

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE – 19 NOVEMBER 2019

NATIONAL FRAUD INITIATIVE – PROGRESS REPORT

REPORT BY CATHIE WYLLIE, SERVICE LEADER (INTERNAL AUDIT)

ABSTRACT

This report updates members on the work of the 2018 National Fraud Initiative.

1. RECOMMENDATIONS

The Scrutiny and Audit Committee is recommended to note the progress in investigating the matches from the National Fraud Initiative (NFI) 2018 and external audit's assessment of the council's approach.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

This report 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. INTRODUCTION

The National Fraud Initiative is a counter-fraud initiative which is undertaken every two years. Participation is compulsory for Scottish Local Authorities as part of their statutory audit. The NFI is conducted by the Cabinet Office and, for Scottish Local Authorities, coordinated by Audit Scotland. The Team Leader – Counter Fraud is the council's NFI Key Contact responsible for coordinating and monitoring the exercise.

Participation in the NFI allows the Council to match data held in different systems both in our own organisation and those of other organisations. These exercises contribute to the security of public sector finances, help ensure that services are provided to the correct people and reduce losses to fraud and error.

The NFI uses 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. This report will be submitted to this committee in due course.

4. NFI 2018 PROGRESS UPDATE

The Angus Council datasets for the 2018 NFI exercise were submitted in October 2018. The results of the data-matching exercise were released in the first quarter of 2019. The council

received 91 reports with a total of 4,138 individual matches. The overall approach to investigating the matches was agreed with the Director of Finance, focussing initially on those matches which NFI suggest should be prioritised for review and investigation. Investigatory work is near completion with 978 matches having been reviewed. Matches were selected for review and investigation based mainly on the percentage risk score attributed to each match by NFI.

Table A below summarises the investigation outcomes as at 30 September 2019. Outcomes from NFI 2016 have been included for comparison.

Table A: NFI Outcomes

Category	NFI Exercise	No. of cases with Fraud / Error	Fraud / Error Value
Housing Benefit	2018	3	£10,318
	(2016)	(2)	(£10,187)
Private Residential Care Homes	2018	2	£7,361
	(2016)	0	(nil)
Duplicate invoice payment	2018	1	£13,000
	(2016)	(1)	(£5,255)
Blue badges cancelled	2018	233	N/A
	(2016)	(149)	(N/A)

Given the size of the exercise and number of matches received and investigated the level of outcomes provide assurance that, for those areas covered by NFI, the council's internal control framework is operating effectively.

The Council's external auditors in their Annual Audit Report 2018/19 observed that Angus Council "is well engaged with the NFI exercise, with a dedicated counter fraud team who have direct access to the Chief Executive as required. The results of the exercise are reported to the Scrutiny and Audit Committee twice a year in the counter fraud team reports".

4. FINANCIAL IMPLICATIONS

The overpayments identified, totalling £30,679, are being pursued through our debt recovery processes.

5. 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 2018 will be submitted to this committee in due course, 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.

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