



Audit and Assurance Committee

Date of Meeting	16 November 2021
Subject	Counter Fraud, Error and Debt – 2021-22 Quarter 2 Reports
Agenda No.	Below the Line
Paper No.	26.5
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. Annex A is the Error and Debt report, while Annex B is the Counter Fraud report.

1.2 During Quarter 2 of 2021/22 (1 July to 30 September 2021) our main focus was on recruitment, preparatory work for the national 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 2, and provides a forward look to items of note which will be undertaken in Quarter 3. 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 2 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;
 - Debt Suspension has been lifted on 1 October 2021 and a phased re-engagement of clients has begun.

Conclusion/ Recommendation

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



Annex A

Social Security Scotland Error and Debt Status Report 2021/22 Quarter 2

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 1,775 error cases were corrected this quarter: 832 overpayments and 943 underpayments.

Overpayments identified totalled £73,882, while underpayments totalled £83,210

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	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Overpayments	1.4	0.3	0.9	0.2	0.0	0.0	0.0	0.1

High levels of reactive correction work have continued to be received by the Interventions team this quarter. However, following strengthening of operational guidance and a revised approach to triaging intake into team queue, volumes of incoming cases have stabilised. Increased clearance within the Interventions team due to additional recruitment and improved workflow management has increased our clearance of corrective work and we are now achieving a modest but steady reduction in the outstanding head of work.

This level of intake is due in part to the ongoing tactical solution introduced in March 2021, whereby any routine change of circumstance case where the payment correction has a value of £65 or greater is corrected by the Interventions team. Processes for the strategic solution have been signed off and resources and training being put in place to facilitate the transfer of ownership of this work to Client Services



Delivery in time for the national launch of Child Disability Payment in November 2021.

A large percentage of error correction referrals was due to Official Error (Human) causes this quarter. Analysis of the root cause of processing errors continues, including working with model office to identify opportunities to strengthen processes and guidance to improve accuracy and confidence of operational staff.

Due to intake being higher than forecast, and the ongoing management of a considerable head of work, the team have continued to prioritise the correction of underpayment errors throughout Quarter 2. In Quarter 3, when the strategic change of circumstances solution is implemented, and consolidation of training for new Interventions staff has been completed, we anticipate that the head of work will reduce further [Redacted]

Revised forecasting of volumes of correction cases and updates to our resource requirements has been completed by our Analysis and Insights colleagues. In addition to staff onboarded during Quarter 2, a further recruitment exercise is planned for Quarter 3.

Error Classification Analysis - Underpayments

In Quarter 2, underpayments relating to Scottish Child Payment began to feature in our error reporting. This is due to this being a recurring benefit - changes in circumstances are experienced by our clients, which can affect entitlement.

[Redacted]

[Redacted]

[Redacted]

A technical improvement was released along with updated guidance issued at the end of Quarter 1, so it is hoped that these volumes will begin to decrease in our Quarter 3 report.

[Redacted]

In Quarter 2, there were 104 Official Error (System) underpayments corrected with a total value of £30,145.

[Redacted]

A system fix was deployed in late Quarter 1 so we anticipate a reduction in these volumes to begin to be reflected from our Quarter 3 report onwards.



[Redacted]

In Quarter 2, the majority of Client Induced underpayments were caused by clients failing to declare a change of circumstances.

[Redacted]

[Redacted]

Client Induced error classification is used when there is evidence that the client has unintentionally provided incorrect or withheld evidence pertinent to their application causing an error. This differs from the Change of Circumstances classification where the client has discharged their duty to inform the Agency of a relevant change on their circumstances within a reasonable timescale.

In Quarter 2, the top underpayment reason for Change of Circumstances, where a change is reported timeously but an underpayment was generated. As Best Start Foods is paid in advance, even the promptest of reports of a change can often result in a payment error.

[Redacted]

Error Classification Analysis – Overpayments

Although Best Start Foods continues to be the benefit which has the most prevalent overpayment errors in Quarter 2, Scottish Child Payment overpayments have also begun to feature in our error reporting.

[Redacted]

The introduction of Scottish Child Payments has also led to increased identification of errors on Best Start Foods claims. These errors are found across all overpayment classifications

[Redacted]

In Quarter 2, 551 overpayments valuing £38,411 were classed as Official Error (System) with **[Redacted]** A system release and updated guidance was issued in late Quarter 1, so it is expected that these volumes will begin to decrease in our Quarter 3 report.

Guidance has been strengthened relating to all top error trends, and staff awareness/upskilling sessions held.

For Official Error (Human), the most prevalent error trends were tied between two – both relating to **[Redacted]**



[Redacted]

The most prevalent error trend in Quarter 1 was due [Redacted]

In Quarter 2, the top reason for Official Error (System) was associated with [Redacted]

[Redacted]

System enhancements have been introduced to address the remaining top system causes of overpayments in late Quarter 1.

[Redacted]

[Redacted]

For Change of Circumstances category, the top overpayment reason is where a client has reported a change within 28 days but due Best Start Foods being paid in advance, an overpayment was created.

[Redacted]

Error Detection Data Mining

During Quarter 2 we received outputs from data mining of our own claim data tables to identify high error risk cases for further examination. [Redacted]

Debt Management Performance (excluding Best Start Foods)

In April 2020, due to the impact of Covid Pandemic, proactive debt recovery was suspended. Social Security Scotland has continued on developing Debt Management System functionality including the option to recover via deductions from ongoing benefits. Engagement with stakeholders has focused on Debt Management processes including individual financial assessments and identifying other potential vulnerabilities that impact on clients ability to make payments towards debts.

Quarter 2 – Debt Balance Summary	
Opening debt balance (closing balance Q4 20/21)	£17,910
Value of overpayment referrals	£26,969
Loss from official error (non-recoverable)	£19,536
Loss from small overpayments (<£65)	£2,840
Value of debt written off	£0
Number/value of inbound payments received	£25
Number/value of voluntary offset recoveries	0
Closing debt balance	£22,478



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 Fomal Action stage	Covid Suspension

Best Start Foods

[Redacted]

Funeral Support Payment Awards – Recharge to 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 320 recharge referrals during this period. During Quarter 2, a total of 24 Funeral Support Payment awards were successfully recharged to estates (either in full or in part) amounting to £34,801.

Forward Look to 2021/22 Quarter 3 - Error and Debt

Continuous Improvement

In Quarter 2, our Error Control team has implemented system functionality to capture low level data on overpayment and underpayment root causes. Testing is ongoing and once fully implemented will allow more frequent and detailed analysis and reporting of Error Trends within Social Security Scotland

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.

The Debt and Error Control Teams are supporting Programme and Operational colleague to develop revised processes and guidance on Change of Circumstance to facilitate move away from tactical approach and ensure Operational Colleagues have robust guidance to support them and reduce levels of over and under payments being created.

The Debt and Error Control Teams are also supporting the development of MI to monitor volumes of over and under payments as they move through decision making process, ensuring that error correction cases are actioned promptly. Additional data fields are being added to systems to allow tracking of value of over and under payments decisions that are outstanding



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. [Redacted]



Annex B

Social Security Scotland

Counter Fraud Status Report

2021/22 Quarter 2

Internal Fraud, Bribery and Corruption

There were no instances of internal fraud discovered during Quarter 2 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.

The self-referral process that was introduced during Quarter 1 to allow agency colleagues to report accidental access to a record has continued to work well during Quarter 2. The Internal Investigations and Controls Team are beginning to track and analyse trends relating to self-referrals, and share findings with Data Protection colleagues accordingly.

External Fraud

[Redacted]

Work with DWP, Programme and Policy colleagues has yet to reach agreement on the venues suitable to undertake an interview under caution where both DWP and Social Security Scotland have a shared subject of investigation. Following submission requesting instruction from the Minister sent up by Programme, he has requested further advice and we are providing support for this.

Use of Statutory Information Gathering Powers

[Redacted]

Additional work continues to improve awareness of the powers across a network of information providers connected to the finance sector.

Fraud Awareness & Prevention

Fraud and Error awareness sessions continue to be delivered to Agency colleagues with work underway to deliver more bespoke sessions dependant on job role and function within Social Security Scotland.

In addition to this, by utilising feedback from the existing fraud champion and other stakeholder networks, we have identified, designed and delivered supporting products to assist colleagues in the appropriate processing of Payment Correction Cases. The effects of this continues to be monitored however initial feedback is extremely encouraging. Lastly we continue to maintain and manage the Fraud Operational Risk



Register which enables us to log, prioritise and manage risks in relation to benefit expenditure.

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.

Potential fraud cases prevented, by benefit

[Redacted]



Trend Analysis – Instances of Potential Fraud Prevented

1. Best Start Grant plus Scottish Child Payment (dual application)

[Redacted]

[Redacted]



[Redacted]

2. Funeral Support Payment

[Redacted]

[Redacted]



3. Scottish Child Payment

[Redacted]

[Redacted]

Fraud Prevention/Subject Matter Expert activity

Delivery of fraud awareness refresher sessions for all Low Income Benefits operational colleagues has continued during this quarter. Following discussions with colleagues within Child Disability Payment team, we have devised a bespoke awareness programme tailored to their requirements. Delivery of these new sessions has commenced, with our first audience being the new Case Transfers Team. During October and November there will be a further 15 sessions delivered to new and existing colleagues.

[Redacted]

We have reached out to colleagues within Child Disability Teams including Local Delivery colleagues, to recruit additional fraud champions to join the network, ensure good coverage across all business areas delivering Child Disability Payment. We now have a total of 45 Fraud Champions across the organisation. This network continues to provide us with intelligence in relation to fraud/error which has been prevented, supporting our trend analysis activity [Redacted]

We continually look for ways to support our colleagues within operations to raise awareness of Fraud and Error. [Redacted] Our enquiries are continuing to allow us to determine the best way to provide that support.

[Redacted]

We are also engaging with stakeholders in the Scottish Child Payment Phase 2 and Adult Disability design teams, as focus and design development activity increases on these benefit products.

Fraud Intelligence Handling

[Redacted]



Proactive Detection – Claims with High Fraud Risk Indicators

[Redacted]

Forward Look to 2021/22 Quarter 3 - Counter Fraud

Establishment of Intelligence and Covert Operations Teams

[Redacted]

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.

[Redacted]



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 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 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.