

**ANGUS COUNCIL**

**SCRUTINY & AUDIT COMMITTEE – 22 AUGUST 2017**

**NATIONAL FRAUD INITIATIVE – PROGRESS REPORT**

**REPORT BY SHÂN COOMBS, ACTING SERVICE MANAGER – GOVERNANCE and  
CONSULTANCY**

**ABSTRACT**

This report updates members on the work of the 2016 National Fraud Initiative.

**1. RECOMMENDATIONS**

The Scrutiny & Audit Committee is recommended to note the progress in investigating the matches from the National Fraud Initiative (NFI) 2016 and external audit's assessment of the council's approach.

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

This report supports the council's zero tolerance approach to fraud and corruption, which in turn supports services in the delivery of local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

**3. INTRODUCTION**

The National Fraud Initiative is a major counter-fraud initiative which is undertaken every two years. Participation is compulsory for Scottish Local Authorities as part of their statutory audit. NFI in Scotland is coordinated by Audit Scotland. The Acting Service Manager Governance and Consultancy is the council's NFI Key Contact, responsible for coordinating and monitoring the exercise.

NFI works by using data matching to compare a range of information held on participating bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error. These are referred to as 'matches'. A match does not automatically mean that there is a fraud or error. An initial review is carried out to determine which matches can be eliminated and which should be investigated further. The matches are released through the NFI secure web application. Participating bodies record the outcomes of any investigations on the same secure web application.

At the conclusion of each NFI exercise, Audit Scotland publish a national report, which includes a summary of the national outcomes recorded by participating bodies on the secure NFI website. The national report on the 2014 NFI exercise can be accessed from Audit Scotland's website:

[http://www.audit-scotland.gov.uk/uploads/docs/report/2016/nr\\_160630\\_national\\_fraud\\_initiative.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2016/nr_160630_national_fraud_initiative.pdf)

The report was submitted to this committee in August 2016 (report 307/16 refers).

**4. NFI 2016 PROGRESS UPDATE**

The Angus Council datasets for the 2016 NFI exercise were submitted in October 2016. The results of the data-matching exercise were released in the first quarter of 2017. The council received 97 reports with a total of 4,060 individual matches. 1,849 of these (45%) related to creditors. The overall approach to investigating the matches was agreed with the Head of

Finance, focussing initially on those matches which NFI suggest should be prioritised for review and investigation.

Table A below summarises the investigation progress as at 20 July 2017. Outcomes from NFI 2014 have been included for comparison.

**Table A: NFI Outcomes**

Category		Error No. of cases	Error Value (£)	Fraud No. of cases	Fraud Value (£)
Incorrect Housing Benefit	NFI 2016	1	£2,905		
	NFI 2014	8	£13,897	1	£1,577
Incorrect Council Tax Reduction	NFI 2016 (Council Tax Reduction data was not included in NFI 2014)	4	£2,417	1	£462
Duplicate invoice payment	NFI 2016	1	£5,255		
	NFI 2014	1	£2,876		
Blue badges cancelled	NFI 2016	149	N/A		
	NFI 2014	112	N/A		

The outcomes for NFI 2016 are in line with outcomes reported for previous NFI exercises. The low level of outcomes provides assurance that, for those areas covered by NFI, the council's internal control framework is operating effectively.

Audit Scotland recently asked all external auditors to complete a questionnaire which evaluates the approach of audited bodies to the NFI exercise. The output from the questionnaires will inform the next NFI national report, which is due to be published in June 2018. The council's external auditors concluded that "Angus Council are very engaged with the NFI exercise, they have a dedicated Counter Fraud team that is overseen by a manager who reports directly to the Chief Executive. Members are regularly updated on the progress of the Counter Fraud team and the outcomes of the NFI exercise".

## 5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report. The overpayments identified, totalling £11,039, are being pursued through our debt recovery processes.

## 6. EQUALITIES IMPLICATIONS

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

## 7. CONCLUSION

Participation in NFI is an integral part of the Council's corporate approach to the prevention and detection of fraud and error. Work continues to check the matches received and identify those that require further investigation. The final Angus Council outcomes for NFI 2016 will be submitted to this committee in August 2018, together with the Audit Scotland national report.

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

**REPORT AUTHOR: Shân Coombs, Acting Service Manager, Governance and Consultancy**  
**EMAIL DETAILS: ChiefExec@angus.gov.uk**