



Audit and Assurance Committee

Date of Meeting	15 Feb 2022
Subject	Counter Fraud, Error and Debt – 2021/22 Quarter 3 Reports
Agenda No.	Below the line
Prepared By	[Redacted]
Purpose	Monitor

Background

1.1 The Audit & Assurance Committee has requested regular reports on error, fraud and debt recovery work in Social Security Scotland. Annex A is the Error and Debt report, while Annex B is the Counter Fraud report.

1.2 During Quarter 3 of 2021/22 (1 October to 31 December 2021) our main areas of focus were on managing operational issues associated with volume error correction work, preparation for lifting of Debt Suspension and discovery work around generation of intelligence from our data.

1.3 The attached reports reflect the status of activities undertaken to identify and manage debt effectively and to respond to fraud and error risk during Quarter 3, and provides a forward look to items of note which will be undertaken in Quarter 4. Devolved benefits administered by DWP through an agency agreement are out of scope for this report.

Key Points

2.1 The key points from 2021/22 Quarter 3 are:

- Strategic approach for processing routine changes in circumstances implemented - corresponding levels of error correction referrals still in excess of forecast volumes but reducing;
- Analysis of corrected errors are being used to inform continuous improvement activities;
- Telephony payments provision went live, early indications are that it will be a popular payment method;
- Work to generate intelligence from our own data has progressed.

Conclusion/ Recommendation

3.1 The Committee is asked to note our activities, associated risk and progress made.



Annex A

Social Security Scotland

Error and Debt Status Report

2021/22 Quarter 3

Introduction

All organisations to which the Scottish Public Finance Manual is directly applicable - including Social Security Scotland - are required to ensure that timely and effective action is taken to prevent and respond to error, including treatment of associated debt.

Error Correction

A total of 1,822 error cases were corrected this quarter: 805 underpayments and 1,017 overpayments.

Underpayments totalled £76,214, while overpayments identified totalled £117,488.

Corrected errors expressed as a percentage of benefit expenditure are shown in the table below, rounded to 1 decimal point. Please note these are indicative only as total benefit expenditure values for this financial year have still to be finalised.

	Underpayments	Overpayments
Carer's Allowance Supplement	0	0
Best Start Grant - P&B	0.0	2.0
Best Start Grant – EL	0.0	1.8
Best Start Grant – School	0	1.0
Best Start Foods	1.1	1.6
Funeral Support Payment	0	0
Young Carer's Grant	0	0
Job Start Payment	0.	0
Child Winter Heating Assistance	0	0
Scottish Child Payment	0.2	0.1
Child Disability Payment	0	0

[Redacted]



The strategic approach for processing routine changes in circumstances across the Low Income and Disability benefits was implemented in late November. This resulted in a reduced intake of reactive correction work received by the Interventions Team, allowing clearance of the outstanding head of work to accelerate by 22%. We anticipate the rate of reduction will continue to increase as consolidating staff gain experience and additional new colleagues are on-boarded.

Official Error (Human) continues to be the largest cause of both underpayments and overpayments. Model office testing of case scenarios is scheduled to take place in January with a view to gaining a fuller understanding of official error root causes which will be used to strengthen processes and guidance, improving accuracy and with it the confidence of our colleagues.

Error Classification Analysis - Underpayments

The monetary value of underpayments corrected by Interventions team in Quarter 3 was slightly lower than in Quarter 2. **[Redacted]**

In Quarter 3 the proportion of underpayments from Scottish Child Payment errors increased, from 23% in Quarter 2 to 42% in Quarter 3. We believe this is due to two factors - the increasing size and maturity of the Scottish Child Payment caseload, along with the increased velocity of the Intervention team in clearing older cases.

[Redacted]

Although in Quarter 3, the top classification for underpayments continued to be *Official Error (Human)*, as previously mentioned there has been a reduction in volume and value of underpayments associated with this classification. We will continue to monitor this as the stabilisation of the inflow of error correction work continues, which will allow us to understand whether we are seeing indications of improvements in quality and controls.

[Redacted]

In Quarter 3, 289 underpayments valuing £29,078 were classed as *Official Error (Human)*. The top root cause error for this category was **[Redacted]** causing £16,128 of underpayments. Although this is an overall increase from previous quarters, £11,320 of this was associated with Scottish Child Payment underpayments, which we anticipated would feature more significantly as that caseload matures. A system fix was implemented in Quarter 1 to help improve this root cause, however the value and volume of Best Start Foods underpayments associated with this root cause has held steady throughout Quarters 2 and 3. Ongoing analysis will determine whether this has been a spike or is indicative of an on-going issue.

[Redacted]



The value of underpayments due to *Official Error (System)* in Quarter 3 was £6,185, a significant reduction from Quarter 2's figure of £30,145. The most prevalent system error root cause, [Redacted] has reduced from £6,667 (56 cases) in Quarter 2 to £3,316 (35 cases) in Quarter 3, as a result of system improvements.

[Redacted]

Client Induced – Good Faith classification is used when there is evidence that the client has unintentionally provided incorrect or withheld evidence pertinent to their application causing an error. This differs from the *Change of Circumstances* classification where the client has discharged their duty to inform us about a relevant change in their circumstances within a reasonable timescale.

In Quarter 3, there were 237 underpayments with a total value of £27,334 due to client induced error. The top root cause was [Redacted] underpayments that caused 229 underpayments valuing £26,503. In Quarter 3, Best Start Foods accounted for £22,522 of these errors. This will always return a high level of error due to Best Start Foods being paid in advance.

Error Classification Analysis – Overpayments

A total of £117,488 overpayments were identified in Quarter 3, an increase of £43,607 from Quarter 2. [Redacted]

[Redacted]

In Quarter 3, highest value overpayment category was *Official (Error Human)*. The value of overpayments for this classification increased from £26,571 in Quarter 2 to £53,585 in Quarter 3, overtaking *Official Error (System)* which remained relatively stable.

[Redacted]

In Quarter 3, the largest root cause of overpayments within the *Official Error (Human)* category [Redacted] which resulted from 49 errors valuing £14,883. There has been an increase in these errors in Best Start Foods (Pregnancy and Baby), increasing from 8 errors valuing £2,403 in Quarter 2 to 31 errors valuing £10,269 in Quarter 3. Clearance of head of work in Interventions and an intake of new colleagues working on Low Income Benefits has contributed to this increase and monitoring will continue.

[Redacted]

In Quarter 3, 547 overpayments valuing £35,361 were classed as *Official Error (System)*. The top cause was [Redacted]

[Redacted]

In addition to these Official Error (System) overpayments which were identified, corrected and accounted for by the Interventions team, we were made aware of a defect which affected the entire Best Start Foods caseload in September 2021. The timescale between identification of this defect and a manual control being applied was just 24 hours, with a permanent system fix applied 10 days later [Redacted]

A total number of 162 overpayments valuing £26,015 were classed as *Client Induced (Good Faith)* in Quarter 3. The highest value root cause is [Redacted] 149 overpayments valuing £23,224. Of this Best Start Foods is the biggest contributor at 77 overpayments valued at £12,624. As with underpayments, there will always be a higher level of errors in the classification due to Best Start Foods being paid in advance.

[Redacted]

In Quarter 2, the top client induced error was [Redacted] with a total overpayment value of £3,420. We previously advised of the implementation of an improved preventative technical control. [Redacted]

Error Detection Data Mining

During Quarter 3 we received outputs from data mining of our own claim data tables to identify high error risk cases for further examination. We examined 133 cases, and identified and corrected 41 errors (31% yield). No underpayments were identified and overpayments totalling £10,836 were referred to the Debt Team for action.

Debt Management Performance (excluding Best Start Foods)

In April 2020, due to the impact of the pandemic, proactive debt recovery was suspended. [Redacted]

The Debt Team continued to develop and enhance its service during Quarter 3:

- Implementation of Telephony payment functionality – £10,029 (14%) of payments received used this channel in Quarter 3
- Debt Officers received training from Money Advice Trust on identifying vulnerable clients, and how to sensitively handle discussions.

The value of referrals received in Debt Team in Quarter 3 rose by more than 50% from Quarter 2. This is due to maturing benefit caseloads beginning to be impacted by routine changes in circumstances which have generated overpayments, as well as the increased velocity in the Interventions team.



Quarter 3 – Debt Balance Summary	
Opening debt balance (closing balance Quarter 4 20/21)	£22,478
Value of overpayment referrals	£56,517
Loss from official error (non-recoverable)	£40,868
Loss from small overpayments (<£65)	£3,240
Value of debt written off	£0
Number/value of inbound payments received	£780 (7 payments)
Number/value of voluntary offset recoveries	0
Closing debt balance	£34,106
Engagement rate (contact established with client)	Debt Suspension
Number of new arrangements made during this quarter	[Redacted]
Number of debts cases reaching Letter Before Action stage	Debt Suspension

[Redacted]

Best Start Foods

[Redacted]

Funeral Support Payment – Recharge to Deceased Estates

Funeral Support Payment sums recharged and recovered are not debt repayments, as there is no liability on the client to repay. These are a recharge to estates which have sufficient liquidity once assets are realised, but funds had not initially been available to the client to pay for funeral expenses (e.g. there was a house to be sold).

The team received 302 recharge referrals during this period. During Quarter 3, a total of 35 Funeral Support Payment awards were successfully recharged to estates (either in full or in part) amounting to £71,716.

Forward Look to 2021/22 Quarter 4 - Error and Debt

Operational Finance Team

Previously part of corporate finance unit, the operational finance team will be joining the Error Control and Debt Management Branch in Quarter 4. The Operational Finance Team remit includes issuing manual payments to clients where system and/ or user error has resulted in payments being inhibited. Their additional insight to error causes will be incorporated into future error reporting, while there are similarities in



reconciliation, accounting and reporting undertaken in both Debt and Operational Finance teams that allow resources to be shared across the teams to manage peaks of work.

Continuous Improvement

Both the Error Control and Debt Team are working closely with Programme in Quarter 4 to review currently system workflow to improve controls and efficiency. This work will support the move to automate management information on team performance. Work will also be undertaken on development of data on value and volume of over- and underpayments to provide insight to Social Security Scotland to support targeting of improvement activities to reduce error and protect public funds.

[Redacted]

Recruitment

By end of Quarter 4, revised estimates for the Debt Team show 26 staff are required.
[Redacted]



Annex B

Social Security Scotland

Counter Fraud Status Report

2021/22 Quarter 3

Internal Fraud, Bribery and Corruption

There were no instances of internal fraud discovered during Quarter 3 2021/22, nor were we made aware of any instances of whistleblowing relating to internal fraud, bribery or corruption reported via the Scottish Government Whistleblowing provision.

[Redacted]

We continue to work collaboratively with Programme and Chief Digital Office colleagues in order to refine and build on the current data received and the process we use to undertake them to improve effectiveness and reduce the requirement for manual processing.

Intelligence Management

Quarter 3 has been a period of intense and positive growth for our new Intelligence function. **[Redacted]**

Intelligence Received

[Redacted]

[Redacted]

Intelligence Collection

The intelligence has been received via a number of channels which allow information to be gathered for further assessment and development.

[Redacted]

Intelligence Tasked

[Redacted]



(All intelligence referrals received are assessed and progressed if appropriate.)

Data Analysis

[Redacted]

Use of Statutory Information Gathering Powers

[Redacted]

External Investigation Caseload and Progress

[Redacted]

Breakdown by benefit type:

[Redacted]

Breakdown by allegation Type:

[Redacted]

Common Interest Investigations - Test and Learn Pilot with Department for Work and Pensions (DWP)

[Redacted]

Covert Operations

[Redacted]

Fraud Awareness & Prevention

[Redacted]

Fraud Prevention Activity

Delivery of fraud awareness refresher sessions for all Low Income Benefits and Child Disability Payment operational colleagues has continued during this quarter, with a total of 21 sessions delivered. Moving forward into Quarter 3 and beyond, more of these sessions will continue to be delivered as well as refresher sessions to all existing colleagues within the Agency.

Following discussions with colleagues within Job Start Payment Team, a bespoke awareness session was created and delivered, tailored to their specific needs. Alongside this the team have been contributing to work to develop improved guidance being trialled within the team.



The team have expanded the fraud champion network to cover all teams within Child Disability Payment and Local Delivery. [Redacted] Introductory awareness sessions for all new fraud champions have been developed to provide support and awareness in their role. Supplementing this, the inaugural biannual Fraud Champions event was hosted for all members, which included presentations from colleagues in Surveillance and Interventions teams.

Our Fraud Champions Network continues to provide us with vital intelligence in relation to potential fraud which has been prevented, supporting our trend analysis activity.

[Redacted]

Trend Analysis - Potential Fraud Prevented

[Redacted]

Best Start Grant/Scottish Child Payment Dual Applications

[Redacted]

Scottish Child Payment Application

[Redacted]

Best Start Grant Application

[Redacted]

Funeral Support Payment

[Redacted]

Forward Look to 2021/22 Quarter 4 - Counter Fraud

Mapping of Process Hand-offs and Feedback Loops

Across all of the Counter Fraud teams there has been significant effort into producing process maps of the work undertaken by each business area, including the hand-offs and feedback loops required. During Quarter 4 these processes will be reviewed to ensure the service is maximising opportunities for effective interaction between specialist teams, and with the wider organisation.

Development of Intelligence and Covert Operations Teams



Intelligence

[Redacted]

Covert Operations

[Redacted]

National Fraud Initiative (NFI) Pilot

The National Fraud Initiative is the largest counter fraud data sharing exercise in the UK. It is a data matching project overseen by the Cabinet Office (and in Scotland, it is supported and co-managed by Audit Scotland). The initiative collates and compares information held by 1,300 organisations including councils, various UK police forces, HMRC, DWP, Home Office, NHS and almost 100 private sector companies.

[Redacted]



GOVERNANCE CHECKLIST

Strategic Objective	Contribution
Dignity, fairness and respect Delivering a service with dignity, fairness and respect at its core.	
Equality and tackling poverty Promoting equality and tackling poverty.	Activities ensure that controls are in place to identify and correct underpayment error.
Efficiency and alignment Ensuring efficiency and aligning our activities with wider public sector for the benefit of the people we serve.	Activities ensure that controls are in place to minimise the risk of overpayment error.
Economy, society and environment Contributing to our economy, society and protection of our environment.	Activities ensure that we protect public funds by recovering debt sums owed.

Strategic consideration	Impact
Environment	
Governance	
Data	Yes – work ongoing for MI being provided with Analysis and Insights colleagues.
Finance	Yes – control of financial loss through good stewardship
Staff	Yes – awareness of fraud/error
Equalities	
Estates	
Communications and Presentation	Yes – annual report.