



Audit and Assurance Committee

Date of Meeting	13 September 2022
Subject	Error, Fraud and Debt Report – Quarter 1 2022-23
Agenda No.	
Paper No.	
Prepared By	REDACTED
Purpose	Monitor

Background

1.1 The attached report details activities undertaken by Social Security Scotland's Fraud and Error Resolution Unit throughout Quarter 1 of the 2022-23 operational year.

Key Points

- 2.1 Trend analysis in relation to error correction is reflecting anticipated increased prominence of Scottish Child Payment in our caseload.
- 2.2 Similarly, we are seeing some marked improvements in certain error root cause categories, due to technical improvements and/or targeted support for colleagues.
- 2.3 Work to secure additional sites for Fraud Team serving the north and south-east of Scotland has progressed well, allowing recruitment and associated set-up preparations to commence.
- 2.4 REDACTED

Conclusion/ Recommendation

- 3.1 The Committee is asked to review and comment on progress made by Fraud and Error Resolution during Quarter 1 of 2022-23.



Annex A

Social Security Scotland

Error and Debt Report

Quarter 1 2022-23

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 during Quarter 1 2022-23 to meet these obligations.

Part 1: Performance

Detected Error Summary

During Quarter 1 a total of 1,365 error cases were identified and corrected by the Fraud and Error Resolution Unit, which was an increase of 23% in comparison to Quarter 1 of 2021-22.

We corrected 653 underpayments with a value of £63,626 and 712 overpayments with a value of £88,784. All underpayments identified have since been paid to clients.

The table below details corrected error rates, expressed as a percentage of benefit expenditure and rounded to 1 decimal point. Please note these are indicative only as benefit expenditure values have still to be finalised.



	<i>Underpayments</i>	<i>Overpayments</i>
<i>Carer's Allowance Supplement</i>	<i>0</i>	<i>0</i>
<i>Best Start Grant - P&B</i>	<i><0.1</i>	<i>0.5</i>
<i>Best Start Grant – EL</i>	<i>0.0</i>	<i>0.4</i>
<i>Best Start Grant – School</i>	<i>0.5</i>	<i>1.0</i>
<i>Best Start Foods</i>	<i>1.0</i>	<i>1.1</i>
<i>Funeral Support Payment</i>	<i>0</i>	<i>0</i>
<i>Young Carer's Grant</i>	<i>0</i>	<i>0</i>
<i>Job Start Payment</i>	<i>0</i>	<i>0</i>
<i>Child Winter Heating Assistance</i>	<i>0</i>	<i>0</i>
<i>Scottish Child Payment</i>	<i>0.1</i>	<i>0.2</i>
<i>Child Disability Payment</i>	<i>0</i>	<i>0</i>
<i>Adult Disability Payment</i>	<i>0</i>	<i>0</i>

In Quarter 1, the head of work of cases awaiting correction reduced by 10%. The rate of reduction slowed slightly in comparison to the preceding quarter, due to factors such as peak leave, activity to on-board new staff into the team, and the impact of a series of high priority system issues experienced, following updates to the benefit system.

[REDACTED]The team plan to undertake further development work on use of data to detect error throughout 2022-23, supported by Intelligence Management colleagues who have made some progress in this area.

Underpayment Errors



Quarter 1 2022-23 is the first quarter in which Scottish Child Payment has had the largest value of underpayment errors. This was anticipated given the size of the caseload, increase in award value and increasing caseload.

[REDACTED CHART]

Analysis of Detected Underpayments - Classification and Root Causes

In Quarter 1 Official Error (Human) was the top classification for underpayment errors, which is in keeping with trends throughout 2021-22. REDACTED

[REDACTED CHART]

REDACTED

[REDACTED CHART]

Client Induced (Good Faith) 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 us about a relevant change in their circumstances within a reasonable timescale.

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[REDACTED CHART]

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[REDACTED CHART]

The Official error (Other Government Department) classification is used when an error in the qualifying or child responsibility benefit paid by DWP or HMRC transfers into Social Security Scotland Low Income Benefit products. [REDACTED]



Overpayment Errors

REDACTED

[REDACTED CHART]

Analysis of detected Overpayment - classification and root causes

REDACTED

[REDACTED CHART]

REDACTED

[REDACTED CHART]

REDACTED

Client Induced (Good Faith) error classification is used when there is evidence that the client has unintentionally provided incorrect information or withheld pertinent information on their application, causing an error.

[REDACTED CHART]

The value of *'Undeclared change of circumstances'* overpayment errors rose steadily throughout each quarter of 2021-22. REDACTED

[REDACTED CHART]



REDACTED

REDACTED

The Official Error (Other Government Department) classification is used when an error in the qualifying or child responsibility benefit paid by DWP or HMRC transfers into Social Security Scotland Low Income Benefit products. [REDACTED]

[REDACTED CHART]

REDACTED

The Change of Circumstances classification is used when the client has discharged their duty to inform us about a relevant change in their circumstances within a reasonable timescale. REDACTED

REDACTED

Payment Resolution

The Payment Resolution Team (formerly known as Operational Finance) joined our Error Control and Debt Management branch in January 2022, bringing all teams undertaking error resolution activity within one unit.

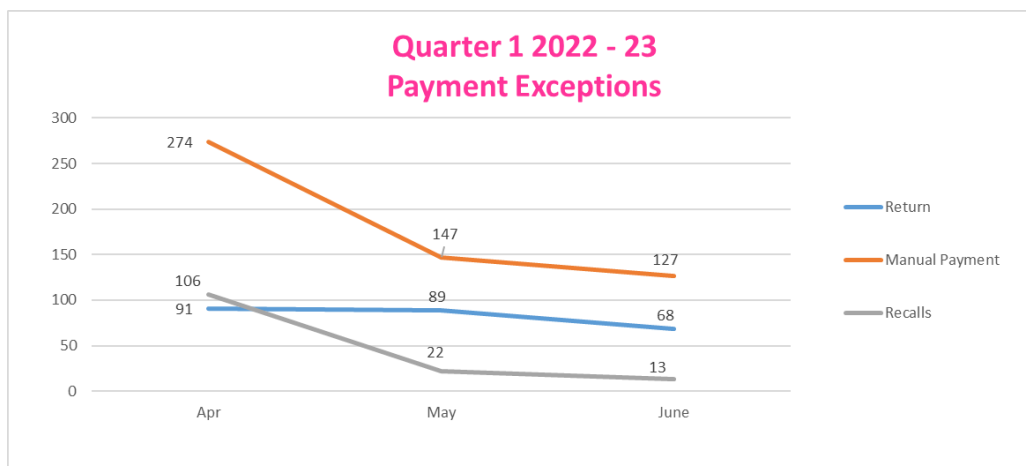
The team undertakes 3 main areas of work:

- Payment returns – when payments are returned by a bank, the team investigates to identify the causes and co-ordinate corrective activity and reissue of payments. These are usually related to clients providing incorrect bank details, or forgetting to make a change to their nominated bank account.

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- Manual Payments – When payments are unable to be issued by SPM system due to fault or an incorrect calculation, Payment Resolution manually issue payments. This category also includes any ex gratia (ex regulatory) payments.
- Recalls – where a change of circumstance has been actioned or an error identified after 4 day payment run has begun, the Payment Resolution team have functionality to recall payments REDACTED. This allows us to prevent some overpayment errors from occurring.

Throughout Quarter 1, a total of 507,241 payments were issued by Social Security Scotland. Payment Resolution processed 937 payment exceptions, giving an exception rate of 0.18% by volume.



In Quarter 1, a series of incidents categorised as being high severity were experienced following a system release. This resulted in a spike in demand for manual payments and recalls. REDACTED. These system issues were resolved by mid-April, and Payment Resolution requests returned to normal levels during June.

Since then, the majority of payment resolution requests are related to incorrect Payment Correction Cases for Scottish Child Payment awards, and some issues relating to Child Disability Payment case transfer.

The Payment Resolution team also undertook bulk payment exercises when system issues around bank holidays or other system problems presented a risk of late payments to clients:

- April Easter Bank Holiday: 23,120 payments were issued by the team via bulk uploads
- July – our payment contingency process was invoked with DWP to issue 16,702 payments via Faster Payments

A working group was set up to review the payments process to identify potential improvements, while the Business Continuity function are undertaking an incident management review.

Debt Management - Recovery and Recharge

Quarter 1 2022-23 Debt Management Summary (excluding Best Start Foods)	
Opening debt balance (closing balance from Quarter 4 2021/22)	£51,372
Number/value of overpayment referrals	1,043 / £115,131
Number/Value of official error write off (no liability to repay)	241/ £50,275
Number/Value of small overpayment (<£65) write off	361 / £7,083
Number/Value of recoverable overpayments	161 /£28,720
Value of recoverable debt written off	£0
Number/value of inbound payments received	81 / £28,720
Number/value of voluntary offset recoveries	0/£0
Closing debt balance	£75,246
Engagement rate (contact established with client)	18%



Number of new arrangements made	8
Number of debts cases reaching formal Civil Recovery – Letter Before Action stage	0

Please note that debt referrals are received from all operational areas in addition to referrals from Interventions team. As a result, the overpayment values in table above are different from those reported in the detected error section.

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For all attempts to engage a debt client, 18% have resulted in a positive engagement response.

The Debt team recognise the present pressures on household finances, therefore when engaging clients to complete affordability assessments, they are also focussed on signposting to advocacy and advice providers where further support is required.

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Recovery of Funeral Support Payment Awards from Estate of Deceased

The Debt team have responsibility for the recovery of sums awarded through Funeral Support Payment from the estate of the deceased if there is sufficient liquidity to repay, but funds had not been available initially for client to pay for funeral expenses. This is not debt recovery; but rather a recharge of sums paid to support the person responsible for arranging and paying for the funeral.



The team received 481 recharge referrals during Quarter 1. A total of 176 referrals were closed with no recharge sought due to insufficient liquidity in the estate, while 57 Funeral Support Payment recharges to estates were completed. These had a total value of £75,245. For comparison, this represents 32% of the total value of Funeral Support Payment recharges made during operational year 2021-22; therefore if the current trend is maintained, associated total sums received will increase in 2022-23.

Best Start Foods

Best Start Foods is not covered by the provisions of the 2018 Act REDACTED

REDACTED

REDACTED



Counter Fraud

Intelligence and Information Management

REDACTED

[REDACTED CHART]

REDACTED

REDACTED

We predict that with national rollout of Adult Disability Payment, and work to secure intelligence sharing agreements with key external partners, our intelligence throughput will have continued growth throughout this operational year and beyond.

Intelligence received was primarily in relation to the following benefits;

REDACTED

Intelligence outcomes for Quarter 1 are as follows;

REDACTED

REDACTED

REDACTED

National Fraud Initiative Residency Pilot

Quarter 1 has seen the completion of the first phase of the National Fraud Initiative (NFI) pilot. REDACTED

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Evidence Gathering

REDACTED

REDACTED

Potential Fraud Prevented, by Benefit

REDACTED

[REDACTED CHART]

Best Start Grant Pregnancy and Baby with Best Start Food

Pregnancy Verification

Client made Best Start Grant/Foods application due to his partner being pregnant. Client claimed partner had moved in with him however when advised that DWP should be informed of the change in circumstances client disengaged and failed to provide proof of circumstances. Evidence not provided, so despite repeated attempts to contact client the application was denied.

Child Disability Payment

Disability in Doubt

This case had two pieces of supporting information attached which the case manager was concerned might not be authentic. A number of concerns around the written supporting information and perceived reluctance of the applicant to allow further

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clarification with medical and education sources resulted in further enquiries being made. These enquiries confirmed that the criteria for benefits would not be met and the application was denied.

Funeral Support Payment

Person Reasonably Responsible for Funeral Costs (Family Hierarchy)

REDACTED

REDACTED

REDACTED

Fraud Prevention

Delivery of Fraud Awareness/Refresher Sessions for Low Income Benefits, Child and Adult Disability Payment Managers and Practitioners continued during Quarter 1, with a total of **53 sessions** delivered.

This quarter we have responded to **41** queries from operational colleagues, and provided further feedback for **9** fraud referrals.

Our Fraud Champion Network has now been refreshed, with refined Terms of Reference agreed. This will help us to ensure we are utilising our network to full potential. [REDACTED]

The Fraud Champion Bi-Annual event was held in June, which showcased a variety of content from across the specialist functions within the Fraud and Error Resolution Unit. It also allowed for discussion of the expectations associated with the Fraud Champion role, and we highlighted some examples of best practice for fraud referrals. The Fraud Referral Form had been updated based on feedback received and this event provided a platform to run a masterclass to outline key changes and facilitate greater understanding of completion of the form.

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A Fraud and Error Guidance Group has been established, with representation from all business areas within Fraud and Error Resolution Unit. The purpose is to discuss cases where potential fraud has been identified, reviewing the actions that staff have undertaken and associated guidance which was followed. This has already influenced guidance amendments surrounding the management and processing of supporting information, with the overarching aim to ensure clear, consistent and accessible guidance to support and assist all colleagues in their respective roles. Work continues with key stakeholders engaging in regular walkthroughs of procedures relating to benefit design and delivery.

Fraud Investigation Caseload and Progress

REDACTED

REDACTED

Breakdown by benefit type:

REDACTED

Breakdown by allegation Type:

REDACTED

Common Interest Investigation - Test and Learn Pilot with DWP

REDACTED

Covert Operations

REDACTED

Procurement

REDACTED

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Internal Fraud, Bribery and Corruption

REDACTED

REDACTED

REDACTED

Part 2: Building Capability and Capacity

Technology and Systems

REDACTED

REDACTED

REDACTED

REDACTED

Recruitment and Training

REDACTED

Error Control and Debt Management

REDACTED

REDACTED

Due to high volume recruitment going on across agency, securing specialist Learning and Development support for onboarding has been a challenge - particularly resources to develop bespoke training material for our specialist roles. In response,



Fraud and Error Resolution has invested in a dedicated Learning and Development officer, which we hope will relieve overreliance on on-the-job training and allow us to welcome larger intakes.

Additional Locations for Fraud Hubs

Counter Fraud have worked closely with the Place Project to identify suitable locations for investigation teams to enable better geographic coverage. In light of the existing estate it was identified a need for office space in both the north and south east of Scotland. After extensive research and negotiations specific office space was found, [REDACTED]A recruitment campaign is ongoing to staff these locations with suitably qualified and experienced investigators.

Systems and Process Team

During Quarter 1, we progressed our plans to further develop our Systems and Process function. This is a support service which aims to work closely with all functions within the unit to identify and develop requirements, impact proposed changes and support delivery implementation for the following activities on behalf of Fraud and Error Resolution Unit:

1. New Requirements
2. Continuous Improvement/Change Management
3. Live Issue Management
4. Reporting/Data Analysis Provisions

Demand for this type of support has been high, and continues to grow. We also heard some valuable messages during our People Survey roadshows about the way change is landed in our Unit, and how we need to do this better. REDACTED

Improving Our Use of Data

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