

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	4 September 2012
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	The National Fraud Initiative 2010/2011
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide a summary of the results of the 2010/11 National Fraud Initiative for Scotland as reported by Audit Scotland in their May 2012 Report – National Fraud Initiative in Scotland and highlight the key points specifically in relation to South Lanarkshire Council.

2. Recommendation(s)

2.1. The Forum is asked to approve the following recommendation(s):-

- (1) that the contents of this report are noted.

3. Background

- 3.1. The National Fraud Initiative (NFI) is a counter-fraud exercise whereby data is taken from councils and other public bodies and cross matched to identify the potential for fraud. Councils are then informed of the resulting indicative matches. It is the responsibility of councils to investigate the matches. The Audit Commission is responsible for the NFI throughout the United Kingdom, however, Audit Scotland co-ordinates the Scottish exercise.
- 3.2. South Lanarkshire Council has taken part in National Fraud Initiatives since 2004/2005. The focus of the exercises alternate annually between a limited exercise and a full exercise. The limited exercise compares the electoral register and council tax to detect cases where single person discount (SPD) was being claimed and there was more than one person over 18 in the household. The full exercise involved a council wide comparison of benefits, payroll, creditors, licences, insurance claims, blue badge holders and private nursing home residents. In addition to being matched to other benefits and payroll data, records were also matched to deceased persons, expired visas and refused asylum cases. The 2010/2011 exercise was a Council wide exercise and was extended to include concessionary travel passes and residents' parking permits.
- 3.3. Within South Lanarkshire Council, Internal Audit co-ordinates the NFI exercise. However, each Resource has been assigned the responsibility for preparing and implementing a strategy for investigating the matches relevant to them.
- 3.4. All matches are accessed through a secure National Fraud Initiative website. Access to the website is restricted to authorised users only. Employees from each Resource are given access to matches relevant to them for the duration of the exercise. The results are updated directly onto the website by the employee

investigating the match. Updates indicate whether an error, fraud or overpayment has occurred or whether further investigation is required. The results recorded through the secure website and the feedback provided by organisations' External Auditors are used to collate into the Audit Scotland report.

4. Results

- 4.1. In 2010/2011, 81 public bodies including Local Authorities, NHS and Pension Administering bodies took part in the NFI. This is an increase from the previous exercise where only 74 bodies took part.
- 4.2. As there has been an increase in the number of bodies participating in the NFI, it has not been possible to identify if the number of matches are decreasing over the years. In addition because of the changes in the scope of the exercise and in the approach by bodies in tackling fraud and error, Audit Scotland has not been able to identify obvious trends from the result of the last four NFI exercises.
- 4.3. Overall, there was an increase of 6% (769) in the number of South Lanarkshire Council matches from the last full exercise in 2008/2009. This was due to Audit Scotland carrying out more matches which resulted in an additional eight reports.
- 4.4. In Scotland, £14.1 million of outcomes have been identified through the 2010/2011 NFI and recovery action is being taken in 82% of these cases. South Lanarkshire Council has recorded approximately £0.7 million of outcomes from the 2010/2011 exercise to date and recovery action is being taken for approximately £0.5 million (71%). The recorded outcomes include both errors and fraud.
- 4.5. It is the Council's policy to pursue all overpayment with a firm but fair approach. With the exception of Housing Benefit, attempts are made to recover all overpayments identified through the NFI exercise. Housing benefit overpayment is assessed in relation to its value and the information available when proceeding with the recovery. Each case is assessed individually and various factors are considered before recovery is progressed including the age and health of the debtor and whether it is economical to pursue the debt.
- 4.6. Within Scotland, the most successful matches in terms of financial outcomes were, pensioners (50%), housing benefits (28%) and transport (16%). South Lanarkshire Council is not an administering body for pensions, therefore, it is not possible to provide comparable information. However, 98% of the financial outcomes from the 2010/2011 exercise related to Housing Benefit matches and the Council was within the top three Councils who yielded the highest level of outcomes for our benefit investigations.
- 4.7. Scottish Councils have reported correction of 4,403 blue badge records where the NFI exercise helped them identify that the holder was deceased. It is not the Council's policy to request return of a deceased person's blue badge, however, through this exercise, 264 records were updated to ensure a blue badge would not be improperly renewed.
- 4.8. Through matches on private residential care home payments to records on deceased persons, 39 (£29,000) overpayments were identified in Scotland. There were 16 such cases identified in South Lanarkshire Council, however, there was no overpayment recorded. The errors related to computer systems not being updated timeously. From investigations undertaken no payments were identified as being made to residential care homes for deceased persons.

- 4.9. An extract summary of the key outcomes from the 2010/2011 matches in respect of South Lanarkshire is shown at table one below

Table One

Outcome	Scotland	South Lanarkshire Council
Housing Benefit payments stopped or reduced	1,528	271
Housing benefit fraud stopped	318	27
Blue Badges stopped or flagged for future checks	4,403	264

- 4.10. External Auditors review and conclude on the effectiveness of local arrangement in terms of how well the NFI is integrated into counter fraud policies and provide assurance to Audit Scotland on the progress being made on NFI investigations.
- 4.11. Audit Scotland concluded that, on the whole, the majority (85%) of participating bodies managed their role in the 2010/2011 NFI exercise satisfactorily. However, 31% of bodies need to follow up their matches more promptly, a third of bodies need to integrate NFI into their corporate counter fraud strategies, five bodies were considered not have deployed sufficient resources on managing the NFI and eight bodies did not use the NFI self appraisal checklist.
- 4.12. In relation to these conclusions, overall, the External Audit assessment of South Lanarkshire Council's arrangement for the 2010/11 NFI was satisfactory. The assessment involved completions of an Audit Scotland questionnaire. The questionnaire contained 29 separate questions and was split into five main areas. Two areas (three questions) in relation to allocating sufficient resources to the exercise and following up matches timeously were highlighted as requiring improvement. These issues related to Blue Badge and Residential Care match investigations and the delay was as a result of employees, who had been assigned to NFI investigations, being re-directed to implement the new Blue Badge Scheme. The matches were investigated and concluded by 30 June 2012 and an action to ensure adequate resources are made available and matches are followed up timeously for future NFI exercises has now been agreed with the Resource. All other areas were assessed as satisfactory with little or no scope for improvement.
- 4.13. The 2011/2012 NFI commenced in March 2012 and is currently ongoing. This exercise involves a comparison between the electoral register and council tax. The purpose is to detect cases where single person discount (SPD) is being claimed when there is more than one person over 18 resident in the household. The investigations are ongoing however errors of approximately £12,000 have been identified to date.

5. Employee Implications

- 5.1. Within Internal Audit, 62 days were recorded against National Fraud Initiative in 2011/2012. This is split between project management and supply of information to Audit Scotland (29 days) following up and reporting employee benefit fraud (13 days) and co-ordinating the issue and receipt of further information between SLC and other public bodies (20 days).
- 5.2. Resources were also asked to provide details of time spent investigating NFI matches and it is estimated that, in addition to Internal Audit time, approximately 510 days were spent on the NFI exercise in other Resources. The majority of this, 460 days, was spent investigating Housing Benefit matches. Within most Resources, carrying out NFI investigations is incorporated into employees' normal duties.

However Housing Services have allocated two full employees to work solely on the NFI exercise.

6. Financial Implications

- 6.1. The National Fraud Initiative was included in the 2011/2012 Annual Audit Plan with a budget of 80 days. The exercise was completed under budget. 25 days have been included in the 2012/2013 Audit Plan for the next NFI exercise.
- 6.2. The employee costs for participation in the NFI exercise in 2011/2012 equated to approximately £45,000. In total, approximately £652,000 error and fraud was identified through the exercise, £464,000 of which being recovered. It is, therefore, apparent that the exercise is cost effective.

7. Other Implications

- 7.1. The NFI is an invaluable counter fraud exercise. A key benefit of the NFI is that by identifying fraud and error the Council is able to identify why they occurred and make improvements where necessary.
- 7.2. Investigations are undertaken by Resource personnel and, following the Internal Audit of the previous NFI exercise, there has been significant improvement to the approach to the NFI exercise specifically in relation to selecting cases to be investigated, carrying out the investigations and recording the results though the NFI website.
- 7.3. Failure to participate in this exercise would increase the risk of fraudulent activities committed against the Council not being identified. In addition, Audit Scotland report on the outcome of the National Fraud Initiative. Failure to embrace investigative work under the NFI could adversely affect the Council's reputation as Audit Scotland publishes national reports on the initiative from time to time.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. Prior to the start of each NFI exercise, the Council is required to ensure privacy notices are available to the individuals on whom we are sharing information. The notices should clearly set out an explanation that their data may be disclosed for the purpose of preventing and detecting fraud. It should also state that their data will be provided to Audit Scotland for this purpose and it should contain details of how individuals can find out more information about the processing of the data.
- 8.2. Details of data extracts that affect employees are intimated through Management Bulletins and Personnel Circulars. Information on the 2010/2011 National Fraud Initiative was also published in the Works Magazine, the South Lanarkshire View and on the South Lanarkshire Council Internet site. In addition, Housing Benefits claim forms include a standard statement informing claimants that their information may be shared for the purposes of preventing and detecting fraud.
- 8.3. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.

Paul Manning
Executive Director (Finance and Corporate Resources)

23 August 2012

Link(s) to Council Values and Objectives

- ◆ Improvement Theme: Governance and accountability
- ◆ Objective: Governance and Risk Management

Previous References

- ◆ NFI 2008/09 Results – 8 July 2010

List of Background Papers

- ◆ Audit Scotland Report: National Fraud Initiative in Scotland (May 2012)

Contact for Further Information

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

Cecilia McGhee, Audit Adviser

Ext: 4628 (Tel: 01698 454628)

E-mail: cecilia.mcghee@southlanarkshire.gov.uk