

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 24 SEPTEMBER 2020

NATIONAL FRAUD INITIATIVE UPDATE

REPORT BY CATHIE WYLLIE, SERVICE LEADER (INTERNAL AUDIT)

ABSTRACT

This report advises members of the publication of Audit Scotland's report 'National Fraud Initiative 2018/19' and provides information on National Fraud Initiative (NFI) planning for 2020/21. It also provides members with a final update on the outcomes of NFI 2018/19.

1. RECOMMENDATIONS

It is recommended that the Committee:

- (i) Consider the Audit Scotland report 'National Fraud Initiative 2018/19 and provide any comments
- (ii) Consider the self-appraisal checklist at Appendix 1 and provide any comments.
- (iii) Note the local outcomes from NFI 2018/19: £10,318 from overpaid housing benefit; £1,219 from incorrect council tax reduction; £13,000 from a duplicate payment; £7361 from overpaid Private Residential Home Care Payments; £10,924 from the Non-Domestic Rates pilot exercise and a notional value of £133,975 from cancelled Blue Badge permits.
- (iv) Note the continued participation of Angus Council in NFI.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN AND COUNCIL 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 Angus Local Outcomes Improvement Plan and the Council 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 details 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 2018/19" was published in July 2020 and can be accessed from Audit Scotland's website:
<https://www.audit-scotland.gov.uk/report/the-national-fraud-initiative-in-scotland-201819#&qid=1&pid=1>
- 4.2 The national report includes four recommendations. Table A summarises Angus Council's position in relation to each of the recommendations.

Table A: NFI 2018/19 Recommendations

NFI Recommendation	Angus Council position
All participants should be aware of emerging fraud risks, e.g. due to Covid-19, and take appropriate preventative and detective action.	The Council are aware of the emerging Covid-19 fraud risks including those in Business Grants (see Appendix I)
All participants in the NFI exercise should ensure that they maximise the benefits of their participation. They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.	For NFI 2020/21, the overall approach will be determined by the Team Leader Counter-Fraud and agreed with the Service Leader Internal Audit and the Director of Finance. The approach will take account of recommendations for efficient working.
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 2020/21 NFI exercise	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. Part B is for the NFI key contact and users and will be used by officers to assist with the planning for NFI 2020/21.
Where local auditors have identified specific areas where improvements could be made, the public bodies should act on these as soon as possible	No issues have been identified.

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 (the unadjusted value) 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 1 April 2018 to 4 April 2019

Category	National Value £M	Angus Council Value £M	Note
Council Tax discounts removed	4.9	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 159/20.
Occupational pensions stopped or reduced	3.2	N/A	Data submitted by Dundee City Council and the Scottish Public Pensions Agency as the administering authorities for the pension schemes.
Housing Benefit payments stopped or reduced	2.8	0.019	Two cases of error. Unadjusted value £0.01m.
Blue Badges stopped or flagged for future checks	1.8	0.134	233 Blue Badges were cancelled. For each cancelled badge 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.
Creditors	0.6	0.013	1 duplicate payment was identified through NFI.
Payments to Private Residential Care Homes	0.4	0.013	Two cases of error. Unadjusted value £0.007m
Council Tax reduction stopped or reduced	0.3	0.001	1 error. Actual value £1219.
Other	1.3	0.011	The Angus Council Value derives from participation in the Non-Domestic Rates pilot exercise.
Total	15.3	0.191	

5.2 Table B shows that the estimated value of the 2018/19 NFI outcomes to the public purse in Scotland is £15.3 million. Some of this represents overpayments that will never be recovered and estimated values that have been attached, for example, through cancelling a blue badge. Audit Scotland estimates that 90% of the cash overpayments identified by the scheme were being recovered at March 2020.

5.3 Angus Council is seeking recovery in full of overpaid housing benefit (£10,318), overpaid Private Residential Care Home Payments (£7,361), overpaid Non-Domestic Rates (£10,924) and the duplicate payment to a creditor (£13,000).

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 2020/21 NFI exercise is due to start in autumn 2020. The Director of Finance is the NFI Senior Responsible Officer and the Team Leader Counter Fraud is the NFI Key Contact.

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 230/20 – APPENDIX 1: [NFI IN SCOTLAND: SELF-APPRAISAL CHECKLIST](#)
(published by Audit Scotland, July 2020)

Part A: For those charged with governance

Part A: for those charged with governance	Comment
1. Are we aware of emerging fraud risks, e.g. due to Covid-19, and taken appropriate preventative and detective action?	Yes. Business Support Grants – preventative action by staff vigilance; local knowledge; comparisons with bank account intelligence received; and a built-in payments system intervention preventing grants being paid twice to the same account number. Detective action planned by proposed Internal Audit data matching and an NFI pilot exercise.
2. 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?	Yes, commitment through the Counter Fraud strategy and allocation of counter fraud resource to liaise with other services, manage upload of data and review matches. Outcomes are reported to Scrutiny & Audit Committee.
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	The Council's Counter Fraud and Corruption Strategy makes specific reference to participation in NFI.
4. Have we considered using 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 point of application data match service having prioritised resources instead where a financial return was likely. We do use additional services provided by NFI e.g. we participated in the 2019 Non-Domestic Rates Pilot and are currently participating in a Council Tax Personal Discount / Credit Reference Agency Data Match. Future use of the additional services provided by the NFI team will be kept under review.
5. Are NFI progress and outcomes reported regularly to senior management and elected/board members (e.g., the audit committee or equivalent)?	NFI 2018/19 progress and activity is regularly reported to the Scrutiny & Audit committee i.e. November 2019 (385/19) and September 2020 (230/20). It is also referenced in the 6-monthly counter-fraud reports to this committee.
6. 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 will not submit the electoral register to NFI. Alternative data matching exercises will be carried out by the counter- fraud team. Results will be reported to the Scrutiny & Audit committee. Equivalent results were, most recently reported in June 2020 (159/20).
7. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	The NFI Key Contact is the Team Leader-Counter Fraud, who reports to the Service Leader Internal Audit.
8. 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.

9. 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.