail

The Disability Interventions Team was established in 2023 and began working on live cases from November, following a period of training and consolidation. We have one team focussed on Adult Disability Payment, and one on Child Disability Payment. Both teams initially undertook proactive sampling work, with the Adult Disability Payment team moving on to bulk error correction due to system errors identified, while the Child Disability Payment team supported Client Services Delivery colleagues with clearance of historic Payment Correction Cases. The start of reactive work from 1st April 2024 will provide more holistic data going forward.

Disability Benefit Underpayment Errors

The volume of underpayments corrected by Disability Interventions in 2023-24 REDACTED

Client Service Delivery colleagues have previously focused on clearing and issuing of underpayments, while recent system faults have been overpayment related.

Analysis of Detected Disability Benefit Underpayments – Classifications and Root Cause

Underpayments classified as '*Official Error (Human)*' represented the highest in volume and value REDACTED

'*Change of Circumstances*' error classification was the second highest in both volume and value, REDACTED

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'*Processing Error – Evidence Updated Incorrectly*' was the highest root cause in both volume and value. REDACTED

 These were all due to user error where evidence had not been updated in line with guidance. This root cause featured prominently in the Low Income Benefit caseloads for several years – indicating ongoing difficulties are persisting despite sustained efforts to address.

'*Change of Circumstances*' root cause errors resulted from a temporary working practice within Operational Teams. REDACTED

There is currently an ongoing piece of work to review our organisational approach to progressing Payment Correction Case which may address the above issue and ensure underpayments are issued to clients as soon as they are raised.

Disability Benefit Overpayment Errors

The volume of overpayments corrected by Disability Interventions was REDACTED

The difference in both value and volume between errors corrected in Adult Disability Payment and Child Disability Payment was simply due to the Adult Disability Error Intervention Team undertaking corrective action on identified system faults that had resulted in duplicate payments, whereas the Child Disability Error Intervention Team focused on clearing routine payment correction cases. It is too early for us to provide insight into whether error trends associated with each of these disability benefits will be similar.

As Adult Disability Payment is a less mature benefit that is still transitioning, we anticipate a greater incidence of system faults in comparison with Child Disability Payment which is more stable.

Analysis of Detected Disability Benefit Overpayments – Classifications and Root Cause

Overpayments classified as '*Official Error (System)*' represented the highest classification in volume and value in 2023-24 REDACTED, and were due to faults in the SPM benefit system. Fixes have been implemented to prevent future occurrence.

'*Official Error (Human)'* error classification was the second highest in volume and value REDACTED. The Disability Interventions team has worked with Client Service Delivery and programme colleagues to strengthen guidance and develop specific Disability e-learning on Payment Correction Cases to address gaps in user knowledge.

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As all the work undertaken by Adult Disability Error Interventions Teams in 2023-24 was proactive work we will expect to see changes in classifications and root causes as reactive work commences in 2024/25.

We have worked closely with Client Services on Adult Disability Payment and Child Disability Payment throughout the year, and in advance of Disability Benefit Error Intervention Service go-live to remove barriers to progression of unactioned Payment Correction Cases. REDACTED Work is currently ongoing to improve guidance, processes and notifications in these areas and we can expect to see this feature in 2024-25 reporting as the Interventions team assist in clearing backlog.

Annex C

Payment Error Resolution – Further Detail

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The Payment Resolution Team is responsible for the resolution of payment error exceptions such as recalling payments, reissuing returned payments and issuing manual payments when the system has not correctly calculated entitlement.

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Payment exceptions have increased primarily due to Adult Disability Payment (ADP), which accounts for 39% of all manual payments REDACTED This is due to some system issues relating to backdating and case transfers.

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Winter Heating Payment represented 35% (1,829) of all returned payments due to changes in client bank details and deceased clients following the data receipt from DWP.

Best Start Foods mid payment cycle upload to clients is the 3rd largest contributor to workload, with 2,864 payments manually uploaded. Analysis in Quarter 3 demonstrated that 92% (120) of mid-cycle payment requests were due to incorrect processing of payment correction cases. On average 92 manual payments per month are received for Scottish Child Payment due to incorrect Payment Correction Cases processing. The introduction of the unapplied deduction functionality in the November 23 release reduced the Scottish Child Payment manual payment volumes by over half in Quarter 4. It is anticipated that Payment Correction Discovery work will further reduce this.

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