

Report

Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	18 June 2013
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2012 National Fraud Initiative
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Advise the Risk and Audit Scrutiny Forum of the progress made to date on the 2012 National Fraud Initiative.

2. Recommendation(s)

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

- (1) that progress to date and future planned work to investigate the matches is 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 UK, 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 data to detect cases where single person discount (SPD) is being claimed and there is more than one person over 18 in the household. The full exercise involves Council wide comparisons including 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 are also matched to DWP deceased persons records and the UK Border Agency (UKBA) records. The 2012 exercise is a Council wide exercise. South Lanarkshire Council submitted the extracts from Council systems required for the 2012 exercise by the due date in October 2012.
- 3.3. Within South Lanarkshire Council, Internal Audit co-ordinates the NFI exercise. However, each Resource has been assigned the responsibility for investigating the matches relevant to them.

4. Progress

- 4.1. There are 13 separate areas covered in the 2012 exercise. These are listed in Appendix 1.
- 4.2. South Lanarkshire Council was provided with the list of the majority of matches requiring investigation on 29 January 2013. The matches against deceased records were provided on 15 February 2013.
- 4.3. In addition to the areas detailed in Appendix 1, the NFI used the Metropolitan Police Amberhill fraud database which holds details of false identities to help identify potential fraud being perpetrated against NFI participating bodies. The Amberhill data was matched against all data sets provided by the Council. The results of this exercise were provided on 15 March 2013, however, there were no South Lanarkshire Council cases included within this match.
- 4.4. This year there are a total 12,554 matches. Overall, this is a 14% reduction from the 2010 exercise. This decrease reflects the success of previous exercises and improvements made to the quality of data provided by the Council. A comparison of each area is detailed at Appendix 2.
- 4.5. Investigations are undertaken by the Service personnel best placed to examine the match but 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 takes into consideration the results of previous exercises, the time spent on the investigation and other control measures in place within the Resource that would mitigate the risk of fraud occurring. Services already undertaking fraud detection, in particular Housing Benefits, may consider replacing or significantly reducing the resources spent on the national exercise.
- 4.6. It is intended that the Council will investigate 2,602 cases which is 11% higher than the number of investigations recommended by Audit Scotland. With the exception of Creditors and Housing Benefit investigations, the match area investigations will be completed by 30 June 2013. The Creditors investigations will be completed by 30 September 2013. However, due to the number and nature of investigations carried out by Housing Services, it is likely that the full investigation of these matches will not be concluded until March 2014. A detailed breakdown of the targets by area is at Appendix 3.
- 4.7. Internal Audit prepared a project plan at the start of this exercise and will report progress against this and progress in completing investigations through local PIs and Resource Plan monitoring.

5. Employee Implications

- 5.1. One Finance Adviser within Internal Audit facilitates the South Lanarkshire Council Exercise. One Auditor and one Audit Assistant will also facilitate the issue and receipt of information requests from other public bodies and report on employee benefit fraud cases. A total of 80 days has been allocated in the 2013/2014 Internal Audit plan for the 2012 NFI exercise.
- 5.2. In addition to the time allocated by Internal Audit, Resources are also required to allocate time to the investigations. Housing Services allocated two full time employees to the 2010 NFI exercise and approximately 50 days were allocated by the remaining Council Services. It is estimated that a similar amount of time will be required for Housing Benefits investigations and approximately 40 days for the remaining investigations.

6. Financial Implications

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

7. Other Implications

- 7.1. The NFI exercise is an invaluable counter fraud exercise which has continued to identify cases of fraud with the Council since it commenced in 2004. Failure to participate in this exercise would increase the risk of fraudulent activities committed against the Council not being identified and stopped.
- 7.2. When a fraud or overpayment occurs, steps will usually be taken to recover the loss. Services are expected to examine why the loss was able to occur and demonstrate a change in their processes and procedures accordingly. Internal Audit will routinely check if these intended improvements have been implemented.
- 7.3 There are no implications for sustainability in terms of the information contained in this report.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. As the risks associated with the NFI are carried by the Accounts Commission and the Council is bound by statute to participate, there is no need to undertake a separate Council equality impact assessment.
- 8.2. Employees and South Lanarkshire Council residents are informed of the commencement of the NFI exercise through payslips, benefits correspondence and in local publications. 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)

22 May 2013

Link(s) to Council Values/Objectives

- ♦ Objective – Governance and Accountability

Previous References

National Fraud Initiative January 2011 – 3 March 2011

Fraud Statistics and NFI Six Monthly Update – 26 January 2012

The National Fraud Initiative 2010/11 – 4 September 2012

List of Background Papers

- ♦ Extracts from the NFI website

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
Benefits (HB)	HB to Student	To identify individuals who are claiming benefits, but whose student loan eligibility results in them being ineligible for those benefits
	HB to Payroll (within SLC and between other bodies)	To identify cases where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to pensions	To identify cases where housing benefit claimants have failed to declare pension income that might remove entitlement to benefit or reduce benefit payable.
	HB to HB (within SLC and between other authorities)	To identify an individual that is claiming housing benefit from one or more local authority simultaneously
	HB to Rents(within SLC and between other authorities)	To identify possible cases of tenancy fraud and/or housing benefit fraud where an individual appears to be resident at two different addresses.
	HB to Right to Buy (within SLC and between other authorities)	To identify possible cases where the benefit claimant may own a property whilst claiming housing benefit, have substantial undeclared capital from the sale of a right to buy property or be in the process of purchasing a property under the Right to Buy Scheme.
	HB to Insurance	To identify cases where housing benefit claimants have failed to declare an insurance claim payout, which may remove entitlement to benefit or reduce benefit payable.
	HB to market traders (within SLC and between bodies)	To identify cases where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to personal alcohol licences (within SLC and between bodies)	To identify cases where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to taxi drivers(within SLC and between bodies)	To identify cases where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
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 they may be a conflict of interests
	Pay to pensions	To identify cases where employees who have gone back into employment after drawing a pension that could result in an abatement of pension.
	Pay NI check	To identify instances where either there is an inaccuracy in the date of birth or the National Insurance number (NINO) held on the payroll.
Rents	Rents to Rents (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.
	Rents 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.
	Rent to Rent Arrears	To identify tenants who pose a significant risk of defaulting on arrears.
	Rents to Right To Buy	To identify possible cases of subletting or individuals not entitled to a tenancy.
Right to Buy (RTB)	RTB to Rents (within SLC and between bodies)	The right to buy data has been matched to a number of data sources (Housing Benefits, Housing Tenants, Right to Buy) to identify instances where a person is the process of buying, or has bought, more than one property under the right to buy scheme in contravention of the scheme's regulations. Instances where a person may have subsequently disposed of the right to buy property in the period when the discount should be repaid will also be identified.
	RTB to RTB (within SLC and between bodies)	To identify cases where a person is the process of buying, or has bought, more than one property under the right to buy scheme.
	RTB to HB (within SLC and between bodies)	The right to buy data has been matched to a number of data sources (Housing Benefits, Housing Tenants, Right to Buy) to identify instances where a person is in the process of buying, or has bought, more than one property under the right to buy scheme in contravention of the scheme's regulations. Instances where a person may have subsequently disposed of the right to buy property in the period when the discount should be repaid will also be identified.
Blue Badges	Blue badge to Deceased person	Individuals who have a Blue Badge Scheme permits have been matched to the DWP deceased records. This will identify cases where

		a permit holder has died, but the local authority may not have been notified.
	Blue badge to blue badge between bodies	To identify individuals who hold more than one Blue Badge from different authorities
Private Residents in Care Homes (PRCH)	PRCH to deceased person	The DWP deceased records have been matched against individuals in private residential care homes being supported financially by the local authority. This match identifies cases where a resident has died, but the local authority may not have been notified so potentially continues to make payments.
Concessionary Travel Passes (CTP)	CTP to deceased person	To identify where/if concessionary travel passes are being used fraudulently
Resident Parking Permits (RPP)	RPP to deceased persons	To identify where/if residents parking permits are being used fraudulently
Insurance claimants	Insurance claims to insurance claims (within SLC and between bodies)	This match involves matching insurance claimant details held by local authorities to identify serial claimants, either between or within local authorities.
Creditors	Duplicate creditors	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.
	VAT overpaid	This test identifies instances where VAT may have been overpaid. This is based on the information provided and the output includes the level and scale of overpaid VAT. The VAT amount is compared to a calculated maximum VAT of 20% as although a mixture of VAT rates can be applied to invoices (from 0% to 20%) the maximum amount of VAT for any one invoice should equate to 20%.
UK Borders Agency (UKBA)	Taxi Drivers to UKBA	To identify persons holding a taxi licence who do not have the right to work in the UK
	Market Traders to UKBA	To identify persons holding a market traders licence who do not have the right to work in the UK
	Payroll to UKBA	To identify employees who appear to have no right to remain in the UK because their visa has expired/due to expire; or no right to work because of their visa conditions or their right to work is limited (i.e. they are in the UK to study).
	Right To Buy to UKBA	To identify RTB applicants who do not have UK residency
	Rents to UKBA	To identify instances where a tenant appears not

		to be entitled to social housing in the UK.
	Housing Benefit to UKBA	To identify cases where claimants not entitled to residency in UK are in receipt of housing benefit
Personal Licence to supply alcohol	Personal Licence fraud Data (false identity)	To identify persons holding personal licences to supply alcohol using false identities

Comparison

	2010 Exercise	2012 Exercise		
Area	Total	Total	Increase/ (decrease) from Pervious Exercise	
Total Housing Benefits Matches	4,662	4,266	(396)	(8%)
Total Payroll Matches	1,075	330	(745)	(69%)
Total Tenant Matches	136	160	24	18%
Total Right to Buy matches	251	20	(231)	(92%)
Total Blue badge Matches	493	576	83	17%
Total Concessionary Travel Pass Matches	261	0	(261)	(100%)
Total Residents Parking Permit Matches	24	0	(24)	(100%)
Total Private Resident in Care Home matches	163	171	8	5%
Total Insurance Claimant Matches	156	329	173	111%
Total Creditor Matches	7,298	6,698	(600)	(8%)
Total UK Borders Agency Matches	7	4	(3)	(43%)
Total Personal Licence to Supply Alcohol Matches	0	0	0	New Match
Overall matches	14,526	12,554	(1,972)	(14%)

Target for 2012 Exercise

2012 Exercise				
Area	Total	Audit Scotland Recommended No. of investigation	Target No.	Target Date
Total Housing Benefits Matches	4,266	818	924	31 March 2014
Total Payroll Matches	330	66	217	30 April 2013
Total Tenant Matches	160	78	78	30 September 2013
Total Right to Buy matches	20	20	20	30 September 2013
Total Blue badge Matches	576	520	576	30 June 2013
Total Concessionary Travel Pass Matches	0	0	N/A	
Total Residents Parking Permit Matches	0	0	N/A	
Total Private Resident in Care Home matches	171	28	171	30 June 2013
Total Insurance Claimant Matches	329	75	79	30 April 2013
Total Creditor Matches	6,698	740	536	30 September 2013
Total UK Borders Agency Matches	4	0	1	30 June 2013
Total Personal Licence to Supply Alcohol Matches	0	0	N/A	
Total	12,554	2,345	2,602	