

Date of Meeting	09 March 2021
Subject	Error, Fraud and Debt – 2020/21 Quarter 3 Report
Agenda No.	Below the Line
Paper No.	21.4
Prepared By	[Redacted]
Purpose	Monitor

1. Background

1.1 This report summarises error, fraud and debt recovery work during quarter 3 of 2020/21 (1 October to 31 December 2020). During this quarter, our main focus in addition to our business as usual operational activity was on ongoing provision of support for design development, predominately in relation to ongoing claim maintenance processes and verification of changes.

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 3, and provides a forward look to items of note which will be undertaken in the final quarter of the year

2. Key points

2.1. The key points from 2020/21 Quarter 3 are:

- Levels of fraud and error detected continue to be low, with Best Start Foods consistently having the greatest error rate of all benefits in payment throughout this operational year
- Change in legislation came into force to increase capacity for covert operations authorisation
- Suspension of debt recovery work has been extended to 1 April 2021 (with the exception of recharge of Funeral Support Payments to estates).

3. Conclusions

3.1. Executive Advisory Body is asked to note our activities, associated risk and progress made.

Error, Fraud and Debt Status Report - 2020/21 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 fraud and error, including treatment of associated debt.

Post-Payment Error Correction

Official errors – human and system represent 57% of all errors identified during Q3.

A wide range of mistake types contributed to the official error (human) findings, and feedback loops are working well to enable our managers to support their team. However, our findings have supported feedback received from staff around the complexity of a particular aspect of processing on the Social Programme Management benefit system, which comes into play if a client has more than one benefit award – called the *Integrated Case*. Work has been taken forward to improve the technical controls around this aspect, to improve guidance and to create a tailored learning offering. We look forward to the implementation of these provisions, and to tracking their impact in Q4 and beyond.

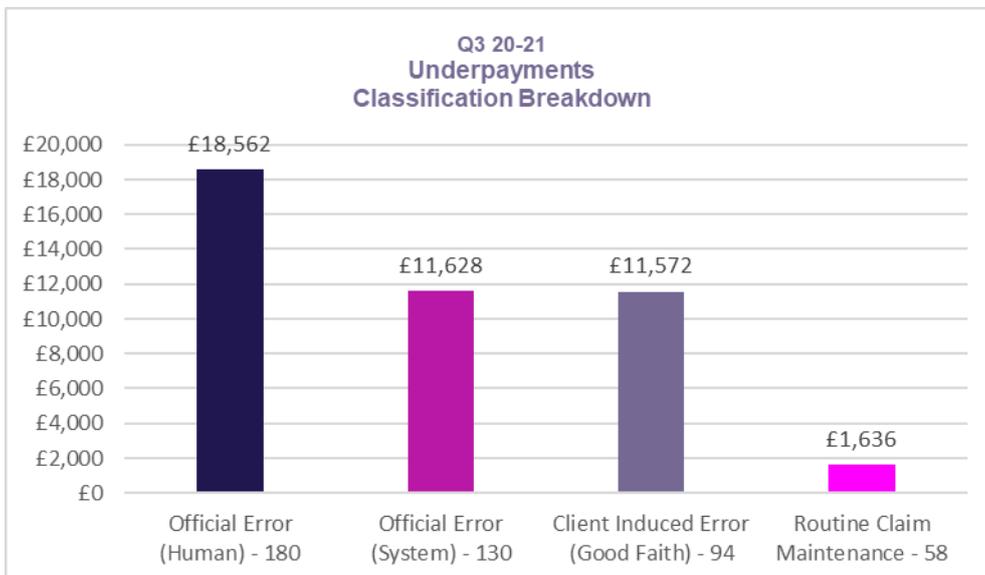
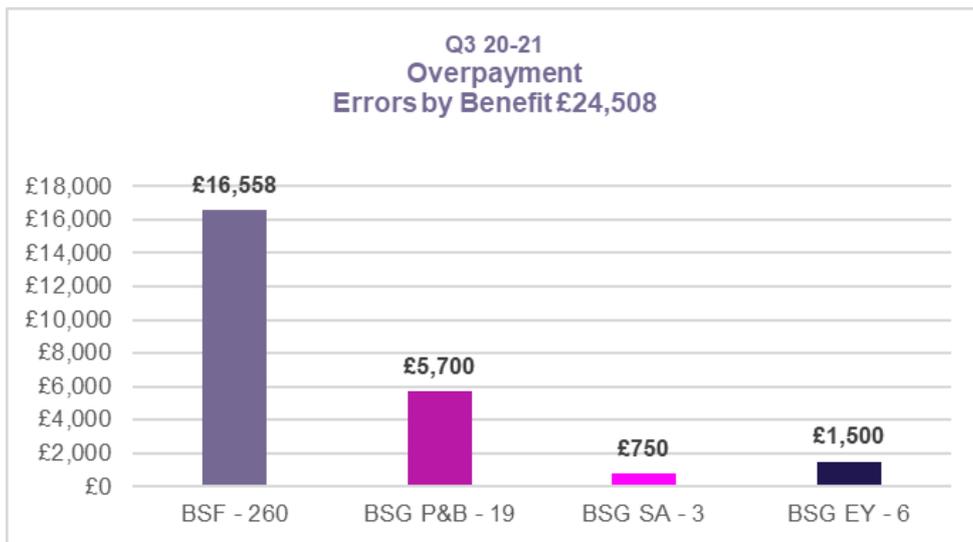
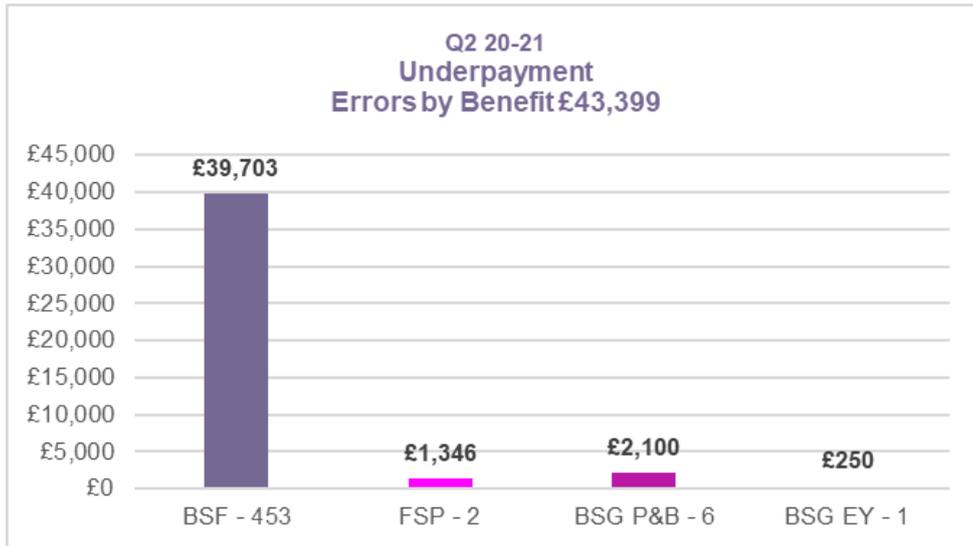
Best Start Foods is the benefit type which generates the greatest volume of both overpayment and underpayment errors. This has consistently been the case throughout each quarter of the operational year so far.

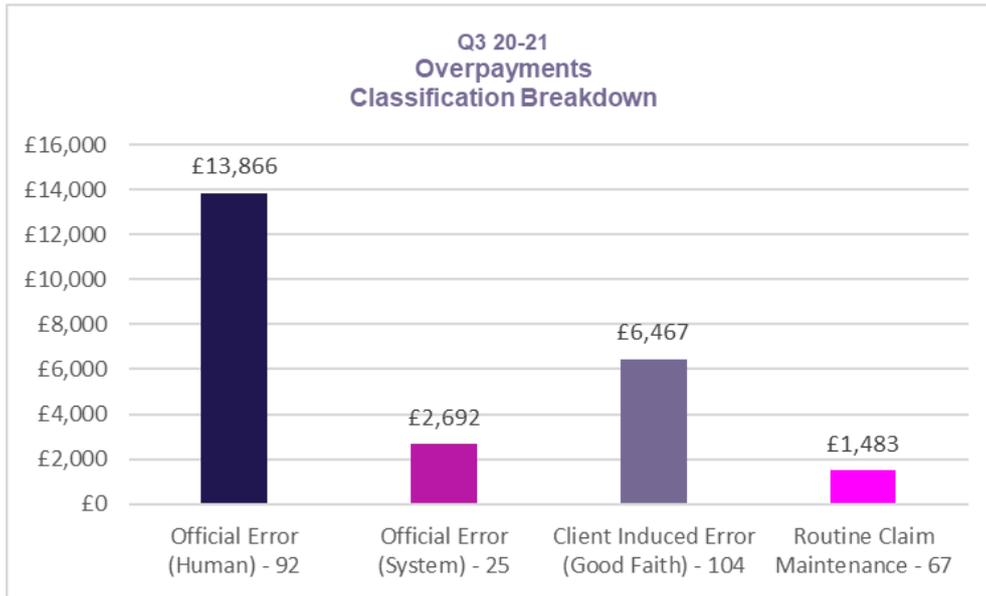
A total of 750 error cases were identified this quarter: 462 underpayments, and 288 overpayments.

Underpayments totalled £43,399, while overpayments totalled £24,508.

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 (Pregnancy and Birth)	Best Start Grant (Early Learning)	Best Start Grant (School Age)	Funeral Support Payments	Young Carers Grant	Job Start Payments
Underpayments	1.3	0.1	0	0	0.1	0	0
Overpayments	0.5	0.3	0.1	0.2	0	0	0





Underpayment Error Trends Identified

[Redacted]

Overpayment Error Trends Identified

[Redacted]

Error Detection Data Mining

[Redacted]

Internal Fraud, Bribery and Corruption

There were no instances of internal fraud discovered during Q3, nor were we made aware of any instances of whistleblowing relating to internal fraud, bribery or corruption reported via the Scottish Government Whistleblower provision or the newly implemented Internal Fraud Confidential Whistleblowing Hotline.

One investigation was completed in Q3 relating to an allegation of inappropriate data access; the allegation was found to be unsubstantiated.

[Redacted]

Since the last update on our monitoring of mandatory data protection and remote working training, course completion rates have increased across the organisation. Follow-up discussions and reminders has resulted in improved uptake, helping to embed and maintain the culture of information protection and assurance.

Supported by our Learning and Development colleagues we have developed and are delivering a number of internal fraud risk awareness sessions to support colleagues working in operational management or corporate roles. An e-learning package has also be created to compliment these sessions and will be released shortly.

Our collaborative work with the Chief Digital Officer's Division is continuing to work well, allowing us to identify and swiftly suspend user accounts which have been inactive for a defined period.

[Redacted]

External Fraud

[Redacted]

An amendment to our arrangements for authorising requests to conduct covert surveillance operations came into force on 22nd December, with all C band team leaders within Fraud and Error Resolution now appointed as Authorising Officers under the Regulation of Investigatory Powers (Scotland) Act 2000. The exception to this is our External Investigations Team Leader who has direct responsibility for any covert operations undertaken by Social Security Scotland, reflecting best practice to support objective decision making and avoiding conflict of interest.

Our Covert Operations Governance and Support Team Leader was also appointed during Q3. A considerable part of their duties will be to act as 'Gatekeeper' for all applications for surveillance. This is in response to a recommendation we received from our first inspection from the Investigatory Powers Commissioner's Office.

In February 2021, all of the Authorising Officers will undertake advanced training to enhance our foundation learning in September; successful candidates will be professionally accredited to the same standard as Police and other Law Enforcement Agency Officers undertaking similar duties.

Proactive Detection – Claims with High Fraud Risk Indicators

Proactive detection work within Social Security Scotland's benefit system has continued, with three detective reports drawn and analysed during Q3 using data drawn from the Social Programme Management benefit system for the period up to December 2020.

[Redacted]

Fraud Prevention Results

Our analysis method, in respect of potential fraud attempts prevented, is enabled via the manual collation of intelligence from our Champions Network and information provided directly from front line staff who are encouraged to share instances where they believe they may have prevented an attempted fraud (or a client induced error).

[Redacted]

Other Fraud/Error Prevention Activity

[Redacted]

Work is continuing in collaboration with Programme colleagues to analyse risks relating to design development for Scottish Child Payment, and the Wave 2 benefits. This remains challenging in a remote working environment, however we are managing to maintain this mitigated by access to collaborative tools and process maps which facilitate engagement. Volumes of requests for impact assessments and formal review did reduce during the festive season but early indications show that volumes of requests for impact assessments and formal review are quickly increasing.

As the Child Disability Pilot dates approach, more detailed work will be required to assess and analyse risk, and ensure that processes and guidance relating to fraud, error and debt work for the Child Disability caseload is ongoing.

A bespoke fraud and error awareness session has been developed during Q3, to meet the specific needs of colleagues engaged in design development in Programme. The aim of this is to give tailored, relatable advice to help raise awareness of risk, best control practices and routes to obtain any further advice and support. This is in the final stages of preparation and will shortly be offered to appropriate programme colleagues.

Ongoing support to Agency colleagues is continuing through our dedicated Risk Analysis and Control Officers resource. Digital Fraud and Error Awareness sessions are being delivered and continually improved in response to feedback. In line with added resource capacity within the Agency required for delivery of SCP, we have recruited additional Risk Analysis and Control Officers to provide adequate levels of support and advice with this capacity planned to increase further early in operational year 2021/22.

Fraud Intelligence Handling

We received a total of 323 intelligence referrals in relation to suspected fraud in Q3,

[Redacted]

The outcomes of Q3 referral risk assessment work which was completed by the Intelligence team are as follows:

Referral Resolution	Count
[Redacted]	[Redacted]

Debt Recovery Performance

With effect from 1st April 2020, proactive debt recovery work was suspended in response to the financial implications presented by the Covid-19 response and potential impact on our client base. Clients were able to pause their repayments if they wished. All cases which had reached formal legal letter before action stage were suspended. Following a review in January 2021, and in light of further lockdown restrictions being implemented, the suspension of proactive debt recovery activity has been extended to 1st April 2021.

This suspension does not include the recharge of Funeral Support Payment sums awarded from the estate of the deceased, due to legal timescale constraints to finalise estate within 6 months of death

We advised in our Q2 report that outstanding technical issues with the integration of the Debt Management System and the Social Programme Management benefit system had prevented the Debt team from formally writing off 6 overpayments valuing £1,600. Following system fixes and reconciliation, 5 overpayments valuing £1,300 have been attributed to our results in Q3, while 1 valuing £300 was in fact included in the Q2 reported figures.

Quarter 3 – Debt Balance Summary	
Opening debt balance (closing balance Q2 2020/21)	£19,110.00
Number/value of overpayment referrals	27/£7,700.00
Number/Value of official error write off (non-recoverable)	31/£8,700.00* (*including 5 cases valuing £1,300 from Q2)
Number/Value of recoverable overpayments	1/£300.00
Value of recoverable debt written off	£0

Number/value of inbound payments received	3/£325
Number/value of voluntary offset recoveries	0/£0
Closing debt balance	£17,785.00
Engagement rate (contact established with client)	Covid suspension
Number of new arrangements made during this quarter	Covid suspension
Number of debts cases reaching Letter Before Action stage (formal letter from Legal Partner)	Covid suspension

Recharge of Funeral Support Payment Awards from Deceased's Estate

The Debt Management team have continued to recover sums paid through Funeral Support Payments 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 Q3, 37 awards were successfully recharged from estates with a total monetary value of £55,231.

Forward Look to 2020/21 Quarter 4

Action Planning – Operational Year 2021/22

As is always the case in Q4, considerable work will take place within the unit to evaluate progress made against priorities for 2020/21. This will allow us to finalise our 2021/22 Action Plan definition, and undertake a review of our structure, and refresh our workforce requirements and planned recruitment activities.

Internal Audit – Review of Counter Fraud

We look forward to the review of the current provision for Counter Fraud during Q4. In addition, we are contributing evidence for the Scottish Child Payment (Application Phase) audit work planned for the same period.

[Redacted]

Recruitment and Onboarding

Recruitment activity was restarted in Q2, and we have welcomed some new colleagues to the Unit during Q3 and still more will arrive in Q4. A number of these roles required to be filled in readiness for Scottish Child Payment issue of payments phase. Progress with onboarding - particularly where a new colleague is transferring between government departments to join us - has been slower than anticipated. We will continue to prioritise this during Q4. All new colleagues are learning in a remote working environment which introduces additional challenges, particularly within



complex specialist operational teams such as Interventions and Debt Management, however we are looking forward to the delivery of the first bespoke learning provision designed by our Learning and Development colleagues, firstly for new Interventions Officers at the end of January, and for new Debt Officers shortly thereafter.

By the end of the operational year, our headcount across fraud, error control and debt management functions will be 87 FTE – representing considerable growth in capacity and expertise.

GOVERNANCE CHECKLIST

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