



## Audit and Assurance Committee

<b>Date of Meeting</b>	21 September 2021
<b>Subject</b>	Counter Fraud, Error and Debt – 2021/22 Quarter 1 Reports
<b>Agenda No.</b>	4
<b>Paper No</b>	13.3
<b>Prepared By</b>	[Redacted]
<b>Purpose</b>	Monitor

## Background

1.1 The Audit & Assurance Committee has requested regular reports on error, fraud and debt recovery work in the Agency. Following on from the creation of the two distinct branches within the Fraud and Error Resolution Unit - *Counter Fraud* and *Error Control and Debt Management*, we are presenting a quarterly report for each branch. Annex A is the Error and Debt report, while Annex B is the Counter Fraud report.

1.2 During Quarter 1 of 2021/22 (1 April to 30 June 2020) our main focus was on preparatory work for the launch of Child Disability Payments, and on actively managing operational issues associated with high volumes of error correction work.

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 1, and provides a forward look to items of note which will be undertaken in Quarter 2. 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 1 are:
- Levels of reactive error correction referrals received were in excess of forecast volumes, tactical recovery plan measures are in place;
  - Analysis of corrected errors are being used to inform continuous improvement activities;
  - Our first analysis of fraud and error risk associated with the design for Disability Payments (both Child and Adult) is nearing completion;
  - Preparatory work for counter fraud covert operations is underway, and we have received the report of findings from our second inspection by the Investigatory Power Commissioner's Office; and
  - Preparations are underway for the temporary suspension of proactive debt recovery work due to the Covid pandemic coming to an end on 1 October 2021.



## 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 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 error, including treatment of associated debt.

#### Error Correction

**A total of 1,048 error cases were corrected this quarter: 315 overpayments, 733 underpayments**

**Overpayments identified totalled £29,446, while underpayments totalled £91,430**

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.

	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
Underpayments	1.7	0.1	0.0	0.0	1.4	0.0	0.0	0.0
Overpayments	0.6	0.2	0.2	0.1	0.0	0.0	0.0	0.0

During this quarter we have continued to see high levels of requests for reactive correction work being received by the Interventions team, and in the corresponding throughput of corrective work completed.

The increase in the workload is partly due to the implementation of a tactical solution for processing routine changes of circumstances, whereby any case where the payment correction has a value of £65 or greater is corrected by the Interventions team rather than within Client Services Delivery. This was agreed in March 2021 to allow for resource and training to be put in place prior to transfer of ownership of this work to Client Services Delivery from Interventions. [Redacted]



A larger than forecast head of work has accrued as a result of this tactical process, therefore the team have prioritised correction of underpayment errors throughout Quarter 1, [Redacted]

Work to revisit forecasts of likely future volumes of correction cases, and corresponding reassessment of our resource requirement has been completed by our Analysis and Insights colleagues. We have welcomed new colleagues into the Interventions teams, and planned recruitment is ongoing throughout Quarters 2 and 3. We have also been supported on a part time basis by 6 colleagues from the Client Experience Team who are undertaking correction actions.

It is worthy of note that Scottish Child Payment does not yet feature in our error reporting. Although a very small number of cases were corrected during Quarter 1, the impact of rounding means we have a nil value against underpayments and overpayments. This will change over time as the caseload begins to mature and more changes in circumstances are experienced by our clients. [Redacted]

[Redacted]

[Redacted]

## **Error Classification Analysis – Underpayments**

**[Redacted]**



[Redacted]

**[Redacted]**

### **Debt Management Performance (excluding Best Start Foods)**

<b>Quarter 1 – Debt Balance Summary</b>	
Opening debt balance (closing balance Q4 20/21)	£17,447
Value of overpayment referrals	£8,030
Loss from official error (non-recoverable)	£7,530
Value of debt written off	£0
Number/value of inbound payments received	3/£38
Number/value of voluntary offset recoveries	0/£0
Closing debt balance	£17,910
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

During the period that proactive debt recovery has been suspended due to Covid (since April 2020) work has continued on developing Debt Management System functionality including the option to recover via deductions from ongoing benefits. Stakeholder engagement has focussed on Debt Management processes include individual financial assessments as well as consideration other potential vulnerabilities when assessing clients ability to make payments towards debts, and processes and guidance have been strengthened in response to this feedback.



## **Best Start Foods – Overpayment Treatment**

[Redacted]

## **Recovery of Funeral Support Payment Awards from Deceased Estate**

Funeral Support Payment sums 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 228 recharge referrals during this period. A total of 31 Funeral Support Payment awards were successfully recharged to estates (either in full or in part). Inbound receipts associated with recharges had a total value of £46,131 during Quarter 1.

## **Forward Look to 2021/22 Quarter 2 - Error and Debt**

### **Continuous Improvement**

In Quarter 1, our Error Control team has implemented system functionality to capture low level data on over- and underpayment root causes. A working group has been established with programme and finance colleagues to target continuous improvement activities to understand and respond to emerging and most prevalent error trends.

### **Debt Repayment Methods**

During Covid Debt Suspension, work continued on developing additional payment methods. Deduction from benefit functionality was introduced in March 2021 (although we are yet to test this in live operation). Further methods being developed and introduced include:

- Card payments over the phone is expected to be live from 31 August 2021 (albeit not deployed until 1 October 2021 at the earliest).
- Direct debit functionality is expected to be available late Quarter 2/early Quarter 3.

### **Debt Management Strategy**



Following feedback from internal and external stakeholders, the Debt Management Strategy is being finalised. This work will continue during Quarter 2 and will include submission to the Minister. We expect to publish during Quarter 3. [Redacted]

## Recruitment

A brigaded recruitment exercise for Error and Debt Teams is currently underway, following revised forecasting of staffing requirements:

[Redacted]

We aim to fill vacant posts through additional recruitment campaigns, and potentially through use of temporary staff. We hope to have a full complement of staff reflecting the new estimates in post by winter of 2021/22.



## Annex B

### Social Security Scotland Counter Fraud Status Report 2021/22 Quarter 1

#### Internal Fraud, Bribery and Corruption

There were no instances of internal fraud discovered during Quarter 1 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.

A self-referral process was introduced during Quarter 1 to allow agency colleagues to report accidental access to records and this is working well.

We continue to develop our suite of reporting tools and management checks to help detect indicators which may point towards internal fraud.

#### External Fraud

##### IPCO Inspection Report

We received the report of findings from our second Inspection from the Investigatory Powers Commissioner's Office (provided to the Committee as a below the line paper). The Inspector acknowledged the standard of preparatory work completed to date, provided advice relating to future examination of data protection considerations relating to surveillance products, and noted that all recommendations made in his first report had been satisfactorily completed.

##### Investigation Caseload and Progress

[Redacted]

##### Common Interest Investigation - Test and Learn Pilot with DWP

[Redacted]

##### Use of Statutory Information Gathering Powers

We deployed our new processes to make use of statutory information gathering powers for the first time during this quarter.

This process provided further opportunities to enhance the provisions for use of statutory powers, considering both technical and communication improvement opportunities. Additional work is underway to improve awareness of the powers across a network of information providers connected to the finance sector.

#### Fraud Awareness & Prevention



Delivery of fraud awareness training for our new Local Delivery colleagues has continued during this quarter, which includes how to manage risks associated with a client wishing to provide fraud intelligence to a Local Delivery colleague. We are working in collaboration with colleagues in the Child Disability Payment team to finalise our fraud risk awareness offering tailored to their requirements. In addition, the design development for a tailored solution for colleagues who do not work in a front-facing benefit delivery role has been completed and we are now rolling this out.

The team also researched, designed and delivered awareness sessions relating to payment correction cases to front line staff, with the aim of increasing confidence and compliance with guidance – we hope to see a corresponding reduction in error referrals as a result of this investment.

### **Potential Fraud Prevented**

Our analysis method 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 are asked to share instances where they believe they may have prevented an attempted fraud.

In total during Quarter 1 we reviewed 13 cases. The findings of our analysis are shown in the following charts.

### **Trend Analysis – Instances of Potential Fraud Prevented**

[Redacted]

[Redacted]

[Redacted]

### **Fraud and Error Risk Assessment**

We have been working with Programme colleagues to analyse fraud and error risks associated with the design for Disability benefits, considering how policy decisions and process design might impact on our fraud and error risk profile, particularly where we may be compared with DWP. This analysis work is likely to be ongoing for some time, and the first iteration of the assessment is being finalised now.

Our Fraud, Error and Debt Subject Matter Experts have also been providing advice and support for a number of workstreams, influencing development and highlighting risk within the Change of Circumstances and Death & Bereavement design development teams. They have also been driving forward work to ensure standardisation of declaration wording across all products.

### **Fraud Intelligence Handling**



[Redacted]

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

[Redacted]



## Forward Look to 2021/22 Quarter 2 - Counter Fraud

### 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.

During Quarter 2 we will finalise proposals and request authorisation to move ahead with undertaking a pilot exercise in autumn 2021. [Redacted]

### Surveillance

Our preparatory work to stand up our fully functional covert surveillance function will continue. [Redacted]



## 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>	
<p><b>Equality and tackling poverty</b></p> <p>Promoting equality and tackling poverty.</p>	Activities ensure that controls are in place to identify and correct underpayment error.
<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 overpayment error.
<p><b>Economy, society and environment</b></p> <p>Contributing to our economy, society and protection of our environment.</p>	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.