Report

SOUTH LANARKSHIRE COUNCIL

Report to:	**Risk and Audit Scrutiny Forum**
Date of Meeting:	**3 March 2011**
Report by:	**Chief Executive**

Subject:	**National Fraud Initiative January 2011**

1. Purpose of Report

1.1. The purpose of the report is to:-

♦ Highlight that work has started on the 2011 National Fraud Initiative.

2. Recommendation(s)

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

(1) that progress is noted.

3. Background

3.1. Each year the Accounts Commission undertake an NFI exercise. The exercises alternate between a low activity year in which only Council Tax single persons discount is examined and a high activity year where other high risk areas are examined. 2011 will be a high activity year.

3.2. The NFI is a national exercise which matches similar data in different public sector systems and identifies possible inconsistencies. These inconsistencies are known as "matches" and require to be investigated by local authorities with a view to detecting fraud which still mostly falls into the benefits category. South Lanarkshire Council submitted requested extracts from Council systems in October 2010.

4. Progress

4.1. There are 11 separate areas being covered in the 2011 exercise. These are listed in Appendix One.

4.2. On 25 January 2011, South Lanarkshire Council was provided with the list of matches which require investigation. This year there are 13,395 matches. This is lower than in previous exercises which were 27,931 in 2007 and 13,757 in 2009. This decrease reflects the success of previous exercises and improvements made to the quality of data provided by the Council.

4.3. Investigations are undertaken by the service personnel best placed to examine the "match" but Internal Audit facilitate and report on the exercise. An initial in-house NFI meeting took place on 4 February 2011 to assign duties and set targets.

There is no obligation to investigate every "match" but the decision to restrict investigations must be risk based, for example a similar number of matches in a prior year yielded no fraud identification and no recovery. It may also be the case that the service has already undertaken fraud detection work which could replace the national exercise.

4.4.   Internal Audit will also prepare a project plan at the start of any new exercise and will report progress against this and will measure service progress in completing investigations. Services would agree an approach to the 2011 exercise by 18 February 2011. This will include the number of cases to be investigated and target completion date. Only a proportion of investigations will be completed by the end of March 2011 with most falling into the 2011/12 financial year.

5.   Employee Implications
5.1.   One Finance Adviser within Internal Audit facilitates the South Lanarkshire Exercise for the Accounts Commission. One Audit Assistant will also facilitate the issue and receipt of information requests from other public bodies. This can be a time consuming task so a total of 80 Days has been allowed in the 2011/12 Internal Audit plan.

6.   Financial Implications
6.1.   Other than employee time there is no tangible cost associated with the NFI.

7.   Other Implications
7.1.   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 should change their processes and procedures accordingly. Internal Audit will routinely check if these intended improvements have been implemented.

8.   Equality Impact Assessment and Consultation Arrangements
8.1.   As the risks associate with the NFI are carried by the Accounts Commission and the Council is bound by statute to participate, there is no need to undertake an in-house equality impact assessment.

8.2.   There is no requirement to undertake any consultation in terms of the content of this report.

Archibald Strang
Chief Executive

4 February 2011

Link(s) to Council Values/Improvement Themes/Objectives
♦   Value: Accountable Effective and Efficient
♦   Improvement Theme: Governance and Accountability

Previous References
None

List of Background Papers
♦   Meeting notes
♦   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.

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. |
	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 UK Visas	To identify cases where claimants not entitled to residency in UK are in receipt of Housing benefit
	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 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 UK visa	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
	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 Visa	To identify instances where a tenant appears not to be entitled to social housing in the UK.
	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.
Rent Arrears	Rent Arrears to HB	In these cases, the organisation chasing the debt will potentially be provided with new contact details that can be used to try to obtain payment of the outstanding debt. For example, it may be possible to obtain an attachment of earnings in cases where the person is now working for another public sector organisation.

	Rent Arrears to Rents	In these cases, the organisation chasing the debt will potentially be provided with new contact details that can be used to try to obtain payment of the outstanding debt. For example, it may be possible to obtain an attachment of earnings in cases where the person is now working for another public sector organisation.
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 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.
	RTB to UK Visas	To identify RTB applicants who do not have UK residency
	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.
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 17.5% as although a mixture of VAT rates can be applied to invoices (from 0% to 17.5%) the maximum amount of VAT for any one invoice should equate to 17.5%.