



Audit and Assurance Committee

Date of Meeting	17 May 2022
Subject	Error, Fraud and Debt – 2021/22 Annual Report
Agenda No.	
Paper No.	
Prepared By	[Redacted]
Purpose	Monitor

Background

1.1 The attached report details activities undertaken by Social Security Scotland's Fraud and Error Resolution Unit throughout operational year 2021/22. During the year we have built additional capacity and capabilities to analyse and respond to error and fraud risks, including recovery of associated debt.

Key Points

2.1 A change in approach to the treatment of routine changes in circumstances came into effect in November 2021 [Redacted].

2.2 Proactive debt recovery was reinstated in February 2022, following the suspension of this activity in response to the pandemic.

2.3 [Redacted]

2.4 Following full analysis of the error resolution journey and realignment of structures supporting this, responsibility for resolution of errors relating to issuing of payments was transferred into the Unit from Finance.

Conclusion/ Recommendation

3.1 The Committee is asked to review and comment on progress made by Fraud and Error Resolution during operational year 2021/22.



Annex A

Social Security Scotland

Error and Debt Annual Report

2021/22

Introduction

All organisations to which the Scottish Public Finance Manual (SPFM) is directly applicable - including Social Security Scotland - are required to ensure that timely and effective action is taken to prevent and respond to financial loss through fraud and error.

This paper invites the Committee to consider Social Security Scotland's progress made throughout operational year 2021/22 to meet these obligations.

Part 1: Performance

Impact of Covid-19 on Error, Fraud and Debt Operational Activity

The impact of response to the Covid-19 response has been felt across Social Security Scotland in its entirety, and the Error, Fraud and Debt operational teams have not been exempt from this. Some unique impacts relative to our functions were:

- **Debt suspension:** Following analysis of a number of reports measuring the impact of the pandemic on the finances of low-income families, we paused all proactive debt recovery activity in April 2020, and this remained the case until 10 February 2022. The Debt Management Team have since commenced a staged, gradual restart of proactive debt recovery work.
- **Counter Fraud Activity:** [Redacted]

Detected Error Summary

2021/22 saw the Agency make more payments than ever before, as we continue to take direct administration of more benefits. This has driven an increase in error correction activity. A total of 6,614 error cases were identified and corrected in 2021/22 within Fraud and Error Resolution Unit: 3,445 underpayments and 3,169 overpayments – an increase by volume over last year by 56% and 211% respectively.

Associated underpayments had a total value of £348,268 (an increase of 84%), while overpayments totalled £328,046 (an increase of 238%). All underpayments identified have been corrected.



The table below details corrected error rates, expressed as a percentage of benefit expenditure and rounded to 1 decimal point. Please note these are indicative only as benefit expenditure values have still to be finalised.

	Underpayments	Overpayments
Carer's Allowance Supplement	0	0
Best Start Grant - P&B	0.1	0.6
Best Start Grant – EL	<0.1	0.8
Best Start Grant – School	<0.1	0.8
Best Start Foods	1.6	2.9
Funeral Support Payment	0.4	0
Young Carer's Grant	0	0
Job Start Payment	0.1	0
Child Winter Heating Assistance	0	0
Scottish Child Payment	0.2	0.1
Child Disability Payment	0	0

To ensure a comprehensive picture of error identified with Social Security Scotland in 2021/22, the above table includes values associated with the Best Start Foods system error that was identified in September 2021 (as first reported in our quarter 3 report.) Due to the scale of the error, it was not possible to correct every case affected, therefore Finance colleagues undertook work to analyse the total overpayment sums lost for reporting purposes. Additional details are noted in the Overpayments – Official Error (Systems) section below.

Throughout 2021/22, the majority of the Interventions Team corrective activity has been responding to referrals from operational areas. The introduction of the strategic approach to Change of Circumstances in November 2021 reduced referral volumes and has allowed the Interventions Team to begin clearing the head of work which accumulated during the tactical approach. At peak, the head of work outstanding was in excess of 11,000 cases.

The team resolved a total of 12,334 referrals during the year. Not all referrals result in payment error - some are due to procedural errors, where the client had been paid correctly, or are duplicate referrals. These cases still require analysis to identify whether action was required and this had significant impact on resources. Collaborative work with operational areas is ongoing to reduce the volumes of incorrect referrals.

Between September 2021 and March 2022, the head of work in Interventions reduced by 42%. We anticipate that if demand for reactive correction remains stable, and there are no significant system issues or administrative exercises that require Interventions team actions, this will be cleared by late summer 2022, as more staff are onboarded and their learning consolidated.

[Redacted]

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Underpayment Errors

Throughout the financial year, the Interventions Team has prioritised the clearance of underpayment errors. Total quarterly underpayment values were reducing in value between quarters 1 and 3, but then increased in quarter 4 due to a higher ratio of errors from Scottish Child Payment (which has a higher weekly monetary value than Best Start Foods.)

[Redacted]

[Redacted]

Analysis of Detected Underpayments - Classification and Root Causes

[Redacted]

[Redacted]

In 2022/23, a new *Official Error* classification will be introduced called '*Policy Implementation*' which will enable us to capture and report on under- or overpayments resulting from implementation of legal or policy advice rather than due to human or system error. This is explained in more detail in the analysis of *Official Error (System)* overpayments section below.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



[Redacted]

Overpayment Errors

[Redacted]

[Redacted]

Analysis of detected Overpayment - classification and causes

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Debt Recovery Performance

As explained in the introduction of our report, proactive debt recovery work was suspended from 1 April 2020 to 10 February 2022. During this period, we have not been attempting to engage any new debt clients in relation to recovery, and existing debt clients have been able to pause prior agreed payment plans if they wished. However clients have been able to make voluntary payments during this period.



Since 10 February 2022, we have begun contacting clients to advise that we have recommenced active debt recovery work and agreeing repayment plans where appropriate

2021- 22 Debt Balance Summary (excluding Best Start Foods)	
Opening debt balance (closing balance quarter 4 2020/21)	£17,447
Number/value of overpayment referrals	1,075/£154,963
Number/Value of official error write off (no liability to repay)	594/£85,100
Number/Value of small overpayment (<£65) write off	346/£17,142
Number/Value of recoverable overpayments	135/£16,742
Value of recoverable debt written off	£0
Number/value of inbound payments received	12/£2054
Number/value of voluntary offset recoveries	0/£0
Closing debt balance	£51,372
Engagement rate (contact established with client)	Unable to report due to Covid Suspension
Number of new arrangements made	8
Number of debts cases reaching formal Civil Recovery – Letter Before Action stage	Unable to report due to Covid Suspension

Please note that debt referrals are received from all operational areas in addition to referrals from Interventions team. As a result, the overpayment values in table above are different from those reported in the detected error section.

[Redacted]were agreed with clients after taking into account their financial circumstances, [Redacted]have paid off their debt balance in full. [Redacted] Remaining clients are being contacted to work with us to complete affordability assessments, and we are continuing to signpost to advocacy and advice providers where further support is required.

Recovery of Funeral Support Payment (FSP) Awards from Estate of Deceased

The Debt team have responsibility for the recovery of sums awarded through Funeral Support Payment (FSP) from the estate of the deceased if there is sufficient liquidity to repay, but funds had not been available initially for client to pay for funeral expenses. This is not debt recovery; but rather a recharge of sums paid to support the person responsible for arranging and paying for the funeral. By law, the team have a 6 month window commencing from the date of death to note their intention to reclaim a sum from an estate. Therefore, due to these legal time constraints, the Debt team have continued to proactively seek recovery of Funeral Support Payments from estates throughout the financial year.



The team received 1,157 recharge referrals during this reporting year, with 431 referrals being closed with no recharge made due to insufficient liquidity in the estate. A total of 86 Funeral Support Payment recharges to estates (either in full or in part) were completed. Inbound receipts associated with recharges had a total value of £219,844 in 2021/22, which is a 26% increase in the monetary value recharged on previous financial year and represents a recovery rate of 2.2% by value. (By way of comparison, the recharge rate reported for operational year 2020/21 for DWP was 1.5%, and 3.3% in Department for Communities (Northern Ireland) for the equivalent benefit products.)

Best Start Foods

[Redacted]

Internal Investigations, Monitoring and Controls

During the operational year 2021/22 the investigations team received a total of 14 referrals, these were a combination of allegations of internal fraud and unauthorised data access. Full investigations were conducted [Redacted]

The team have continued to design and introduce further control checks in order to detect indicators of potential fraud or unauthorised data access, [Redacted]

To further enhance our provisions to prevent internal fraud, work has been ongoing with Learning and Development colleagues to support new entrant training complemented by ongoing, continued education of colleagues through delivery of Internal Fraud Awareness sessions. This year there have been a total of 21 events delivered, survey feedback provided positive feedback. This has been supplemented by offering an e-learning package.

In addition the team instigated and developed the People Advice and Support and Fraud and Error Resolution Unit Agreement Framework. This document sets out the definition and agreement of the working relationship between the two areas.

Fraud and Error Risk Analysis and Controls

Work has continued to consolidate and build upon the existing network of stakeholders who deliver and design Social Security Scotland benefits. During 2021/22 the team have completed a number of risk [Redacted] which aimed to provide an overview of potential vulnerabilities and defensive provisions.

Significant work has been undertaken in relation to Operational guidance in an effort to reduce the instance of fraud and/or error entering the system. Utilising our established networks has facilitated a number of changes to guidance to better support colleagues to access and understand guidance.



Fraud Awareness sessions have been continually delivered in order to support colleagues across Social Security Scotland to identify and accurately report suspicions of fraudulent activity, highlighting the benefits of early pro-active engagement.

[Redacted]

Potential Fraud Prevented

Our analysis in respect of potential fraud attempts prevented is enabled through manual collation of intelligence from our Champions Network or directly from front line staff who share instances where they believe they may have prevented an attempted fraud. [Redacted]

[Redacted]

[Redacted]

[Redacted]

Best Start Grant / Best Start Foods

[Redacted]

Funeral Support Payment

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Job Start Payment

[Redacted]

Scottish Child Payment

[Redacted]

Intelligence Management

The Intelligence and Evidence Gathering Team have over the past year focused on creating the right processes to gather, assess, analyse, manage and develop intelligence. The gathering of intelligence has progressed beyond traditional referrals to be more proactive and structured in its tactics, of significance our analysis of data has transformed our approach.

Intelligence Generated through Data Analysis

This process makes best use of the information and data already held within agency systems, allowing bulk data to be filtered into a manageable volume that allows fraud or error to be identified. [Redacted]

Intelligence Development

Processes are now in place to develop and produce a comprehensive intelligence package is now in place to provide the External Investigations Team (or Internal Investigations Team if appropriate) with the necessary information to commence the appropriate enquiries. These enquiries require further support from the Intelligence Team, from the Authorised Officers who will, if satisfied when assessing necessity and proportionality, obtain evidence through use of statutory information gathering powers or capture of open source intelligence to support investigations.

Statutory Powers

[Redacted]

National Fraud Initiative

Our engagement with the National Fraud Initiative (NFI) has progressed with the submission of Social Security Scotland data to be crosschecked against data held by other government agencies and local authorities [Redacted]

Intelligence Reports Received

[Redacted]

External Investigations



External Investigations have continued to develop our capability and capacity, refining their processes over this year in preparation for cases linked to the launch of Adult Disability Payment.

[Redacted]

[Redacted]

Common Interest Investigations

[Redacted]

Case Transfers

[Redacted]

Covert Operations Team

In support of investigations the Covert Operations Team was created, to oversee the process of authorisation, and then undertake surveillance in compliance with legislation and the Codes of Practice. [Redacted]

Part 2: Building Capability and Capacity

Technology and Systems

Progress has been made to improve evidence gathering opportunities through collaborative work with programme [Redacted]

Repayment channels for Debt Management have also been expanded with the deduction from benefit payment functionality introduced as well as the provision for debit card payments to be made over the telephone using a secure system.

Recruitment and Training

Error Control and Debt Branch has grown during 2021/22 with [Redacted] staff joining various roles across the error and debt teams. Learning Routeways have been developed by Learning and Development colleagues, but due to bespoke nature of work and ongoing development of processes and guidance, the majority of learning is delivered by technical experts within the team. Where required, specialist training is procured.



The Debt Team has undertaken Vulnerability Training provided by Money Advice Trust to ensure staff can identify potentially vulnerable clients and handle conversations sensitively. 12 staff initially attended with a further session planned for recent intake

The Counter Fraud Branch has also grown with [Redacted] new staff recruited across the various teams. The new recruits have filled a number of roles and grades [Redacted]. The addition of these new recruits complements the existing staff, bring in in knowledge and experience from their previous roles in a variety of other organisations or educational establishments.

[Redacted]

Payment Resolution Function

A review was undertaken of the end to end error journey and it was identified that although the resolution of overpayments was within the remit of the Debt Management team, the resolution of some types of underpayments was the responsibility of the Operational Finance Team within the wider Finance Directorate. This team specifically deals with payment exceptions where manual intervention is required to recall payments or issue manual payments. Given this was directly linked to resolving system and human errors, and provided rich data for potential improvement activities, a recommendation was made and agreed to bring responsibility for this activity within Fraud and Error Resolution from January 2022. To provide a clearer understanding of team role and make a distinction from other areas of Finance, the team has been renamed the Payment Resolution Team. Work is ongoing to integrate the team, undertake further recruitment and understand how to use the additional information available to inform error trend analysis. Beginning with our quarter 1 report for 2022/23, we will regularly report on payment error resolution activity.

Interventions Team Regrading

A review was undertaken in late 2021 of the Interventions Officer role. This had been graded as an A4 role initially when the team was established. However, the remit of the team has gradually expanded with new benefit launches, and the scope of technical knowledge required and complexity of decision making undertaken has increased. As a result, the role was regraded to B1 level. [Redacted]

Development of Collaborative Working Relationships

There has been a focus on building working relationships with other organisations where there is either a common operational aim or mutual benefits, these include Police Scotland, Her Majesty's Revenues and Customs, DWP (Organised Crime Data Analysis), NHS (Scotland) Counter Fraud Service, Food Standards Scotland, NHS Data Analysis and investigations, Scottish Environmental Protection Agency and the Student Loans Company. These relationships will allow us to work towards greater



sharing of intelligence, best practice in fraud investigation and supporting each other where appropriate. Discussions are underway for creation of the relevant Memoranda of Understanding/Information Sharing Agreements to ensure compliance with legislation and guidance.

Counter Fraud Branch Restructure

During 2021/2022 the Counter Fraud Branch has grown, developed and enhanced its processes and capacity to address the risk of fraud, progressing its ability to respond to suspected fraudulent activity over the past year. Of significance the structure of the branch has changed and now consists of five distinct team following the establishment of the Intelligence & Evidence Gathering and Covert Operations functions, to supplement External Investigations, Internal Investigations and Fraud and Error Risk Analysis and Controls.

The addition of these teams supports the overall counter fraud response, providing a demarcation of tasks undertaken by staff with specialist experience or training.