



## Audit and Assurance Committee

<b>Date of Meeting</b>	18 May 2021
<b>Subject</b>	Error, Fraud and Debt – 2020-21 Annual Report
<b>Agenda No.</b>	4
<b>Paper No.</b>	12.3
<b>Prepared By</b>	[Redacted]
<b>Purpose</b>	Note

## Background

1.1 The attached report details activities undertaken by Social Security Scotland's Fraud and Error Resolution Unit throughout operational year 2020/21. 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 The work of the Fraud, Error and Debt Management teams has been impacted considerably by constraints applied due to the Covid-19 pandemic response during 2020/21.

2.2 Analysis and mitigation of risks exacerbated by remote working has been underway throughout the operational year, [Redacted]

2.3 We have identified cases of official and client induced error, however these rates have remained low predominately due to the 80-100% prepayment checking regime presently in place for all benefits in payment.

2.4 There have been instances where we believe fraud has been attempted but it has been unsuccessful due to verification action undertaken by front line staff.

## Conclusion/Recommendation

3.1 The Committee is asked to comment on this paper.



## Annex A

# Social Security Scotland Annual Report - Error, Fraud and Debt 2020/21

## 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 2020/21 to meet these obligations.

## Part 1: Performance Data

### 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 key impacts and associated activities are as follows:

**Risk analysis and monitoring response:** A range of measures required to be implemented quickly to enable the organisation to continue to deliver services while protecting the health and wellbeing of our people. As such, a requirement for analysis and communication of any new or exacerbated risk relating to fraud, error, data protection and security was quickly progressed, and mitigation action identified and implemented [Redacted]

### Fraud Investigation [Redacted]

- **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 has remained the case throughout the entire operational year. The earliest point at which this suspension will be lifted is October 2021.
- **Estimating the Monetary Value of Fraud and Error/the Value of Future Savings Associated with a Fraud/Error Intervention:** The work to progress



these specialist, analytical provisions began at the end of operational year 2019/20. However, as a result of the pandemic response, support from the Cabinet Office Centre of Excellence for Counter Fraud to explore methodologies was postponed indefinitely. In addition, some of our analysts and statisticians were redeployed to Scottish Government pandemic response. Project planning work restarted at the end of quarter 4 of 2020/21, and regular progress updates will be shared with Committee.

## Post-Payment Error Detected

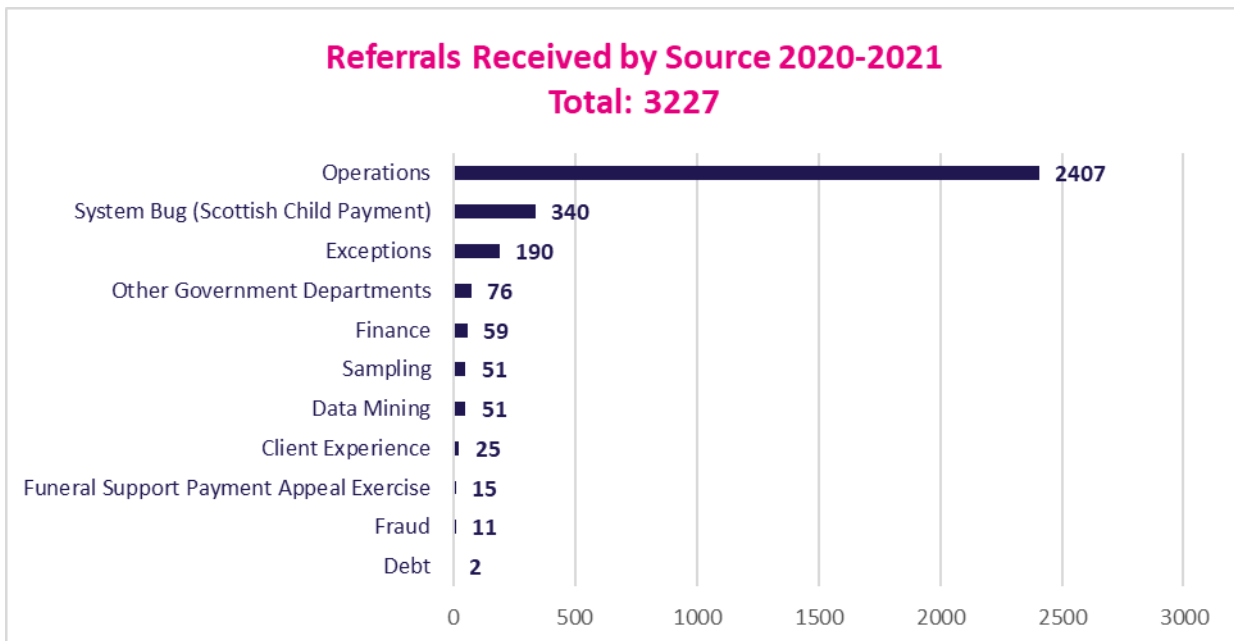
**A total of 3,227 error cases were identified in 2020/21: 2,207 underpayments, and 1,020 overpayments.**

**Underpayments totalled £188,847, while overpayments totalled £97,116. All underpayments identified have been corrected.**

Error rates 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 benefit expenditure values have still to be finalised.

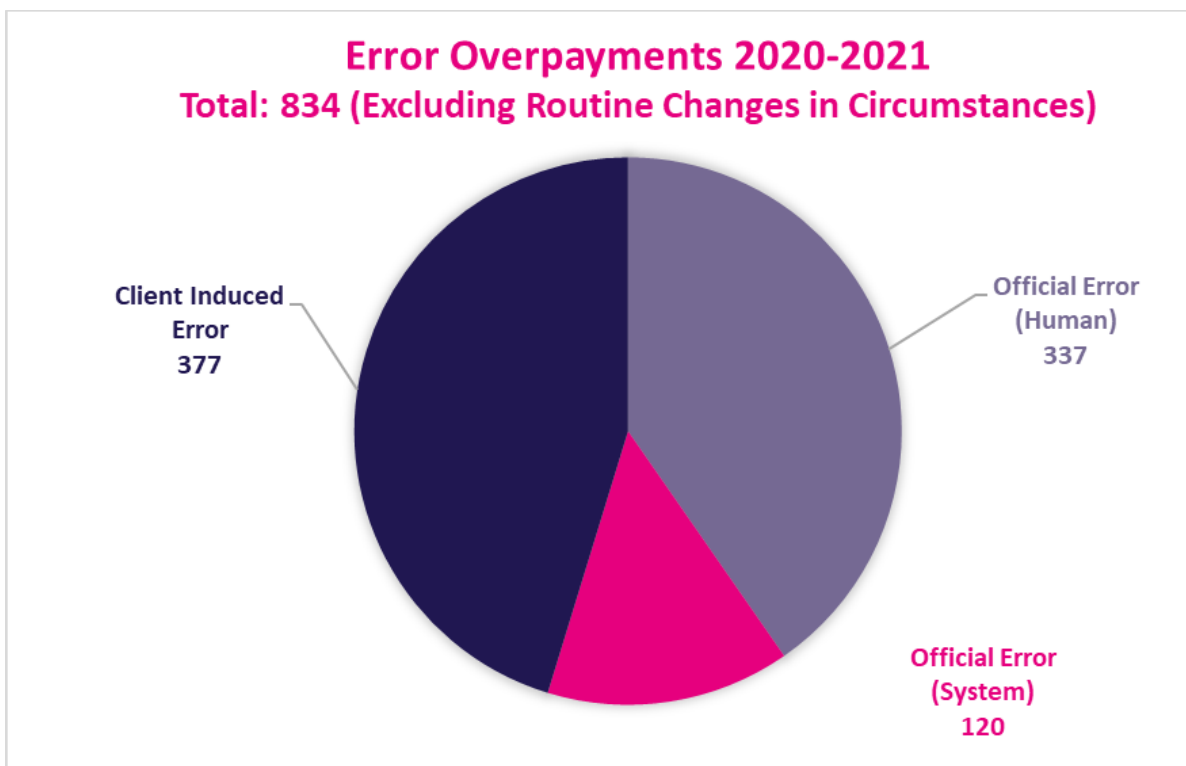
	Best Start Foods	Best Start Grant (Preg. and Birth)	Best Start Grant (Early Learning)	Best Start Grant (School Age)	Funeral Support Payment	Young Carers Grant	Job Start Payment	Scottish Child Payment
<b>Underpayments</b>	1.2	<0.1	<0.1	<0.1	0.2	0	0	0.3
<b>Overpayments</b>	0.5	0.1	0.3	0.1	<0.1	0	0	0

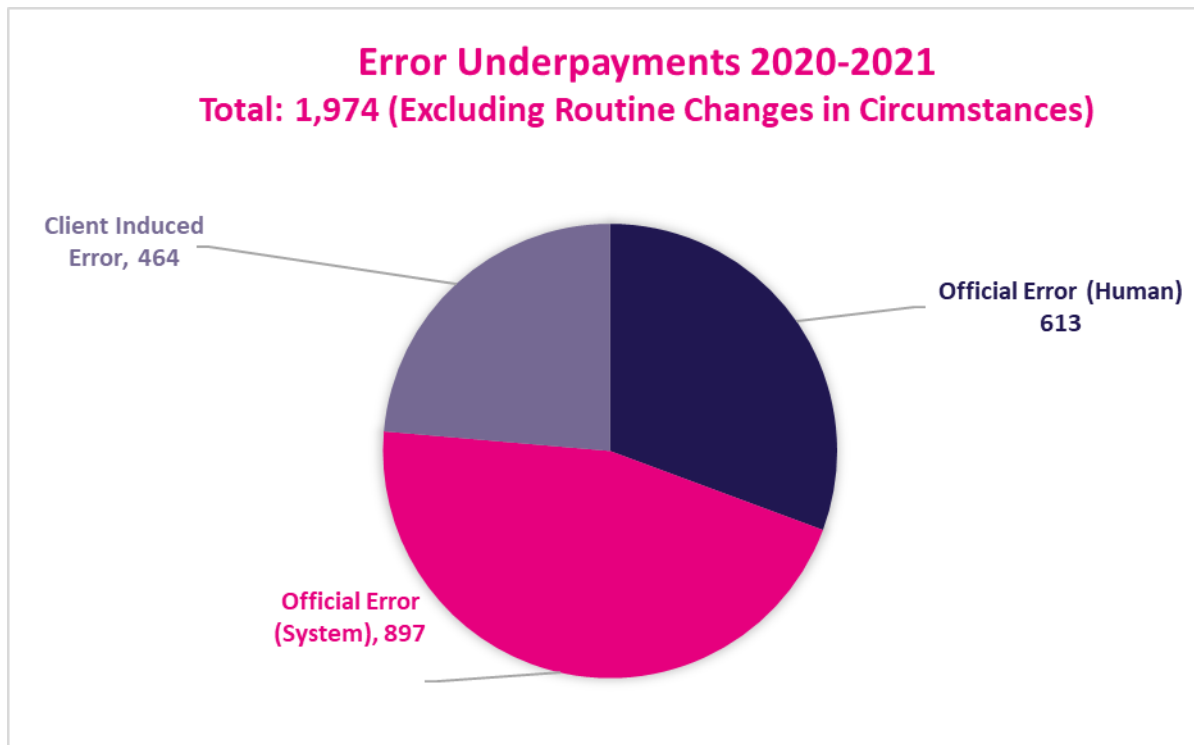
The considerable majority of our error referrals come from Operations colleagues, however we have also seen an increase in referrals from other areas of the business. The chart below shows the different sources for detected error referrals. We have recently begun to collate information on the total numbers of referrals (to include those where no payment error has occurred) and will share this in our ongoing quarterly reports.



In addition to responding to referrals for correction, the Interventions Team also proactively look for instances of error in the benefit caseload, through random sampling exercises and examination of data mining reports highlighting claims which may present a higher error risk.

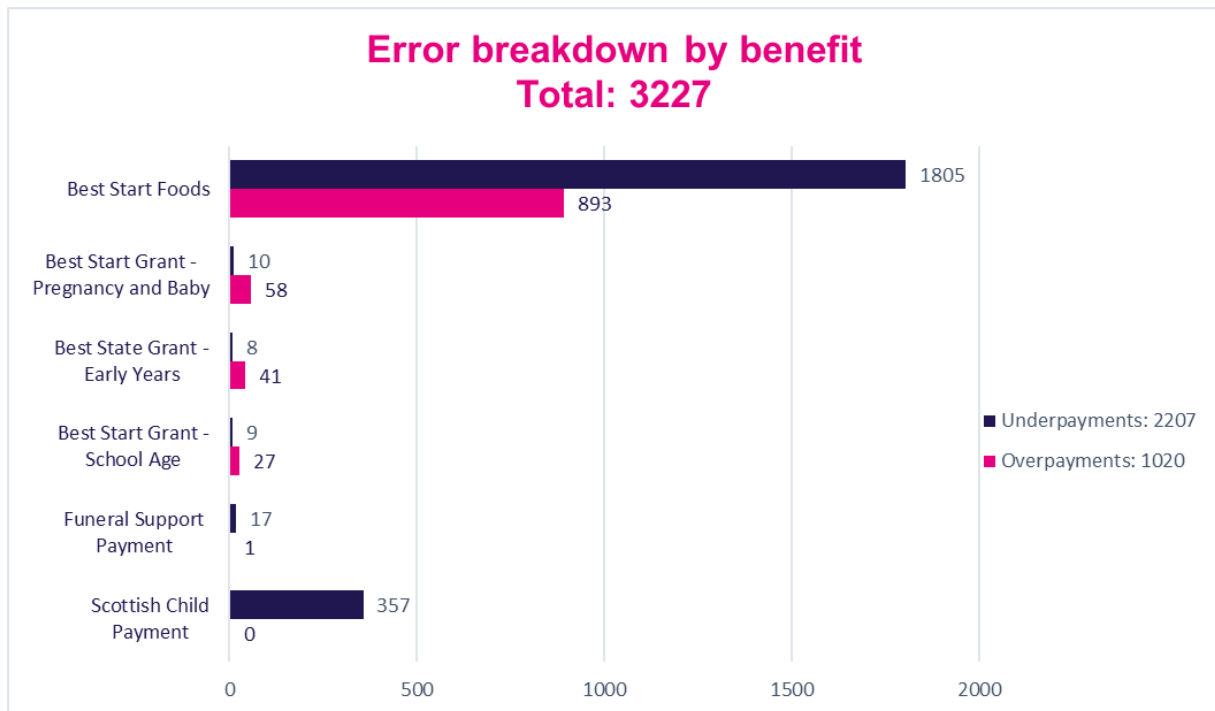
[Redacted]





Best Start Foods is the benefit type which generates the greatest volume of both overpayment and underpayment errors, as shown in the chart below. This has consistently been the case throughout each quarter of the 2020/21 operational year.

We would highlight that the very limited data we can offer in relation to detected errors in the Scottish Child Payment caseload is due to the fact there was only potential for payment error to occur and then come to light for 6 weeks at the very end of the operational year, so our findings should be viewed in this context. In addition, due to a considerable increase in error referrals during quarter 4 of 2020/21, the Interventions team have been prioritising underpayment error correction work.



[Redacted]

## Debt Recovery Performance 2020/21

As explained in the introduction of our report, proactive debt recovery work was suspended from 1 April 2020. 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. Clients have been able to make voluntary payments during this period.

<b>2020- 21 Debt Balance Summary</b>	
Opening debt balance (closing balance quarter 4 2020/21)	£12,375
Number/value of overpayment referrals	125 / £34,700
Number/Value of official error write off (non-recoverable)	102/ £28,650
Number/Value of recoverable overpayments	23/ £5,800
Value of recoverable debt written off	0/ £0
Number/value of inbound payments received	26/ £678
Number/value of voluntary offset recoveries	0/ £0
Closing debt balance	£17,747
Engagement rate (contact established with client)	Covid suspension
Number of new arrangements made during this quarter	Covid suspension
Number of debts cases reaching formal Civil Recovery – Letter Before Action stage	Covid suspension



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

The Debt team have responsibility for the recovery of sums awarded through Funeral Support Payment (FSP) from the estate of the deceased. 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.

The team received 764 recharge referrals during the year. A total of 107 Funeral Support Payment awards were successfully recharged to estates (either in full or in part). This represents a yield by volume of 14%. Inbound receipts associated with recharges had a total value of £161,718.

## Best Start Foods – Historic Overpayment Write Off Exercise

[Redacted] Following the deployment of additional technical provisions to allow overpayment write off to be completed on the benefit system in Quarter 3 of 2020/21, we undertook administrative activity in Quarter 4 to resolve all historic Best Start Foods cases on the benefit system (covering the entire period since the benefit was launched in August 2019).

In total 710 overpayments were written off with a value of £44,443, in line with policy position on no recovery of Best Start Foods overpayments.

In Quarter 4, 678 Best Start Foods cases valuing £42,841 were written off in line with policy. Of the remaining 32 cases, 1 overpayment valuing £123 was overturned at informal review, while the last 31 cases valuing £1,479.00 were written off in April.

This work has put us in an excellent position for accurate reporting for the new financial year.

## Potential Fraud Prevented

[Redacted]

[Redacted]

[Redacted]

[Redacted]



[Redacted chart]

## Internal Investigations and Controls

No instances of internal fraud were detected during operational year 2020/21.

The team have designed and introduced a range of control checks in order to detect possible indicators of potential fraud or unauthorised data access. Some examples include:

[Redacted]

Work is nearing fruition on a self-referral process which our colleagues can use to report accidental instances of access to records held on our systems. These will be checked on a case by case basis and findings collated and analysed to help inform further improvements in our controls.

The team have also designed and delivered two new training offerings during this operational year. The first supports colleagues who are responsible for undertaking management checks for instances of access to DWP's Searchlight information system. We have seen a significant reduction in the number of non-compliance errors since the training was launched.

The second new training provision is fraud awareness training tailored to the needs of colleagues working in Corporate roles. This includes details of how to raise concerns using the new confidential Whistleblowing Hotline.

## External Investigations

The fourth quarter of 2020/21 saw the team instigating the first collaborative Common Interest Investigations with DWP. This was the result of considerable work across both organisations, and a test and learn approach has been adopted to allow us to be responsive to early lessons learned, quickly making any necessary adjustments. We have ten Common Interest investigations open at present.

The team opened a total of 28 investigations during 2020/21, of these 6 have now been concluded. For 3 of the concluded cases, no fraud was found. Entitlement was corrected for the remaining 3 cases.

The Intelligence Management team handled 1,375 incoming intelligence reports in 2020/21. Sources of referrals and outcomes of intelligence risk assessment are shown the tables below.





Source Category	Count
Anonymous/Public	565
Staff	260
Data Matching	282
DWP	43
DWP Common Interest Investigation	15
Webform	190
Local Authority	1
[Redacted]	19

Referral Outcome Code	Count
Unable to Trace Subject	25
Linked to existing case	14
No Benefit in Payment	43
Scottish benefit not affected	293
Hand off to Other Government Dept	720
Passed to Interventions	22
Passed to Investigations	28

## Part 2: Building Capacity and Capability: Progress Report

### Policy, Legislation and Statutory Guidance

Progress was also made in 2020/21 on policy decisions in relation to overpayments and debt recovery, with the second submission to the Cabinet Secretary being approved in November 2020. This included detail on areas such as liability to repay overpayments, small overpayments and consideration of hardship.



[Redacted]

## People

Our plan to strengthen Fraud and Error Resolution functions during 2020/21 included recruitment of new team-members throughout the year, with our target being 87 FTE by the end of the 4<sup>th</sup> quarter. We fell just short of this target, with 77 FTE in post on 31 March 2021, however we still had some campaigns in flight at the beginning of the new operational year. The impact of promotion within the team has left us with posts to backfill, in addition, the first of our colleagues to leave the Unit since its formation retired in March 2021. We were subject to constraints in our recruitment activity due to the pandemic which affected our plans predominately through quarters 2 and 3, in common with all areas of the business. We do not assess that there has been any significant operational impact as a result of the variation of our recruitment activity due to the pandemic.

We have continued to invest in specialist training for the team during 2020/21. One colleague completed Counter Fraud Specialist accreditation, four attained accreditation as Counter Fraud Technicians, and 7 attained Accredited RIP(S)A Authorising Officer status.

As reported to Committee in our quarter 3 report, increased capacity for consideration of applications to deploy covert tactics, with senior team leaders within the Fraud and Error Resolution Unit now able to undertake authorisation decision-making. Legislation came into force on 22 December 2020 to enable this change.

## IT Systems and Processes

Within fraud, error and debt operations, progress has been made with configuration of the Fraud and Debt Case Management Systems. The Interventions phase on the Debt Management System has been designed and is in final stages of testing, which will enable the team to work more efficiently, and move away from manual collation of data.

Both the Fraud Case Management System and the Debt Management System are out of contract in 2021/22, so work has recently been completed to refine and adjust the requirements for both systems, to support procurement activity. In the meantime, work to request an extension has commenced to provide sufficient cover to support configuration and migration work for the strategic solution systems.

Functionality on the SPM benefit system to support fraud/error/debt business operations delivered this year has included:

- Ability to write off an overpayment and record the reasons for doing so
- Automatic creation of tasks for the Debt Team following activation of an overpayment case.



- Production of our first management information reports on underpayments and overpayments, including incomplete actions, to allow us to reconcile and correct cases which were not referred to Interventions or Debt.

## **Forecasting, Monitoring and Alerting**

We have been working with analyst colleagues to refine estimates in relation to our resource requirements, and to forecast likely volumes of referrals into Interventions and Debt Management. Work to forecast volumes of work for Counter Fraud teams is expected to come to fruition in 2021/22.

As indicated in the introduction to this report, planning work to support identification of methodologies for the estimation of the level of fraud and error in our benefit caseloads, and the future savings attributed to a fraud or error intervention was restarted in quarter 4.

The team has also contributed to work led by Programme colleagues to define requirements for monitoring and alerting on the systems in use. Monitoring to date has been primarily through manual checking, which is resource intensive and has limited effectiveness in comparison to technology-enabled solutions.



## GOVERNANCE CHECKLIST

Strategic Objective	Contribution
<p><b>Dignity, fairness and respect</b></p> <p>Delivering a service with dignity, fairness and respect at its core.</p>	Not Applicable
<p><b>Equality and tackling poverty</b></p> <p>Promoting equality and tackling poverty.</p>	Not Applicable
<p><b>Efficiency and alignment</b></p> <p>Ensuring efficiency and aligning our activities with wider public sector for the benefit of the people we serve.</p>	Activities ensure that controls are in place to minimise the risk of loss through fraud and error.
<p><b>Economy, society and environment</b></p> <p>Contributing to our economy, society and protection of our environment.</p>	Activities ensure that processes are in place to recover sums owed to Social Security Scotland.

Strategic consideration	Impact
Environment	Not Applicable
Governance	Not Applicable
Data	Not Applicable
Finance	Yes – financial processes to prevent, identify and correct financial loss
Staff	Yes – awareness of fraud/error
Equalities	Not Applicable
Estates	Not Applicable
Communications and Presentation	Yes – annual report.