



## Audit and Assurance Committee

Date of Meeting	10 November 2020
Subject	Social Security Scotland Error, Fraud and Debt – 2020/21 Quarter 1 Report
Agenda No.	4
Paper No.	10.3a
Prepared By	[Redacted]
Purpose	Monitor

## Background

1.1 The Audit & Assurance Committee has requested regular reports on error, fraud and debt recovery work in the Agency. During Quarter 1 of 2020/21 (1 April to 30 June 2020) our main focus was on risk assessment work as a result of the emergence of Covid-19 and the necessary measures deployed in order to respond to this and on making adjustments to fraud investigation and debt recovery approaches.

1.2 The attached report reflects the status of activities undertaken to recover debt effectively and to respond to error and fraud risk during Quarter 1, and provides a forward look to items of note which will be undertaken in Quarter 2. Error, fraud and debt in the devolved benefits which are administered by DWP through an agency agreement is not included within this report.

## Key Points

- 2.1 The key points from 2020/21 Quarter 1 are:
- Levels of fraud and error continue to be low, with preventative controls working well.
  - Covid-19 response resulted in considerable activity to reassess fraud and error risk
  - Resources within the Unit have been redeployed to maximise support for preventative and detective measures
  - The scope of activities associated with external fraud investigation has been temporarily reduced
  - Debt recovery work has in the main been suspended, with the exception of recovery of FSP awards from deceased party estates

## Conclusion/Recommendation

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



## Annex A

### **Social Security Scotland Error, Fraud and Debt Status Report - 2020/21 Quarter 1**

#### **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 fraud and error, including treatment of associated debt.

#### **Post-Payment Error Correction**

[Redacted]

**A total of 358 error cases were identified this quarter: 208 overpayments, and 150 underpayments.**

**Overpayments identified totalled £22,341, while underpayments totalled £10,263.**

Error rates expressed as a percentage of benefit expenditure are shown in the table below. Please note these are indicative only as benefit expenditure values have still to be finalised.



	BSF	BSG P&B	BSG EL	BSG SA	FSP	YCG	JSP
Underpayments	0.4	0	0.1	0.1	0	0	0
Overpayments	0.6	0.3	0.5	0	0	0	0

**[Redacted]**

## **Error Detection Data Mining**

[Redacted]

## **Internal Fraud, Bribery and Corruption**

There were no instances of internal fraud discovered during Q1, nor were we made aware of any instances of whistleblowing relating to internal fraud, bribery or corruption reported via the Scottish Government Whistleblow provision.

The deployment of remote working has exacerbated risks associated with internal fraud and unauthorised access/disclosure of personal data. A risk assessment was provided to the Executive Advisory Body in April outlining the impacts and mitigation measures. More specific analysis in relation to the provision of the remote telephony solution was also completed.

In addition to the existing mandatory data protection learning the Data Protection and Fraud and Error teams co-produced a bespoke training offering for all staff in relation to data protection, fraud and error and security risk control, along with the required agreement to a new Remote Working Code of Conduct. We are regularly checking lists of staff who access client data systems to ensure that they have completed all three of these elements.

**[Redacted]**

## **External Fraud**

[Redacted]

## **Proactive Detection – Claims with High Fraud Risk Indicators**

Proactive detection work within Social Security Scotland's benefit system has commenced, with an initial three detective reports drawn and analysed during Q1 using data from December 2019 and January 2020. [Redacted]

The process for manually checking these reports is resource intensive. Lessons learned were shared with Programme and a request to refine the outputs to reduce the rate of false positives being returned is being progressed. We are also working with CDO colleagues to improve the use of technology in order to reduce efforts required to sift the outputs.

## **Fraud Prevention Results**

[Redacted]



[Redacted]

## Fraud and Error Risk Assessment

Over and above previously mentioned work to assess fraud and error risk associated with Covid-19 impacts, our work has continued with Programme colleagues to analyse risks relating to design development for SCP, and the Wave 2 benefits. This has been challenging in a remote working environment, and volumes of requests for impact assessments and formal review has steadily increased.

## Intelligence Handling

We received a total of 274 intelligence referrals in relation to suspected fraud in Q1; 63 of these from agency colleagues; 1 from a Local Authority; 94 from members of the public. The remainder of 116 referrals related to proactive work where further examination was required. The outcomes of referrals received at the end of Q1 are as follows:

Resolution	Count
Unable to Trace	4
Linked to existing case	4
No Benefit	6
No Social Security Scotland Interest	13
Hand off to OGD	137
Passed to Interventions	1
Passed to Investigations	2
Further examination still in progress	107

[Redacted]

## Debt Recovery Performance

With effect from 1 April 2020 proactive debt recovery work was suspended in response to the financial implications presented by the Covid-19 response. Clients were able to pause their repayments if they wished. The only proactive work being undertaken by the Debt team was in relation to the recovery of Funeral Support Payment sums awarded from the estate of the deceased. All cases which had reached formal legal letter before action stage were suspended. This position will be held until at least 1 October 2020.

Quarter 1 – Debt Balance Summary	
Opening debt balance (closing balance Q4 2019/20)	£12,375
Number/value of overpayment referrals	33/£9,300



Number/Value of loss from official error (non-recoverable)	23/£6,650
Number/Value of recoverable overpayments	10/£2,650
Value of debt written off	£0
Number/value of inbound payments received	15/£258
Number/value of voluntary offset recoveries	0/£0
Closing debt balance	£14,767
Engagement rate (contact established with client)	Covid suspension
Number of new arrangements made during this quarter	Covid suspension
Number of debts cases reaching LBA stage	Covid suspension

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

The Debt Management team have continued to recover sums paid through FSP from the estate of the deceased. Sums recovered in this way are not debt repayments, but rather these are a recharge. This scenario comes into play particularly when there are assets to be realised but funds are not available to the client to pay for funeral expenses (e.g. a house to be sold). During Q1, 5 FSP awards were successfully recovered from estates, with a total value of £6,235.60.



## **Forward Look to 2020/21 Quarter 2**

### **Internal Audit – Advisory Review of Debt Processes**

We look forward to the review of the current provision for debt management, particularly to inform our preparatory work for the introduction of Scottish Child Payment.

### **Online Fraud Referral Reporting Provision**

The launch of the public facing online reporting function for fraud referrals has been further delayed until Q2. This is an important addition to the existing channels of telephone and post to allow citizens to report a suspicion of fraud.

### **Resource Estimates and Recruitment**

Recruitment for a number of vacant posts was paused in Q1 due to Covid-19. We anticipate that this will restart during Q2. We also await the outcome of analytical modelling to inform estimates of headcount required to deliver SCP during Q2. The results of this will be compared with 'best guess' estimates we made in the absence of the formal analytical work and adjustments to recruitment plans made as necessary.

### **Authorisation of Surveillance Applications – Increasing our Capacity**

[Redacted]





## GOVERNANCE CHECKLIST

Strategic Objective	Contribution
<b>Dignity, fairness and respect</b>  Delivering a service with dignity, fairness and respect at its core.	N/A
<b>Equality and tackling poverty</b>  Promoting equality and tackling poverty.	Activities ensure that controls are in place to identify and correct underpayment error.
<b>Efficiency and alignment</b>  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 fraud and overpayment error.
<b>Economy, society and environment</b>  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	N/A
Governance	N/A
Data	Yes – work ongoing for MI being provided with SSODA colleagues.
Finance	Yes – control of financial loss through good stewardship
Staff	Yes – awareness of fraud/error
Equalities	N/A
Estates	N/A
Communications and Presentation	Yes – annual report.