

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 27 OCTOBER 2022

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 'The National Fraud Initiative in Scotland 2022' and provides information on National Fraud Initiative (NFI) planning for 2022/23. It also provides members with a final update on the outcomes of NFI 2020/21.

1. RECOMMENDATIONS

It is recommended that the Committee:

- (i) Consider the Audit Scotland report 'The National Fraud Initiative in Scotland 2022' and provide any comments.
- (ii) Consider the self-appraisal checklist at Appendix 1 and provide any comments.
- (iii) Note the local outcomes from NFI 2020/21: £604 from overpaid housing benefit; £11,743 from incorrect council tax reduction; £27,541 from Non-Domestic Rates and a notional value of £182,850 from cancelled Blue Badge permits.
- (iv) Note the continued participation of Angus Council in NFI.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN / COUNCIL PLAN

- 2.1 Participation in the 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 Community 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 in Scotland 2022" was published in August 2022 and can be accessed from Audit Scotland's website: <https://www.audit-scotland.gov.uk/publications/the-national-fraud-initiative-in-scotland-2022>
- 4.2 The national report includes three recommendations. Table A summarises Angus Council's position in relation to each of the recommendations.

Table A: NFI 2020/21 Recommendations

NFI Recommendation	Angus Council position
All participants in the NFI exercise should ensure that they maximise the benefits of their participation. NFI users should review the guidance within the NFI secure web application, to help ensure the most effective use of limited resources when reviewing and investigating NFI matches.	For NFI 2022/23, 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 the recommendations for efficient working.
The NFI self-appraisal checklist should be reviewed by the audit committee, or equivalent, and staff leading the NFI process. This is to ensure that their organisation's planning, approach, and progress during the next NFI exercise is appropriate.	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 2022/23.
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 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 for NFI 2020/21

Category	National Value £M	Angus Council Notional Value £M	Note
Council Tax discounts removed	4.6	N/A	Angus Council does not submit data for this data match to NFI as the Council's position is that release of the Electoral Register for this purpose is contrary to Data Protection legislation. The counter-fraud team carries out regular data matching exercises and the results are reported to this committee, most recently in report 160/22.
Occupational pensions stopped or reduced	1.5	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	1.2	0.002	One case of error. Actual value £604.
Blue Badges stopped or flagged for future checks	2.7	0.183	318 Blue Badges were cancelled due to the death of the badge holder. For each cancelled badge NFI attaches a value of £575 to reflect lost parking and congestion charge revenue. It is not known if any of the cancelled badges were being misused.
Creditors	0.5	Nil	No errors were identified.
Council Tax reduction stopped or reduced	0.7	0.015	Three errors were identified. Actual value £11743.
Other	3.7	0.074	"Other" outcomes include housing tenancy, payroll, and pilot exercises.
Total	14.9	0.274	

5.2 Table B shows that the estimated value of the 2020/21 NFI outcomes to the public purse in Scotland is £14.9 million. Some of this represents overpayments that will never be recovered and estimated values that have been attached, for example in cancelling a blue badge. Audit Scotland reports that 95% of the cash overpayments identified by the scheme were being recovered at 31 March 2022.

5.3 Angus Council is seeking recovery in full of overpaid Housing Benefit, Council Tax Reduction, and Non-Domestic Rates.

6. NFI 2022/23

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 2022/23 NFI exercise is due to start in autumn 2022. The Director of Finance is the NFI Senior Responsible Officer and the Team Leader - Counter Fraud is the NFI Key Contact.

7. FINANCIAL IMPLICATIONS

7.1 There are no financial implications arising directly from this report.

8. EQUALITY IMPACT ASSESSMENT

8.1 An Equality Impact Assessment has been completed.

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

NFI Self-Appraisal Checklist

Part A: for those charged with governance	Yes/No/ Partly	Is action required?	Who by and when?
Leadership, commitment, and communication			
1. Are we aware of emerging fraud risks and taken appropriate preventative and detective action?	Yes. Risks are known via the CIPFA tracker, Scottish Local Authority Investigators Group attendance and communicating with other agencies and with internal colleagues. Preventative measures include providing fraud awareness via e-learning and meetings. Detective action is progressed by carrying out a programme of data matching initiatives.	No	
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 to the NFI is supported by the provision of counter fraud resource. For the NFI the counter-fraud team liaise with other services, manage upload of data and review matches. Outcomes are reported to the Scrutiny & Audit Committee.	No	
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	Yes. The Council's Counter Fraud and Corruption Strategy makes specific reference to participation in NFI.	No	
4. Have we considered using the point of application data matching service offered by the NFI team (AppCheck), to enhance assurances over internal controls and improve our approach to risk management?	Yes, however to date we have not used the point of application data match service. We do use additional services provided by NFI e.g., we participated in the 2019 Non-Domestic Rates Pilot and currently participating in a Council Tax Personal	Future use of the additional services provided by the NFI team will be kept under review.	Team Leader – Counter Fraud.

Part A: for those charged with governance	Yes/No/ Partly	Is action required?	Who by and when?
	Discount / Credit Reference Agency Data Match.		
5. Are the NFI progress and outcomes reported regularly to senior management and elected/board members (e.g., the audit committee or equivalent)?	NFI progress and activity is regularly reported to the Scrutiny & Audit committee in a dedicated report i.e., in November 2021 (371/21). It is also referenced in the 6 monthly counter-fraud reports to this committee.	No	
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 are be reported to the Scrutiny & Audit committee, on a bi-annual basis most recently in June 2022 (160/22).	No	
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.	No	
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.	No	
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.	No	