

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 September 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2020 National Fraud Initiative Exercise
----------	--

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise of the outcome of investigations that were completed in 2021/2022 as part of the 2020 National Fraud Initiative (NFI) exercise

2. Recommendation(s)

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

- (1) that the results of the 2020 NFI Exercise be noted.

3. Background

- 3.1. The NFI is a counter fraud exercise, which cross matches data from councils and other public bodies. These bodies then investigate the matches. The Cabinet Office is responsible for the delivery of the NFI exercise. Audit Scotland co-ordinates the exercise in Scotland.
- 3.2. South Lanarkshire Council (SLC) has taken part in NFI exercises since 2004/2005. Until 2014, the NFI alternated annually between a limited exercise and a full exercise. The limited exercise compared electoral register to council tax to detect where single person discount (SPD) was claimed despite there being more than one person over 18 in the household. The full exercise involved Council wide comparisons including benefits, payroll, creditors and blue badge holders. In addition to being matched to other benefits and payroll data, records were also matched to DWP deceased persons' records.
- 3.3. The full exercise is undertaken every two years with an option to participate in the SPD exercise annually. SLC exercised this option and the 2020 exercise included both the full data set and SPD matches.
- 3.4. Internal Audit co-ordinates the delivery of the NFI exercise within the Council. However, each Resource is responsible for investigating matches relevant to them. Internal Audit reports progress to the Council's External Auditors throughout the year.
- ## 4. 2020 NFI Exercise Results
- 4.1. There were 11 match areas covered in the current NFI exercise. These are listed in Appendix 1.

- 4.2. In September 2021, the Risk and Audit Scrutiny Committee was advised that there were 17,113 matches within the 2020 NFI exercise. Following data refreshes, a subsequent release of further matches and the inclusion of an additional area (Small Business Bonus Scheme - SBBS), the final number of matches for the Council from the exercise was 25,943 (see Appendix 2).
- 4.3. From the list of matches, a target number of investigations is determined on a risk basis and passed to Resources. There is no obligation to investigate every match but the decision to restrict investigations must be risk based. The NFI Website provides risk scoring against matches which allows Resources to prioritise high risk matches for investigation. Internal Audit also liaised with External Audit to ensure the target number included the high risk matches that they would expect to be investigated.
- 4.4. It was originally intended that the Council would investigate 9,954 matches, however, as additional matches were received, these targets were revisited, and a further risk analysis undertaken. This resulted in revised target matches of 9,446 which were agreed with External Audit (see Appendix 3).
- 4.5. Separate to the NFI data-matching exercise, Benefits and Revenue undertake a rolling programme of external reviews through Datatank to confirm ongoing eligibility around SPD. Reliance has previously been placed on the work of Datatank for the investigation of SPD matches given that there was a significant cross-over with the matches generated by the NFI exercise. For the 2020 exercise, however, further checking was undertaken to establish if the NFI exercise was capturing matches that were not within Datatank reviews. The outcome of this more detailed review suggests that there may be some benefit in participating in the SPD exercise on an annual rather than a biennial basis.
- 4.6. 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 are undertaken by the Council, if this indicates a potential fraud, the case is passed to FES. On conclusion of the FES investigation, all confirmed fraud cases are recorded on the NFI website.
- 4.7. A total of 184 recoverable fraud and errors have been detected through the current NFI exercise to date, with an estimated amount to be recovered of £158,004 (176 errors and 8 frauds). These were in relation to Housing Benefit (10 errors, £18,041); Council Tax Reduction Scheme (23 errors, £6,382), Creditors (2 errors, £5,676), Grants (1 fraud, £25,000), SBBS (4 errors and 7 frauds, £72,658) and SPD (137 errors, £30,247). A summary of outcomes is included at Appendix 3.
- 4.8. Audit Scotland prepare a report on national NFI outcomes at the end of each full exercise and a separate report will be presented to the Committee in due course. In addition to the actual financial outcomes above, this Audit Scotland report also captures notional outcomes. For SLC, there have been notional outcomes attached to the non-timeous cancellation of blue badges held by deceased persons (calculated at £575 per Blue Badge, £247,250 in total) and an additional £96,207.32 estimated as being the notional value of errors, that were discovered by the NFI exercise, going undetected for a further period of time.
- 4.9. A comparison of the 2020 Exercise outcomes to that of the previous exercise in 2018 is included at Appendix 4.

5. Employee Implications

- 5.1. One Audit Assistant (with overview and management from an Audit Adviser) within Internal Audit is responsible for co-ordinating the SLC exercise which includes facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, assisting with the recording of some or all Creditor, Procurement, Grants and SPD investigations and reporting on employee benefit fraud cases if required. A total of 66 days was allocated in the 2021/2022 Internal Audit Plan to take account of the increased role of Internal Audit in the current exercise.
- 5.2. In addition to the time allocated by Internal Audit, Resources were also required to allocate time to the investigations.

6. Financial Implications

- 6.1. Other than employee time, there is no cost associated with participating in the NFI exercise.
- 6.2. The NFI exercise is a valuable counter fraud exercise which has continued to identify fraud and error within the Council. As well as the financial return from participating in the exercise, involvement continues to act as a deterrent to fraud.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

8. Other Implications

- 8.1. Fraud Risk is recognised as one of the top risks facing SLC. 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. 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 SLC 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)

8 September 2022

Link(s) to Council Values/Priorities/Outcomes

- ♦ Accountable, effective, efficient and transparent

Previous References

- ◆ 2020 National Fraud Initiative Exercise , Risk and Audit Scrutiny Committee, 15 September 2021

List of Background Papers

- ◆ None

Contact for Further Information

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

Yvonne Douglas, Audit and Compliance Manager
Ext: 2618 (Tel: 01698 452618)
E-mail: yvonne.douglas@southlanarkshire.gov.uk

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 one or more 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.
	Council Tax Rising 18s	To identify where the householder is claiming a Council Tax SPD on the basis that they are the only occupant over 18 years of age yet the electoral register suggests that there is somebody else in the household who is already, or is approaching, 18 years of age, which may have already, or be about to, make the SPD invalid.
SBBS	Business Rates to Business Rates, same bank account, company name (within SLC and between bodies)	To identify those claiming multiple Small Business Bonus Scheme grants, those fraudulently in receipt of SBBS.
Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLG)	SBGF duplicates (within SLC and between bodies)	To identify those claiming multiple Small Business Grant Fund grants or those fraudulently in receipt of SBRR.
	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.

Comparison of matches previously reported

Appendix 2

Area/Matches	Matches Reported to RASC June 2021	Additional Matches	Final Number of Matches
Housing Benefits	172	0	172
CTRS	2,005	0	2,005
Payroll	134	0	134
Housing Tenants	685	0	685
Waiting List	1,229	0	1,229
Blue Badge	1,114	0	1,114
Creditors	4,981	0	4,981
Procurement	259	0	259
Single Person Discount	6,496	8,630	15,126
Grants (SBGF and RHLG)	38	29	67
SBBS	0	171	171
Overall matches	17,113	8,830	25,943

Target Investigations and Outcomes

Appendix 3

Area	Total	Original Target	Revised Target	Cleared	Fraud and Errors	Value £
Housing Benefits	172	142	126	126	10	18,041
CTRS	2,005	1,715	368	368	23	6,382
Payroll	134	115	38	38	-	-
Housing Tenants	685	646	652	652	-	-
Waiting List	1,229	1,117	586	586	-	-
Blue Badge	1,114	859	926	926	-	-
Residents Parking Permit	254	254	-	-	-	-
Creditor	4,981	4,981	401	401	2	5,676
Procurement	259	87	259	259	-	-
Single Persons Discount	15,126	-	5,852	5,852	137	30,247
Grants (SBGF and RHLG)	67	38	67	67	1	25,000
SBBS	171	-	171	171	11	72,658
Total	25,943	9,954	9,446	9,446	184	158,004

Area	Value (2020) £	Value (2018) £
Housing Benefits	18,041	22,064
CTRS	6,382	6,268
Creditors	5,676	1,430
Private Care Home Residents	-	84
Single Persons Discount	30,247	-
Grants (SBGF and RHLG)	25,000	-
SBBS	72,658	-
Total	158,004	29,846

Blue Badges (notional loss)	247,250	83,375
-----------------------------	----------------	---------------