



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 24 FEBRUARY 2021

SUBJECT: NATIONAL FRAUD INITIATIVE – 2018/19

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1. REASON FOR REPORT

- 1.1 To provide Committee with information on the outcomes from the National Fraud Initiative (NFI) exercise for 2018/19; in particular, to give a local context to the national results published within a recent Audit Scotland overview report.
- 1.2 This report is submitted to Committee in terms of Section III (I) (3) of the Council's Scheme of Administration relating to consideration of reports prepared by the Accounts Commission/Audit Scotland.

2. RECOMMENDATIONS

2.1 Committee is asked to consider and note:

- (i) **the outcomes from the National Fraud Initiative from both a national and local context, recognising that the exercise has preventive, detective and corrective elements which seek to minimise the impact of fraud and other irregularity on the public purse; and**
- (ii) **that the Council remains alert to the possibility of fraud, and endeavours to mitigate this through the application of effective internal controls within the systems and processes it operates.**

3. BACKGROUND

- 3.1 The National Fraud Initiative is a data matching exercise carried out by the Cabinet Office on behalf of Audit Scotland. It requires participating bodies, including all local authorities, to submit a range of prescribed data which is compared with other information received. Data matches are then created centrally which are returned to each local authority for checking. Most matches do not reflect fraud or error, but many require investigation to confirm that no corrective action is required.

- 3.2 The Audit Scotland report notes that the COVID 19 pandemic has seen the risk of fraud and error increase as organisations become stretched, and controls and governance systems are changing. This has been evident in some of the funding support schemes provided by government for those affected by the pandemic, and the council is alert to this increased risk.

A copy of the full report is available at: https://www.audit-scotland.gov.uk/uploads/docs/report/2020/nr_200709_national_fraud_initiative.pdf

- 3.3 The matches that are the subject of the Audit Scotland report predate the pandemic and indicate that the potential value of losses due to fraud or error across Scotland has fallen by £2.4 million to £15.3 million in the latest 2018/19 exercise; this despite an increase in the number of bodies participating in the NFI process. The report suggests this could be because there has been less effective detection of fraud and error, equally it acknowledges that for the review period there could have been less fraud and error in 'the system'. It also notes that most organisations demonstrate a strong commitment to counter fraud and the NFI.
- 3.4 It is important to note that the figure of £15.3million is a calculated figure which estimates the potential loss to the public purse that could occur should fraud or error continue undetected. By way of example, if a current blue badge is no longer required by its recipient, and is cancelled as a result of the NFI, an outcome (benefit to the public purse) of £575 is assumed. This is on the basis that the badge has the potential to be misused, resulting in lost parking and congestion charge revenues. While this is acknowledged as likely to apply in some cases; in others, the badge may lie unused until its expiry date has passed.
- 3.5 While £15.3 million is a calculated headline figure, actual losses identified are still substantial approximating £5.6 million across Scotland, with some 90% of this total, £5.1 million considered to be recoverable. Such recoveries apply where an individual has made a claim for an allowance or discount where there is no entitlement e.g. a recipient of a council tax single person discount in a non-qualifying household, an incorrect benefit claim, or a duplicate payment paid to a supplier in error.
- 3.6 For this council actual 'savings' identified and recoverable amounted to £65,588. This comprised:
- Entitlement to Single Person Discount for Council Tax cancelled (69 cases) **£34,530**
 - Housing Benefit claims that were disallowed (8 cases) **£30,008**
 - Creditor Payments- duplicate payment to supplier (1 case) **£1,050**
- 3.7 In addition 'notional' savings, of a type illustrated in paragraph 3.4 above, were reported in respect of blue badges cancelled – 45 cases (£25,875) and tenancy applications removed from the council housing waiting lists – 2 cases (£6,480). The steps for notifying the cancellation of blue badges are being reviewed in an effort to ensure these badges are cancelled when no longer

required. Housing waiting list issues are not considered material given that applicants are only asked if they wish to remain on the waiting list at six monthly intervals and may have secured alternative accommodation in the interim.

3.8 It should be noted that the council uses the NFI data in respect of Council Tax Single Person Discount not as an indicator of fraud but as a source of information on households that may be in receipt of this discount where there is no entitlement. The information is used to generate letters to households on the list. A follow-up process then takes place to confirm on-going entitlement or to cancel the discounts where applicable and recover any discount paid in error. The 69 cases referred to above have been identified by using the NFI data to inform a targeted administrative process which is an effective means of improving the accuracy of the council tax database.

3.9 The Audit Scotland report recommends:

- Participants should be aware of emerging fraud risks e.g. due to Covid-19;
- Participants should maximise the benefits they get from participation in the exercise;
- When improvements are identified, prompt action should be taken;
- Audit committees and staff leading the NFI should review the NFI self-appraisal checklist.

3.10 A copy of the checklist is provided as **Appendix 1**.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

No direct implications beyond the contribution participation in the NFI makes to good governance and safeguarding public funds.

(b) Policy and Legal

The National Fraud Initiative operates under a strict legal and regulatory framework which is essential given the large volumes of personal data processed within the data matching exercise.

(c) Financial implications

The 2018/19 NFI exercise has resulted in a sum of £66,000 being identified as recoverable, and otherwise more generally has confirmed the robustness and accuracy of the council's main financial and other systems used for matching purposes.

(d) Risk Implications

Risk issues are mitigated by the council fully participating in the NFI process and ensuring that matches returned are risk assessed and investigated where appropriate.

(e) Staffing Implications

No implications directly arising from this report.

(f) Property

No implications directly arising from this report.

(g) Equalities/Socio Economic Impact

No implications directly arising from this report

(h) Consultations

The outcomes from the 2018/19 NFI exercise have been discussed with the Chief Financial Officer who is designated as the Senior Responsible Officer for NFI purposes. There have been no other consultations in respect of this report.

5. CONCLUSION

5.1 Participation in the National Fraud Initiative provides assurances on the accuracy of the council's main data systems and enables any errors to be considered and corrective action taken.

Author of Report:	Atholl Scott
Background Papers:	Audit Scotland National Fraud Initiative Report.
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