

# Report

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Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>20 September 2017</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>National Fraud Initiative 2016/2017</b>
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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 matches resulting from the 2016/2017 National Fraud Initiative and of the target number of investigations.

## 2. Recommendation(s)

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

- (1) that 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 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 Cabinet Office has responsibility 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. Until 2014, the focus of the exercises alternated 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, recipients of direct funding and private nursing home residents. In addition to being matched to other benefits and payroll data, records were also matched to DWP deceased persons' records and the UK Border Agency (UKBA) records.
- 3.3. The full exercise continues to be undertaken every two years, however, there is now the option to participate in the SPD exercise annually. South Lanarkshire Council exercised this option, therefore, the 2016/2017 exercise includes both the full and the SPD exercises. Data extracts from Council systems required for these exercises were submitted by the due dates in October and December 2016 respectively.
- 3.4. Within South Lanarkshire Council, Internal Audit co-ordinates the NFI exercise and uploads the relevant data sets. However, each Resource has been assigned the responsibility for investigating the matches relevant to them.

#### **4. 2016/17 Matching Results**

- 4.1. There are 15 separate areas covered in the 2016/2017 exercise, including the Single Person Discount matches. These are listed in Appendix One.
- 4.2. South Lanarkshire Council was provided with the list of the majority of matches requiring investigation for the Council wide exercise on 26 January 2017. New datasets have been added and datasets continue to be refreshed with more up to date information since that date. Therefore, the total matches detailed in Appendix Two may change prior to the conclusion of our investigations. The totals recorded in the Appendix Two reflect the South Lanarkshire matches as at 1 August 2017.
- 4.3. The Single Persons Discount matches were provided on 7 December 2016.
- 4.4. In addition to the areas detailed in Appendix One, 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. There were two South Lanarkshire Council cases from this match. One case related to Blue Badges and one to Waiting Lists. These matches will be investigated by the relevant Resource as part of their target number of investigations.
- 4.5. There are a total of 22,299 matches resulting from the 2016/2017 exercise. It has not been possible to carry out a meaningful comparison between the total number of matches from 2014/2015 exercise as there are 66 new reports containing 10,883 matches in the 2016/2017 exercise. Where comparable data is available, there has been a decrease in five separate areas and an increase in five areas. A comparison of each area is detailed at Appendix Two.
- 4.6. The greatest decreases in the number of matches relate to Housing Benefits, Insurance and Creditors. These decreases reflect the success of previous exercises and improvements made to the quality of data provided by the Council.
- 4.7. Excluding the new reports mentioned in paragraph 4.5 above, the greatest increases in the number of matches relate to Blue Badges and Right to Buy. The increase of the Blue Badge matches relates to matches of blue badges against deceased records. The responsibility for administering the Blue Badge scheme for the Council transferred from Social Work Resources to Benefits and Revenues. Records transferring across had not been fully updated to reflect deceased blue badge holders. Benefits and Revenues are currently working on updating all Blue Badge holders' details to reflect DWP deceased records' details and this has been reflected in the target set for investigation detailed in Appendix Three.
- 4.8. The increase in Right to Buy matches may be as a result of an increase in the number of Right to Buy applications following changes in the Right to Buy legislation ending entitlement to purchase Council houses.
- 4.9. Investigations are undertaken by the Service personnel best placed to examine the match but Internal Audit facilitates and reports 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 and reviews in place within the Resource that would mitigate the risk of fraud occurring. Audit Scotland highlight recommended cases within the NFI reports and this is also taken into consideration by Resources and Internal Audit when agreeing the cases to be investigated.

- 4.10. The Benefits and Revenue Section has reduced the internal resources allocated to the SPD exercise, and will place reliance on ongoing internal and external reviews. Discussions are being held with Datacentre to agree an approach to the investigation of the SPD matches, a target number of investigations and timescales. At the time of writing this report, it is anticipated that this will be agreed by the end of August 2017.
- 4.11. It is intended that the Council will investigate a minimum of 4,136 matches (excluding SPD matches). The investigations into the majority of these match areas will be completed by the 30 September 2017.
- 4.12. 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 to the conclusion of the investigations. It is, therefore, anticipated that the full exercise will not be concluded until 2018. A detailed breakdown of the targets by area is at Appendix Three.
- 4.13. Internal Audit prepared a project plan at the start of this exercise and will report progress against this in line with Internal Audit processes.

## **5. Employee Implications**

- 5.1. One Finance Adviser within Internal Audit is responsible for co-ordinating the South Lanarkshire Council Exercise. Two Audit Assistants will facilitate the issue and receipt of information requests from other public bodies in relation to NFI cases, undertake the Right to Buy and Procurement investigations and report on employee benefit fraud cases, if required. A total of 40 days has been allocated in the 2017/2018 Internal Audit plan for the 2016/2017 NFI exercise.
- 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 Resource 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. Other Implications**

- 7.1. Fraud Risk is recognised within the top 10 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.
- 7.2. The NFI exercise is an invaluable counter fraud exercise which has continued to identify cases of fraud and error within the Council since it commenced in 2004. Failure to participate in this exercise would increase the risk of fraudulent activities committed against the Council or errors not being identified and stopped.

7.3. 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.

7.4. There are no sustainability issues associated with the content of this report.

## **8. Equality Impact Assessment and Consultation Arrangements**

8.1. 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.

8.2. Employees and South Lanarkshire Council residents are informed of the commencement of the NFI exercise through payslips, benefits correspondence and via the Council's website. 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 2017

### **Link(s) to Council Values/Objectives**

- ◆ Value – Accountable, Effective and Efficient
- ◆ Objective – Embed Governance and Accountability

### **Previous References**

- ◆ 2014 National Fraud Initiative to RASF, 19 May 2015
- ◆ NFI 2014 Audit Scotland Report June 16 to RASF, 8 November 2016

### **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	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)	<p>To identify cases where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.</p> <p>A fraud of this type might also suggest a lack of integrity on the part of the employee that could potentially pose a threat to the employing organisation, particularly where the employee is in a position of trust and/or has access to cash or other assets.</p>
	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.

Council Tax Reduction Scheme (CTRS)	CTRS to Payroll (within SLC and between other bodies)	<p>To identify cases where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.</p> <p>A fraud of this type might also suggest a lack of integrity on the part of the employee that could potentially pose a threat to the employing organisation, particularly where the employee is in a position of trust and/or has access to cash or other assets.</p>
	CTRS to pensions	To identify cases 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 that is claiming CTRS from one or more local authority simultaneously
	CTRS to HB (within SLC and between other authorities)	To identify cases 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 Rents(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 Right to Buy (within SLC and between other authorities)	To identify possible cases where the CTRS 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.
	CTRS to Insurance	To identify cases where CTRS claimants have failed to declare an insurance claim payout, which may remove entitlement to benefit or reduce benefit payable.
	CTRS to market traders (within SLC and between bodies)	To identify cases where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to personal alcohol licences (within SLC and between bodies)	To identify cases where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to taxi drivers(within SLC and between bodies)	To identify cases where CTRS 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 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).

	Payroll to Creditors	To identify employees who are also creditors where there may be a conflict of interests. This may indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to.
	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.
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.
Right to Buy (RTB)	RTB to Rents (within SLC and between bodies)	To identify possible cases of subletting or individuals not entitled to a tenancy.
	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 Housing Benefit (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.
Waiting List	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 suggesting possible undisclosed changes in circumstances or that false information has been provided.
	Housing Waiting Lists to Housing Benefit Claimants (within SLC and between bodies)	To identify possible cases of housing waiting list fraud where an individual appears to have registered on the waiting list using a different address to the one on the housing benefit system suggesting possible undisclosed changes in circumstances or that false information has been provided.
	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.
Blue Badges	Blue badge to Deceased person	To 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	To identify cases 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 personal budgets between local authorities	To identify where an individual who appears to be claiming a personal budget from more than one local authority
	Personal Budgets to deceased persons	To identify instances where the recipient has died and the payment is still being made
	Personal Budgets to Pensions	To identify instances where an individual does not appear to have declared their entitlement to benefit
Travel Passes and Parking Permits	Concessionary Travel Passes to deceased person	To identify where/if concessionary travel passes are being used fraudulently (note this is administered by SPT)
	Resident Parking Permits 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.
	Duplicate creditor payments	To identify possible duplicate payments.
	VAT overpaid	This test identifies instances where VAT may have been overpaid.
UKBA	Taxi Drivers to UKBA	To identify persons holding taxi licences who do not have the right to work in the UK
	HB and CTRS to UKBA	To identify cases where claimants not entitled to residency in UK are in receipt of housing benefit or Council Tax Reduction
	Market Traders to UKBA	To identify persons holding market traders licences who do not have the right to work in the UK
	Personal License fraud Data (fake identity)	To identify persons holding personal licences to supply alcohol using fake identities
	Rents to UKBA	To identify instances where a tenant appears not to be entitled to social housing in the UK.
	RTB to UKBA	To identify RTB applicants who do not have UK residency
	Housing Waiting Lists to UKBA	To identify instances where an individual appears to be registered on the housing waiting list but are not entitled to social housing in the UK.
Procurement	Payroll to Companies House	To identify potential undeclared interests that have given a pecuniary advantage.
Council Tax Single Person Discount	Council Tax to Electoral register	To identify cases 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

	2014/2015 Exercise	2016/2017 Exercise		
Area	Total	Total	Increase/ (decrease) from Previous Exercise	
Total Housing Benefits Matches	2,928	1,438	(1,490)	-51%
Total Council Tax Reduction Scheme Matches	0	2,187	New Match	
Total Payroll Matches	228	270	42	18%
Total Tenant Matches	145	654	509	351% (Note 1)
Total Right to Buy matches	35	138	103	294% (Note 2)
Total Waiting List Matches	0	2,152	New Match	
Total Blue badge Matches	450	1,078	628	140%
Total Residents Parking Permit Matches	2	38	36	1800%
Total Concessionary Travel Passes	0	509	509	N/A
Total Private Resident in Care Home matches	132	122	(10)	-8%
Total Personal Budget Matches	60	32	(28)	-47%
Total Insurance Claimant Matches	157	3	(154)	-98%
Total Creditor Matches	5,541	3,327	(2,214)	-40%
Total UKBA matches	2	18	16	800%
Total Procurement Matches	0	181	New Match	
Total Single Persons Discount Matches	4,372	10,152	5,780	132% (Note 3)
<b>Overall matches</b>	<b>14,052</b>	<b>22,299</b>	<b>(2,636)</b>	<b>-19% (Note 4)</b>

Note 1: Total Matches included three new reports containing 425 matches

Note 2: Total Matches included four new reports containing 17 matches

Note 3: Total Matches included one new report containing 5,921 matches

Note 4: The total difference excludes the new matches to allow an accurate comparison with the 2014/15 Exercise

## Target Investigations

2016/2017 Exercise				
Area	Total	Audit Scotland Recommended No. of investigation	Target No.	Anticipated Target Date
Total Housing Benefits Matches	1,438	141	141	31/03/18
Total Council Tax Reduction Scheme Matches	2,187	113	113	30/09/17
Total Payroll Matches	270	22	256	30/09/17
Total Tenant Matches	654	233	375	30/09/17
Total Right to Buy matches	138	124	124	30/09/17
Total Waiting List Matches	2,152	2,058	2,058	30/09/17
Total Blue badge Matches	1,078	959	524	30/09/17
Total Residents Parking Permit Matches	38	33	38	30/09/17
Total Concessionary Travel Passes	509	499	0 (Note 2)	N/A
Total Private Resident in Care Home matches	122	64	122	30/09/17
Total Personal Budget Matches	32	2	32	30/09/17
Total Insurance Claimant Matches	3	0	3	30/09/17
Total Creditor Matches	3,327	256	256	30/09/17
Total UKBA matches	18	0	18	30/09/17
Total Procurement Matches	181	76	76	30/09/17
Total Single Persons Discount Matches	10,152	Note 1	TBA (Note 3)	TBA (Note 3)
<b>Total</b>	<b>22,299</b>	<b>4,580</b>	<b>4,136</b>	

Note 1: Audit Scotland do not recommend the number of matches to be investigated for SPD

Note 2: South Lanarkshire Council does not have responsibility for administering Concessionary travel passed therefore it is not possible for us to carry out these investigations. The Cabinet Office have been advised.

Note 3: B&R intend to use an external company (Datacentre) to complete the SPD investigations and are currently discussing their approach, targets and timescales with Datacentre. It is anticipated that targets will be agreed by 31 August 2017