

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	15 September 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2020/2021 National Fraud Initiative Exercise
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise the Committee of matches resulting from the 2020/2021 National Fraud Initiative exercise and of the proposed target number of investigations to be undertaken in 2021/2022

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendations:-

- (1) that the results of the matching exercise and target number of investigations are noted.

3. Background

- 3.1. The National Fraud Initiative (NFI) is a counter fraud exercise which takes data from councils and other public bodies and cross matches to identify the potential for fraud. Councils are then informed of the resulting indicative matches. It is the responsibility of councils to investigate the data matches that are identified for their organisation. The Cabinet Office has responsibility for the NFI throughout the UK, however, Audit Scotland co-ordinates the exercise within Scotland.
- 3.2. South Lanarkshire Council has taken part in NFIs since 2004/2005. The full exercise, that takes place every second year, involves Council wide comparisons including benefits, payroll, creditors, council tax, licences and blue badge holders. This data is matched to other benefits and payroll data as well as Department of Work and Pensions (DWP) deceased persons' records and the Electoral Register. Data extracts from Council systems were submitted by due dates in 2020/2021.
- 3.3. Within South Lanarkshire Council, Internal Audit co-ordinates the NFI exercise and uploads the relevant data sets. Resources are assigned responsibility for investigating matches relevant to them. Internal Audit prepared a project plan at the start of this exercise and will report progress against this to the Council's external auditors on a periodic basis throughout the year.

4. 2020/2021 Matching Results

- 4.1. There are 10 separate match areas covered in the 2020/2021 exercise. These are listed in Appendix 1.

- 4.2. South Lanarkshire Council has been provided with a list of the majority of matches from the 2020/2021 NFI exercise that now require investigation. Datasets continue to be refreshed and, therefore, the number of matches may change marginally going forward.
- 4.3. The totals recorded in Appendix 2 reflect South Lanarkshire Council matches as at 4 June 2021. As at that date, there are a total of 17,113 matches resulting from the 2020/2021 exercise. A comparison of matches across the 2018/2019 and 2020/2021 exercises is detailed at Appendix 2. There were 2 categories from 2018 not included in the 2020 exercise. For the 10 matches, 4 categories had a decrease in match numbers, 5 categories had an increase in matches, and one new category was introduced in relation to COVID-19 grant funding.
- 4.4. The greatest percentage decrease is in the number of matches relating to Housing Benefit. This decrease is likely to be attributable to the ongoing move to Universal Credit which is now managed by the DWP.
- 4.5. The greatest percentage increase in the 2020 NFI exercise is in the number of blue badges matched to DWP deceased persons records. This may reflect a timing issue from the date the information was provided to NFI and the date matches were carried out. Work is underway to assess the underlying reasons for movements as well as updating records and investigating specific cases highlighted by the NFI exercise.
- 4.6. The Benefits and Revenue Section will continue to place reliance on ongoing internal and external reviews for the investigation of Single Person Discount (SPD) matches. Work to investigate these matches within the NFI exercise will reflect this to avoid any duplication and ensure investigation resources are used effectively.
- 4.7. A target number of investigations is determined on a risk basis and passed to Service personnel best placed to examine the match. Internal Audit facilitate and report on the exercise. There is no obligation to investigate every match but the decision to restrict investigations must be risk based. The number chosen initially is based on those denoted as high risk by NFI. A total of 9,954 'high risk' matches (excluding SPD) have been identified by NFI. Further analysis is provided in Appendix 3. The total number of investigations will be refined as the year progresses to reflect the outcomes of the reviews that have been undertaken and ensure that resources are directed to areas that are likely to produce the most significant outcomes.
- 4.8. Due to resources required to respond to the ongoing pandemic, the deadline for investigations has been extended to 31 March 2022. It is anticipated that the majority of investigations will have been completed ahead of this date and further updates on progress will be reported to the Committee during 2021/2022.
- 4.9. As the Housing Benefit Fraud Section transferred to the DWP Fraud and Error Service (FES), housing benefit fraud is no longer investigated by the Council. Initial NFI investigations still require to be undertaken by the Council and, if this indicates a potential fraud, the case passed to FES for further investigation. The Council requires to wait until the conclusion of the FES investigation and the fraud is confirmed before an outcome can be recorded through the NFI website. This may result in a delay in closing some investigations.

5. Employee Implications

- 5.1. Internal Audit is responsible for co-ordinating the South Lanarkshire Council exercise which includes facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, undertaking a limited number of investigations

and reporting on employee benefit fraud cases if required. A total of 25 days has been allocated in the first 6 month 2021/2022 Internal Audit Plan for the 2020/2021 NFI exercise. If required, further time will be allocated in the second half of 2021/2022 to complete investigations.

- 5.2. In addition to the time allocated by Internal Audit, Resources are also required to allocate time to the investigations. Based on previous years' exercises, it is anticipated that the time spent by Resources on investigations will not exceed a total of 50 days.

6. Financial Implications

- 6.1. Other than employee time, there is no cost associated with NFI.

7. Climate Change, Sustainability and Environmental Implications

- 7.1 There are no climate change, sustainability or environmental implications associated with this report.

8. Other Implications

- 8.1. Fraud Risk is recognised as one of the top risks facing South Lanarkshire Council. This risk is significant as it can adversely affect the delivery of Council objectives and erode valuable resources. It is, therefore, important that the risk of fraud is soundly managed.

- 8.2. The NFI exercise is a valuable counter fraud exercise which has continued to identify fraud and error within the Council.

- 8.3. When a fraud or overpayment occurs, steps will usually be taken to recover the loss. Services are expected to examine why the loss occurred and demonstrate a change in their processes and procedures accordingly. Internal Audit will routinely check if these intended improvements have been implemented.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. As the risks associated with the NFI are carried by the Cabinet Office and the Council is bound by statute to participate, there is no need to undertake a separate equality impact assessment.
- 9.2. Employees and South Lanarkshire Council residents are informed of the commencement of the NFI exercise through a variety of sources. There is no requirement to undertake any further consultation in terms of the content of this report.

Paul Manning

Executive Director Finance and Corporate Resources

30 August 2021

Link(s) to Council Objective

- ◆ Achieve results through leadership, good governance and organisational effectiveness

Previous References

- ◆ 2018 National Fraud Initiative Exercise, 21 September 2020
- ◆ The National Fraud Initiative 2018/2019, 21 September 2020

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Match area	Match between	Purpose of Match/Fraud risk
Housing Benefits (HB)	HB to Student Loans	To identify individuals claiming benefits, whose student loan eligibility results in them being ineligible for those benefits.
	HB to HB (within SLC and between other authorities)	To identify an individual that is claiming housing benefit from more than one local authority at the same time.
	HB to Rents(within SLC and between other authorities)	To identify possible tenancy fraud and/or housing benefit fraud where an individual appears to be resident at two different addresses.
	HB to taxi drivers (within SLC and between bodies)	To identify where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to CTRS	To identify anyone claiming housing benefit and council tax reduction from one or more local authority at the same time.
	HB to DWP Deceased	To identify where a claimant has passed away and who was in receipt of DWP benefits which would not have stopped
	HB to Waiting List	To identify where an individual appears to be resident at two different addresses as the address on the waiting list application is different to the address on the benefit system
Council Tax Reduction Scheme (CTRS)	CTRS to Payroll (within SLC and between other bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTR to Right to Buy	To identify individuals in receipt of council tax reduction that are in the process of or have completed the purchase of a property under the Right to Buy (RTB) scheme, which may remove the entitled to the reduction or reduce the reduction amount
	CTRS to pensions	To identify where CTRS claimants have failed to declare pension income that might remove entitlement to benefit or reduce benefit payable.
	CTRS to CTRS (within SLC and between other authorities)	To identify an individual claiming CTRS from one or more local authority.
	CTRS to HB (within SLC and between other authorities)	To identify where an individual is in receipt of council tax reduction and housing benefit from one or more local authority simultaneously that may remove or reduce entitlement to the reduction.

	CTRS to Housing Tenants (within SLC and between other authorities)	To identify possible cases of tenancy fraud and/or CTRS fraud where an individual appears to be resident at two different addresses.
	CTRS to taxi drivers(within SLC and between bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTR Scheme to DWP deceased	To identify where a person has passed away but may be in receipt of CTR after the date of death
Payroll	Payroll to payroll (within SLC and between bodies)	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time.
	Payroll to Creditors	To identify employees who are also creditors where there may be a conflict of interests or corruption.
	Payroll to Pensions	To identify employees who have gone back into employment after drawing a pension that could result in an abatement of pension.
Housing Tenants (HT)	HT (within SLC and between bodies)	To identify where an individual appears to be resident at two different addresses suggesting possible cases of subletting or dual tenancies.
	HT to Right to Buy	To identify possible causes of subletting or individuals not entitled to a tenancy.
	HT to HB	To identify possible cases of tenancy fraud and/or housing benefit fraud, where an individual appears to be resident at two different addresses.
	HT to CTR Scheme	To identify possible causes of tenancy fraud and/or incorrect claims for CTR where an individual appears to be resident at two different addresses.
	HT to State Benefits	To identify possible cases of tenancy fraud against the organisation i.e. where an individual appears to be resident at two different addresses.
	HT to DWP Deceased	To Identify where the tenant has died, but the DWP has not been informed.
	Housing Tenants to Waiting Lists	To identify where an individual appears to be resident at two different addresses as the address on the waiting list application is different to the address on the rents system
Waiting Lists	Housing Waiting Lists to Housing Tenants (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing rents system suggesting possible undisclosed changes in circumstances or that false information has been provided.

	Housing Waiting List to Housing Waiting List (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using two different addresses.
	Housing Waiting Lists to Housing Benefit Claimants (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing benefit system.
	Waiting List to DWP deceased	To identify an applicant who has died but is still shown on the waiting list
Blue Badges	Blue badge to blue badge	To identify individuals who hold more than one Blue Badge
	Blue badge to DWP deceased person	To identify cases where a permit holder has died, but the local authority may not have been notified.
Procurement	Procurement – payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage.
Creditors	Duplicate creditors by Duplicate creditor payments and details	To identify instances where the same supplier has been recorded against more than one reference number on the system thus increasing the potential for creditors to obscure fraudulent activity. To identify possible duplicate payments.
	VAT overpaid Council Tax to Electoral register	This test identifies instances where VAT may have been overpaid. To identify where Single Persons Discount is being claimed and there is more than one person aged 18 or over registered within the property on the Electoral Register.
Council Tax Single Person Discount	Single Person discount award to other government bodies	To identify individuals who have declared they are living alone but have not declared they are living with a partner or non- dependant in the household.
SBGF and RHLG	SBGF duplicates (within SLC and between bodies)	To identify those claiming multiple Small Business Grant Fund grants, those fraudulently in receipt of SBRR, within and between authorities
	RHLG duplicates (within authorities)	To identify those claiming multiple Retail, Hospitality and Leisure Grants within authorities
	SBGF and RHLG duplicates (within SLC and between bodies)	To identify those claiming both Small Business Grant Funding and Retail, Hospitality and Leisure Grants which are mutually exclusive within and between authorities
	SBGF duplication of 75% or 100%	To identify those claiming Small Business Grant Funding from multiple Councils for the full £10,000 or £25,000 grants rather than 100% for first premises and 75% for others
	RHLG where total property rateable value >£500,000	To identify those claiming for grants whilst having a cumulative total property rateable value over the limit

	2020/2021	2018/2019	Increase/ (Decrease)
Area	Total	Total	
Total Housing Benefits Matches	172	1,113	(941)
Total Council Tax Reduction Scheme Matches	2,005	1,781	224
Total Payroll Matches	134	202	(68)
Total Tenant Matches	685	501	184
Total Waiting List Matches	1,229	1,502	(273)
Total Blue badge Matches	1,114	441	673
Total Creditor Matches	4,981	4,788	193
Total Procurement Matches	259	161	98
Total Single Persons Discount Matches	6,496	11,649	(5,153)
Total SBGF and RHLG matches	38	0	38
Data not included/requested in current exercise	0	739	(739)
Overall matches	17,113	22,877	(5,764)

Area	Total	Target No.	Anticipated Target Date
Total Housing Benefits Matches	172	142	31/03/2022
Total CTRS Matches	2,005	1,715	31/03/2022
Total Payroll Matches	134	115	31/03/2022
Total Tenant Matches	685	646	31/03/2022
Total Waiting List Matches	1,229	1,117	31/03/2022
Total Blue badge Matches	860	859	31/03/2022
Total Residents Parking Permit Matches	254	254	31/03/2022
Total Private Resident in Care Home matches	n/a	n/a	31/03/2022
Total Personal Budget Matches	n/a	n/a	31/03/2022
Total Creditor Matches	4,981	4,981	31/03/2022
Total Procurement Matches	259	87	31/03/2022
Total Single Persons Discount Matches	6,496	0	31/03/2022
Total SBGF and RHLG matches	38	38	31/03/2022
Total	17,113	9,954	