

Agenda Item	6
Report No	AS/4/19

## HIGHLAND COUNCIL

**Committee:** Audit & Scrutiny Committee

**Date:** 27<sup>th</sup> March 2019

**Report Title:** The National Fraud Initiative in Scotland 2016/17

**Report By:** Corporate Audit Manager

### **1. Purpose/Executive Summary**

1.1 This presents the latest National Fraud Initiative (NFI) report published by Audit Scotland in relation to the 2016/17 exercise and highlights the key messages. Details are also provided of the Council's results arising from the NFI matches.

### **2. Recommendations**

2.1 The Committee is invited to consider the Audit Scotland report, the results for the Highland Council and the associated commentary.

### 3. Background

- 3.1 The NFI is a biennial counter-fraud exercise led by Audit Scotland in conjunction with a number of different public bodies, including Local Authorities. Specific sets of data are requested from all bodies which Audit Scotland then compares using computerised techniques. Where this comparison identifies any potential inconsistencies which could indicate fraud or error, this is classified as a “match”. Details of all matches are published on the secure NFI website for each body, including the Highland Council, which must then investigate these and then record the outcome on the website.
- 3.2 The results of 2016/17 exercise for Scotland were published in July 2018 and an electronic [link](#) is provided to this report.

### 4. Key Messages from the report

- 4.1 Public bodies spend billions of pounds of taxpayers’ money for the benefit of the Scottish population. Public spending systems are complex and mistakes can happen. Some people also seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.
- 4.2 Fraud does not recognise organisational or geographic boundaries. Sharing data allows organisations to match data held in different systems in their own organisation and held in other organisations. Audit Scotland, working closely with public bodies, auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (NFI) exercises significantly contribute to the security and transparency of public sector finances. It helps confirm that services are provided to the correct people and reduces fraud and error.
- 4.3 Since Audit Scotland last reported on the NFI in Scotland in June 2016, outcomes valued at £18.6 million have been recorded. An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents. The estimation bases are set out in Appendix 2 of Audit Scotland’s report. However, it should be noted that these are applied across a national level and these values are not always applicable to Highland e.g. for blue badges we have no congestion charges and parking charges are significantly lower than many locations particularly cities.
- 4.4 The report contains the following recommendations and commentary on these has also been provided in italics.

All participants in the NFI exercise should:

- ensure that they maximise the benefits of their participation. They should consider:
  - using the NFI AppCheck point of application service, the flexible matching service and the Equifax Public Sector Gateway service as appropriate when planning their counter-fraud activities (**paragraph 51**). *These services come at additional cost and require staff resources but consideration will be given to using these where there is a clear benefit to the Council.*
  - whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application (**paragraph 61**). *These instructions are sent to all staff involved in reviewing the matches.*
- audit committees, or equivalent, and officers leading the NFI should review [the \*\*National Fraud Initiative: Self-appraisal checklist\*\*](#). This will ensure they are fully informed of their organisation’s planning and progress in the 2018/19 NFI exercise

**(paragraph 58).** *The 2018/19 NFI exercise is in progress and this checklist is being completed as applicable.*

- where local auditors have identified specific areas where improvements could be made, the public bodies should act on these as soon as possible **(paragraph 63)**. *No particular improvements have been identified by our External Auditors.*

Local authorities should:

- investigate the council tax single person discount (SPD) matches, in conjunction with other data-matching suppliers as they determine appropriate, to ensure that their awarded discounts are valid **(paragraph 28)**. *Again, these will be chargeable services and staff resources required to undertake any data matching but will be considered where these provide financial benefits to the Council.*

## **5. Highland Council results**

### **5.1 2016/17 national exercise**

A total of 5,044 matches were produced and 1,445 matches were recommended for further investigation as they were assessed by the NFI as having a higher risk of fraud or error. Organisations are expected to investigate all recommended matches (graded as High) and the rest are optional. The majority of the recommended matches were in respect of housing benefit claimants where the data comparisons included possible undeclared income from pensions or salaries, other individuals living in the household and the claimant living at a different address.

At the time of this report, the results were as follows:

- 1,445 matches have been processed,
- 1,399 matches have been cleared and 41 are still being investigated, in some cases this can be due to waiting on information from third parties. It should be noted due to the time delay between providing the data and receiving the matches, a number of these can be cleared immediately as changes of circumstances have been notified and processed.
- 46 of the processed matches have been recorded as errors and the associated value is £5,355.65. All of these are housing benefit cases and the sums are being recovered. No cases of fraud have been recorded.

The Audit Scotland report states that the number and value of benefit outcomes are reducing and this is the case in Highland. DWP initiatives such as Real Time Information (RTI) data processing and quicker processing times for housing benefit changes within the Council have assisted in reducing the risk of fraud or error occurring.

### **5.3 Recheck:**

A separate process is used (Recheck) for checking Council Tax (CT) Single Person Discounts against data held in Electoral Roll, identifying individuals in the household approaching age 18 and the other datasets used in the national exercise which may indicate potential fraud or error. At the time of this report, the results are as follows:

<b>Match</b>	<b>Total</b>	<b>Processed</b>	<b>Frauds</b>	<b>Errors</b>	<b>Outcome</b>
CT to electoral roll	2,960	1,456	1	66	£16,470.66
CT rising 18s	509	5	0	3	£266.20
CT to other datasets	3,410	1,099	0	23	£7,437.73
<b>Totals</b>	<b>6,879</b>	<b>2,560</b>	<b>1</b>	<b>92</b>	<b>£24,174.59</b>

5.5 In a change to the previous approach, following the Audit Scotland's presentation of their report to the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee, the committee requested that they publish a breakdown of the outcomes for each of the NFI key data sets. The following information was provided on 31/10/18 for the Highland Council and was published the following month on Audit Scotland's website as a supplement to their NFI report:

<b>Key data set</b>	<b>No.</b>	<b>Estimated outcome £</b>	<b>Estimation Base and Comments</b>
Blue badges	112	64,400	£575 per badge to reflect lost parking income and congestion charges
Council Tax Single Person Discount	n/a	105,845	Annual value of the discount cancelled * 2 years. Also see note 1
Benefits		25,754	Weekly benefit reduction * 21 weeks which accords with DWP benefit guidelines Number of cases not stated

Note 1 - individual matches were deleted following publication of Audit Scotland's report due to data protection requirements and so the detailed outcomes could not be verified. In addition to the comments at 4.3, it should be noted that this estimation base is considered overly optimistic as it assumes that the discount has been wrongly applied for the maximum period given that the matching is undertaken every 2 years. The actual results from the Council's exercise shows this is not the case.

## **6. Implications**

6.1 Participating in the NFI exercise assists the Council in addressing/ reducing the risk of fraud or error in the payments made to individuals. The nature of this work means that this has resource implications for staff as previously outlined. There are also equality and rural implications for Highland citizens as this may impact upon individuals with disabilities, low incomes or in receipt of pensions, and as there are no geographical boundaries, it may affect those living in rural or urban areas. However, the aim is to ensure that payments are made to those who are legitimately entitled, including benefit claimants, and that public money is properly spent.

6.2 There are no Legal; Climate Change/Carbon Clever or Gaelic implications.

Designation: Corporate Audit Manager

Date: 15<sup>th</sup> March 2019

Author: Donna Sutherland

Background Papers: