

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 26 AUGUST 2014

NATIONAL FRAUD INITIATIVE UPDATE

REPORT BY SERVICE MANAGER-GOVERNANCE

ABSTRACT

The purpose of this report is to provide members with a final update on the outcomes of the National Fraud Initiative (NFI) 2012/13. The report also advises members of the publication of Audit Scotland's report 'The National Fraud Initiative in Scotland' and provides information on NFI planning for 2014/15.

1. RECOMMENDATION(S)

It is recommended that the Committee:

- (i) Consider the outcomes from NFI 2012/13 of approx. £86,000 of which £40,000 relates to benefit overpayments. The remaining £46,000 represents a notional value attached to cancelled Blue Badges.
- (ii) Note that the outcomes of the internal data matching exercise in relation to council tax single person discount will be reported at a later date.
- (iii) Consider the contents of the Audit Scotland report 'The National Fraud Initiative in Scotland' and provide any comments on the self-appraisal checklist.
- (iv) Note the continued participation of Angus Council in NFI.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN

This report supports services in the delivery of all local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

3. BACKGROUND

- 3.1 The remit of the Scrutiny and Audit committee includes the consideration of reports on the adequacy and effectiveness of the Council's counter fraud arrangements. The National Fraud Initiative (NFI) is a major counter-fraud initiative which uses computer data matching techniques to detect fraud and error. The exercise is undertaken every two years and participation is compulsory for Scottish Local Authorities as part of their statutory audit. The NFI in Scotland is coordinated by Audit Scotland and the 2012/13 exercise involved 127 bodies from the local government, health, central government and further education sectors.
- 3.2 In October 2012, the Council submitted 14 datasets for the 2012/13 NFI exercise. The results of the data-matching exercise were released through the NFI secure web application during the first quarter of 2013. A match does not automatically mean that there is a fraud error; an initial review is carried out to determine which matches can be eliminated and which should be investigated further.
- 3.3 In addition to the main matching exercise, a separate exercise is undertaken to match electoral registers against those households where council tax single person discounts (SPD) are being claimed. Angus Council does not participate in the NFI SPD exercise, as legal opinion indicates that the release of the electoral register to Audit Scotland would be a breach

of the Council's duties under the Data Protection Act 1998. An internal data matching exercise is undertaken by Internal Audit.

4. SUMMARY OF RESULTS

- 4.1 Progress on following up the NFI 2012/13 matches was submitted to this committee in August 2013 (report 443/13). Work on those matches identified for investigation is now complete and the results are summarised in Table A below.

Table A: NFI 2012/13 Angus Council Outcomes

Match type	Total number of matches	Number of matches reviewed	Number of frauds	Number of errors	Outcomes
Housing Benefits	1,380	221	8	3	Benefit overpayments of £39,983 were identified, all of which is being recovered.
Payroll	163	37	0	0	
Housing tenancy / right to buy	92	85	0	29	National insurance number errors which have been corrected.
Blue Badge	314	314	0	92	92 Blue Badges cancelled. In the majority of cases, the error was due to failure to notify the Council that the badge holder had died.
Private residential care homes	40	40	0	0	
Insurance	2	2	0	0	
Creditors	1,792	334	0	0	

- 4.2 An internal data matching exercise has been carried out to compare the 2011 electoral register with households where single person discount was being claimed. The outcomes are still being analysed and will be reported to this committee at a later date,

5. AUDIT SCOTLAND NATIONAL REPORT

- 5.1 Audit Scotland publishes a national report setting out the progress of each biennial NFI. The report includes a summary of the national outcomes as calculated by Audit Scotland from outcomes recorded on the secure NFI website by the participating bodies. The latest report, "The National Fraud Initiative in Scotland" was published in June 2014 is attached.
- 5.2 Table B below sets out a summary of the national outcomes included within the 2014 national report, together with the figures for Angus Council. The outcomes (ie the value of NFI to the public purse) are measured by Audit Scotland by the amounts of overpayments (whether due to error or fraud) that were identified and stopped, estimates of amounts that bodies will save by stopping incorrect payments that would have continued if not identified by NFI and, in some cases, attaching an appropriate value to other significant findings.

Table B: Summary Outcomes

Category	National Value £M	Angus Council Value £M	Note
NFI 2012/13			
Pension Overpayments	3.8	N/A	1
Housing Benefit and other Benefits	3.0	0.040	
Blue Badges	1.3	0.046	2
Other	2.4	0.0	3
Total NFI 2012/13	10.5	0.086	4
Council Tax Single Person Discounts (2011electoral register)	2.5	See 4.2 above	
Further outcomes arising from NFI 2010/11 not previously reported.	3.0	0	
National Report Total	16.0	0.086	5

Notes

1. Pension data for Angus Council is submitted by Dundee City Council and the Scottish Public Pensions Agency as the administering authorities for the pension schemes.
 2. For each Blue Badge cancelled Audit Scotland attaches a value of £500. This is based on the value that Audit Scotland considers a Blue Badge can attract on the black market and the potential loss of parking and fine revenues. It does not mean however that each badge was being abused.
 3. "Other" outcomes includes: payments to private residential care homes; creditors; insurance; and housing tenants.
 4. National report figures as at 31 March 2014. The Angus Council figures are as at 23 July 2014.
 5. Angus Council generally makes up around 2.2% of the all Scotland total when comparing Angus with other Councils. If Angus Council had its "normal" share of the all Scotland total for NFI 2012/13, this would have equated to £352,000. It is pleasing to note that the level of fraud and error actually identified is significantly less than this "normal" share would imply.
- 5.3 Table B shows that the estimated value of the 2012/13 NFI outcomes to the public purse is £16 million. Some of this represents overpayments that will never be recovered and estimated values that have been attached, for example to cancelling a blue badge. Audit Scotland estimates that the actual cash savings or recoveries for the public purse are at least half of the total outcomes of £16 million.
- 5.4 Part 3 of the national report, 'Helping to improve, holding to account' is based on questionnaires submitted to Audit Scotland by external auditors in January 2014. The questionnaire had 28 questions, which were graded by external auditors. Table C explains the gradings and summarises the conclusions from the questionnaire completed by the Angus Council external auditors.

Table C: NFI 2012/13 External Audit Assessment

Grading	Explanation	Angus Council results
Green	Satisfactory, little or no scope for improvement	25
Amber	Adequate but steps could be taken to make a worthwhile improvement	3
Red	Unsatisfactory. Improvement required as a matter of urgency	0

- 5.5 The external auditor's overall assessment of the Council's arrangements for NFI 2012/13, including the progress made with following up matches, was 'green'.
- 5.6 The national report includes a self-appraisal checklist in two sections: Part A for those charged with governance; Part B for the NFI key contact and users. The checklist is included in this report, at Appendix I. Comments from the completed external audit assessment have been included in the Appendix.

6. NFI DEVELOPMENT

- 6.1 Overall responsibility for NFI will transfer from the Audit Commission to the Cabinet Office on 1 April 2015. Audit Scotland do not expect this to have any direct impact on NFI in Scotland. The data specifications and submission timetable for the 2014/15 exercise have been published on the Audit Commission website and notified to NFI key contacts in participating bodies. One new data set has been added for NFI 2014/15, personal budget direct payments. As in previous years, data will be submitted in October, with matches released for investigation the following January.
- 6.2 An internal exercise to match the 2013 electoral register against council tax SPDs was undertaken in June 2014. Matches are being investigated by Internal Audit and the results will be reported to this committee at a later date.
- 6.3 Participation in NFI is an integral part of the Council's corporate approach to the prevention and detection of fraud and error. The low level of outcomes identified to date provides assurance that, for those areas covered by NFI, the internal control framework of the Council is operating effectively.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

8. EQUALITIES IMPLICATIONS

The issues contained within the report fall within an approved category that has been confirmed as exempt from an equalities perspective.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

REPORT AUTHOR: Shân Coombs, Senior Auditor
EMAIL DETAILS: ChiefExec@angus.gov.uk

List of Appendices
[The National Fraud Initiative in Scotland](#)

7. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	Amber	External Audit comment The council reports results to the scrutiny and audit committee. There are examples where this information has appeared in the local newspapers.
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Part B: for the NFI key contact and users

Self-appraisal question	External Audit assessment from review of NFI 2012/13	Comment
Planning and preparation		
1. Are we investing sufficient resources in the NFI exercise?	N/A	
2. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.	Green	
3. Is our NFI key contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	Green	Key contact is Senior Auditor. Overall approach is agreed with the Head of Corporate Improvement and Finance and the Service Manager-Governance.
4. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Green	
5. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?	Green	
6. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Green	
7. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Green	
8. Do we adequately consider the submission of any 'risk-based' data-sets in conjunction with our auditors?	Green	
9. Have we considered using the real-time matching (Flexible Matching Service) facility offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	N/A	
Effective follow up of matches		
10. Do all departments involved in NFI start the follow-up of matches promptly after they become available?	Green	

11.	Do we give priority to following up recommended matches, high-quality matches, those that become quickly out of date and those that could cause reputational damage if a fraud is not stopped quickly?	Green	
12.	Do we recognise that NFI is no longer predominantly about preventing and detecting benefit fraud? Have we recognised the wider scope of NFI and are we ensuring that all types of matches are followed up?	Green	
13.	Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Green	
14.	(In health bodies) are we drawing appropriately on the help and expertise available from NHS Scotland Counter Fraud Services?	N/A	
15.	Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the procurator fiscal)? Are we recovering funds effectively?	Green	
16.	Do we avoid deploying excessive resources on match reports where early work (eg, on recommended matches) has not found any fraud or error?	Green	
17.	Where the number of recommended matches is very low, are we adequately considering the related 'all matches' report before we cease our follow-up work?	Green	
18.	Overall, are we deploying appropriate resources on managing the NFI exercise?	Green	
Recording and reporting			
19.	Are we recording outcomes properly in the secure website and keeping it up to date?	Green	
20.	Do staff use the online training modules and guidance on the secure website and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?	Green	
21.	If, out of preference, we record some or all outcomes outside the secure website have we made arrangements to inform the NFI team about these outcomes?	N/A	