SOUTH
LANARKSHIRE
COUNCIL

Report

Report to:	**Risk and Audit Scrutiny Committee**
Date of Meeting:	**21 September 2020**
Report by:	**Executive Director (Finance and Corporate Resources)**

| Subject: | **2018 National Fraud Initiative Exercise** |

1. Purpose of Report

1.1. The purpose of the report is to:-

♦ advise the Risk and Audit Scrutiny Committee of the outcome of investigations undertaken as part of the 2018 National Fraud Initiative (NFI) exercise that were completed in 2019/2020.

2. Recommendation(s)

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

(1) that the results of the 2018 NFI Exercise are 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 compares the electoral register to council tax to detect where single person discount (SPD) is claimed despite there being more than one person over 18 in the household. The full exercise involves Council wide comparisons including benefits, payroll, creditors, licences, blue badge holders, recipients of direct funding and private nursing home residents. In addition to matching to other benefits and payroll data, records are also matched to DWP deceased persons' records and to Home Office immigration 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 2018 exercise included both the full data set and SPD matches.

3.4. Internal Audit co-ordinates the delivery of the NFI exercise within SLC. 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.   2018 NFI Exercise Results

4.1.   There were 12 match areas covered in the current NFI exercise. These are listed in Appendix 1.

4.2.   In September 2019, the Risk and Audit Scrutiny Committee (RASC) was advised that there were 22,926 matches within the 2018 NFI exercise. Following further data refreshes and a subsequent release of additional matches, the final number of matches for SLC from the exercise was 22,942 (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.

4.4.   The Benefits and Revenue Section undertakes a rolling programme of external reviews through Datatank to confirm ongoing eligibility around SPD. These are screened using the Electoral Register and other financial information. For the purposes of determining NFI matches for investigation, data from the NFI exercise was reviewed to remove cases that had already been included in datasets passed to Datatank for review.

4.5.   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. The Council has to wait until the conclusion of the FES investigation and for a fraud to be confirmed before an outcome can be recorded on the NFI website. This delays closing some investigations.

4.6.   It was intended that the Council would investigate a minimum of 2,099 matches (see Appendix 3). All matches have been cleared with the exception of 56 Creditor records that are still in progress. These will be concluded shortly.

4.7.   29 errors have been detected through the NFI exercise to date with an estimated amount to be recovered of £29,846. These errors were in relation to Housing Benefit (22 errors, £22,064); Council Tax Reduction Scheme (3 errors, £6,268), Creditors (3 errors, £1,430) and Private Care Home Residents (1 error, £84).

4.8   Audit Scotland prepares a report on national NFI outcomes on a biennial basis. In addition to the actual financial outcomes above, this also includes notional outcomes. For SLC, there have been notional outcomes attached to the non-cancellation of blue badges (calculated at £575 per Blue Badge, £83,375 in total) and an additional £26,829 estimated as being the notional cost of the errors (that were discovered by the NFI exercise) going undetected for a further period of time.

5.   Employee Implications

5.1.   One Auditor 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, undertaking Procurement investigations and reporting on employee benefit fraud cases, if required. A total of 40 days was allocated in the 2019/2020 Internal Audit plan.

5.2.   In addition to the time allocated by Internal Audit, Resources are 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 error within the Council. Although the return on participating in the exercise is becoming more marginal, it does continue 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 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.

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

31 August 2020

Link(s) to Council Values/Objectives/Ambitions
♦ Achieve results through leadership, good governance and organisational effectiveness

Previous References
♦ 2018 National Fraud Initiative Exercise , RASC, 18 September 2019

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 Housing Benefit.
	HB to Payroll (within SLC and between other bodies)[1]	To identify HB claimants who failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to pensions	To identify where HB claimants have failed to declare pension income that might remove entitlement to benefit or reduce benefit payable.
	HB to HB	To identify an individual that is claiming HB from one or more local authority at the same time.
	HB to Housing Tenants, and to the Housing Waiting List	To identify possible HB fraud where an individual appears to be resident at two different addresses.
	HB to Personal Alcohol Licences	To identify where HB claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to Taxi Drivers	To identify where HB claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to CTRS	To identify anyone claiming HB and CTRS from one or more local authority at the same time.
	HB to Deceased Persons	To identify if HB is being paid to a deceased person.
Council Tax Reduction Scheme (CTRS)	CTRS to Payroll	To identify where CTRS claimants have failed to declare income that may remove entitlement (to CTRS).
	CTRS to Pensions	To identify where CTRS claimants have failed to declare pension income
	CTRS to CTRS	To identify an individual claiming CTRS from one or more local authority.
	CTRS to HB	To identify where an individual is in receipt of CTRS and HB from one or more local authority simultaneously that may remove or reduce entitlement to the reduction.
	CTRS to HT and WL	To identify possible cases of tenancy fraud and/or CTRS fraud where an individual appears to be resident at two different addresses.
	CTRS to Market Traders	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to Personal Alcohol Licences	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to Taxi Drivers	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
Payroll	Payroll to Payroll	To identify individuals who may be committing employment fraud by failing to work their

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[1] Matches are generally made both within SLC and to other Bodies

Match area	Match between	Purpose of Match/Fraud risk
		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.
Procurement	Payroll to Companies House	To identify potential undeclared interests that have given a pecuniary advantage.
Housing Tenants (HT)	HT to HT	To identify where an individual appears to be resident at two different addresses suggesting possible cases of subletting or dual tenancies.
	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 CTRS	To identify possible cases of tenancy fraud and/or incorrect claims for council tax reduction, where an individual appears to be resident at two different addresses
	HT to State Benefits	To identify possible cases of tenancy fraud where an individual appears to be resident at two different addresses.
	HT to Deceased Persons	To identify where the tenant has died, but the Council has not been informed.
Waiting List (WL)	WL to WL	To identify where an individual appears to have registered on the waiting list using two different addresses.
	WL to HB	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.
	WL HT	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.
Blue Badges (BB)	BB to Deceased person	To identify cases where a permit holder has died, but the local authority may not have been notified.
	BB to BB	To identify individuals who hold more than one Blue Badge from different authorities
Private Residents in Care Homes (PRCH)	PRCH to Deceased Persons	To identify where a resident has died, but the local authority may not have been notified so potentially continues to make payments.
Personal Budgets	Personal Budgets to Deceased Persons	To identify instances where the recipient has died and the payment is still being made.

Match area	Match between	Purpose of Match/Fraud risk
	Personal Budgets to Pensions	PB are allocated based on need not on ability to pay. Therefore this match was not looked at.
Travel Passes and Parking Permits	Concessionary Travel Passes to Deceased Persons	Concessionary travel passes are administered by SPTE, therefore this match was not looked at.
	Resident Parking Permits to deceased persons	To identify where/if residents parking permits are being used fraudulently
Creditors	Duplicate Creditors	To identify 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.
	Duplicate Payments	To identify possible duplicate payments.
	VAT overpaid	This test identifies instances where VAT may have been overpaid.
Council Tax Single Person Discount	Council Tax to Electoral Register	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.

Comparison of matches previously reported   **Appendix Two**

Area/Matches	Matches Reported to RASC September 2019	Additional Matches	Final Number of Matches
Housing Benefits	1,120	3	1,123
CTRS	1,796	2	1,798
Payroll	213	6	219
Housing Tenants	506	0	506
Waiting List	1,513	3	1,516
Blue Badge	441	0	441
Residents Parking Permits	46	0	46
Concessionary Travel	547	0	547
Private Care Home Residents	121	0	121
Personal Budget	25	0	25
Creditor	4,788	0	4,788
Procurement	161	0	161
Single Persons Discount	11,649	2	11,651
Overall matches	**22,926**	**16**	**22,942**

Target Investigations and Outcomes

Area	Total	Target No.	Cleared	Errors	Value £
Housing Benefits	1,123	250	250	22	22,064
CTRS	1,798	122	122	3	6,268
Payroll	219	202	202	0	0
Housing Tenants	506	125	125	0	0
Waiting List	1,516	249	249	0	0
Blue Badge	441	46	46	145[2]	0
Residents Parking Permits	46	46	46	0	0
Concessionary Travel	547	0[3]	0	0	0
Private Care Home Residents	121	121	121	1	84
Personal Budget	25	3	3	0	0
Creditor[4]	4,788	774	718	3	1,430
Procurement	161	161	161	0	0
Single Persons Discount	11,651	0	0	0	0
Total	**22,942**	**2,099[5]**	**2,043**	**174**	**29,846**

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[2] From a full review of 441 blue badge matches
[3] Concessionary Travel Passes were investigated by Strathclyde Passenger Transport.
[4] At the end of March there were 56 Creditors records to check.
[5] Target number of investigations reported to RASC September 2019