

**ANGUS COUNCIL**

**SCRUTINY AND AUDIT COMMITTEE – 21 AUGUST 2018**

**NATIONAL FRAUD INITIATIVE UPDATE**

**REPORT BY MARGO WILLIAMSON, CHIEF EXECUTIVE**

**ABSTRACT**

This report advises members of the publication of Audit Scotland's report 'The National Fraud Initiative in Scotland' and provides information on National Fraud Initiative (NFI) planning for 2018/19. It also provides members with a final update on the outcomes of NFI 2016/17.

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) consider the Audit Scotland report 'The National Fraud Initiative in Scotland' and provide any comments
- (ii) consider the self-appraisal checklist at Appendix 1 and provide any comments.
- (iii) note the local outcomes from NFI 2016/17: approx. £7,500 from overpaid housing benefit; approx. £2,900 from incorrect council tax reduction; duplicate payment £5,255; and a notional value of £86,000 from cancelled blue badge permits.
- (iv) note the continued participation of Angus Council in NFI.

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

Participation in NFI supports the council's zero tolerance approach to fraud and corruption, which in turn supports services in the delivery of corporate priorities set out in the Local Outcomes Improvement Plan and the Corporate Plan.

**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. 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 public bodies that take part include the Scottish Government and other central government bodies, all councils, NHS bodies, pension administering bodies, the Scottish Fire and Rescue Service, Police Scotland and colleges.
- 3.2 Data sharing enables the NFI to use technology to compare information about individuals held by different public bodies, and on different financial systems, that might suggest fraud or error exists. 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.

**4. AUDIT SCOTLAND NATIONAL REPORT**

- 4.1 Audit Scotland publishes a national report summarising the results of each biennial NFI. The report includes a summary of the national outcomes as calculated by Audit Scotland from the outcomes recorded on the secure NFI website by participating bodies. The latest report, "The National Fraud Initiative in Scotland" was published in July 2018 and can be accessed from Audit Scotland's website:  
[http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr\\_180705\\_national\\_fraud\\_initiative.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180705_national_fraud_initiative.pdf)

4.2 The national report includes four recommendations, three for all participating bodies and one for local authorities. Table A summarises Angus Council's position in relation to each of the recommendations.

**Table A: NFI 2016/17 Recommendations**

NFI Recommendation	Angus Council position
<p>All participants in the NFI exercise should ensure that they maximise the benefits of their participation. In particular, they should consider:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application</li> <li>• where appropriate using the NFI flexible data matching service and point of application data matching service</li> </ul>	<p>For NFI 2018/19, the overall approach will be determined by the Team Leader Counter-Fraud and agreed with the Service Leader Internal Audit and the Head of Finance &amp; Legal. The approach will take account of recommendations for efficient working.</p> <p>The possibility of using services such as NFI AppCheck and NFI flexible data matching is kept under review by the Counter-Fraud Team. There is a financial cost associated with these services.</p>
<p>Audit committees, or equivalent, and officers leading the NFI should review the <i>National Fraud Initiative: Self-appraisal checklist</i>. This will ensure they are fully informed of their organisation's planning and progress in the 2018/19 NFI exercise</p>	<p>Part A of the self-appraisal checklist, for those charged with governance, is included as an appendix to this report, for members' information and comment.</p> <p>Part B is for the NFI key contact and users and will be used by officers to assist with the planning for NFI 2018/19.</p>
<p>Where local auditors have identified specific areas where improvements could be made, the public bodies should act on these as soon as possible</p>	<p>No issues have been identified.</p>
<p>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.</p>	<p>Data matching exercises are undertaken by the corporate fraud team on a regular basis. Results are reported to the Scrutiny &amp; Audit committee.</p>

## 5. NFI NATIONAL AND LOCAL OUTCOMES

5.1 Table B below sets out a summary of the national outcomes included within the national report, together with the corresponding figures for Angus Council. In the national report, the outcomes include the value of the fraud/error detected and an estimate for those future losses that have been prevented. In Table B, the Angus Council outcomes are shown on the same basis.

**Table B: Summary Outcomes from April 2016 to March 2018**

Category	National Value £M	Angus Council Value £M	Note
Occupational pensions stopped or reduced	6.3	N/A	Data submitted by Dundee City Council and the Scottish Public Pensions Agency as the administering authorities for the pension schemes.
Benefit payments stopped or reduced	2.1	0.010	Two cases of error. Unadjusted value £0.008m.
Blue Badges stopped or flagged for future checks	2.6	0.086	For each Blue Badge cancelled, NFI attaches a value of £575 to reflect lost parking and congestion charge revenue. This does not mean however that each badge was being abused.
Council Tax discounts removed	4.4	N/A	Angus Council does not submit data for this data match to NFI. The counter-fraud team carries out regular data matching exercises and the results are report to this committee, most recently in report 202/18.
Council Tax reduction stopped or reduced	0.5	0.006	4 cases of error and 1 fraud. Unadjusted value £0.003m The value of the fraud was £462 (pounds)
Creditors	1.0	0.005	1 duplicate payment was identified through NFI.
Other	1.7	0	"Other" outcomes include: payments to private residential care homes; student funding; and payroll.
<b>Total</b>	<b>18.6</b>	<b>0.107</b>	

5.2 Table B shows that the estimated value of the 2016/17 NFI outcomes to the public purse in Scotland is £18.6 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 at least 70% of the total outcomes of £18.6 million are actual cash savings or money being recovered for the public purse.

5.3 Angus Council is seeking recovery in full of overpaid housing benefit (£7,580), incorrect council tax reduction (£2,879) and the duplicate payment (£5,255).

## 6. NFI 2018/19

6.1 Participation in NFI is an integral part of the Council's corporate approach to the prevention and detection of fraud and error. The Counter-Fraud & Corruption Strategy makes specific reference to participation in NFI. 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.

6.2 The 2018/19 NFI exercise is due to start in autumn 2018. The Head of Finance & Legal is the NFI Senior Responsible Officer. NFI Key Contact responsibilities will transfer from the Manager Governance Risk & Scrutiny to the Team Leader Counter-Fraud.

## **7. FINANCIAL IMPLICATIONS**

There are no financial implications arising directly from this report.

**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.

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### **List of Appendices**

1. Self-appraisal checklist for those charged with governance

**Report 241/18 – APPENDIX I: [NFI IN SCOTLAND: SELF-APPRAISAL CHECKLIST](#)  
(published by Audit Scotland, March 2018)**

**Part A: For those charged with governance**

<b>Part A: for those charged with governance</b>	<b>Comment</b>
1. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	
2. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	The Council's <a href="#">Counter-Fraud &amp; Corruption Strategy</a> makes specific reference to participation in NFI.
3. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data-matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	To date we have not used the Flexible Matching Service, due to the low level of outcomes from NFI. The counter fraud team carries out a number of internal data matching exercises and future use of the additional services provided by the NFI team will be kept under review.
4. Are the NFI progress and outcomes reported regularly to senior management and elected/board members (e.g., the audit committee or equivalent)?	Reports on NFI 2016/17 were submitted to the Scrutiny & Audit committee in August 2017 (R280/17) and August 2018 (R241/18).
5. Where we have not submitted data or used the matches returned to us, e.g. council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	As in previous years, the Council did not submit the electoral register to NFI. Alternative data matching exercises were carried out by the counter fraud team. Results were reported to the Scrutiny & Audit committee, most recently in June 2018 (R202/18)
6. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	For NFI 2018/19, the NFI Key Contact is the Team Leader-Counter Fraud, who reports to the Service Leader Internal Audit.
7. Do we review how frauds and errors arose and use this information to improve our internal controls?	This is regularly reviewed by the Counter-Fraud Team and Internal Audit.
8. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (e.g., successful prosecutions)?	Results are reported to the Scrutiny & Audit committee.