

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 June 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2022 National Fraud Initiative Exercise
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise the Committee of matches resulting from the 2022 National Fraud Initiative (NFI) exercise and of the proposed target number of investigations to be undertaken in 2023/2024

2. Recommendation(s)

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

- (1) that results of the matching exercise and target number of investigations be noted.

3. Background

3.1. NFI is a counter fraud exercise which takes data from councils and other public bodies and cross matches to identify the potential for fraud. Councils are then informed of the resulting indicative matches. It is the responsibility of councils to investigate the data matches that are identified for their organisation. The Cabinet Office has responsibility for the NFI throughout the UK however Audit Scotland co-ordinates the exercise within Scotland.

3.2. South Lanarkshire Council has taken part in the NFI exercise since 2004/2005. The full exercise, that takes place every second year, involves Council wide comparisons including benefits, payroll, creditors, council tax, licences and blue badge holders. This data is matched to other benefits and payroll data as well as Department of Work and Pensions (DWP) deceased persons' records and the Electoral Register. Data extracts from Council systems were submitted by the due dates in 2022.

3.3. Within South Lanarkshire Council, Internal Audit co-ordinates the NFI exercise and uploads the relevant data sets. Each Resource is assigned responsibility for investigating matches relevant to them. Internal Audit prepared a project plan at the start of this exercise and will report progress against this to the Council's External Auditors on a periodic basis.

4. 2022 Match Results

4.1. There are 9 separate match areas covered in the 2022 exercise. These are listed in Appendix 1.

- 4.2. South Lanarkshire Council have been provided with a list of matches from the 2022 NFI exercise. Datasets continue to be refreshed and therefore the number of matches may change marginally going forward.
- 4.3. The totals recorded in Appendix 2 reflect South Lanarkshire Council matches as of 22 May 2023. At that date, there were a total of 26,036 matches. A comparison of matches across the 2020 and 2022 exercises is detailed at Appendix 2. One category from 2020, relating to COVID-19 grants, was not included in the 2022 exercise. For the 9 matches, 5 categories had a decrease and 4 an increase in matches.
- 4.4. The greatest decrease in the number of matches relates to Council Tax Reduction (CTR), namely to Pensions. There was also a reduction in the number of duplicate creditor payments.
- 4.5. The greatest increase in the 2022 NFI exercise is in the number of matches of Single Person Discount (SPD) to the Electoral Register (which indicates multiple residents). The number of blue badges to deceased persons has also increased which may be reflective of a timing issue. Work is underway to assess the underlying reasons for these movements as well as updating records and investigating specific cases.
- 4.6. Work to investigate matches identified within the NFI exercise will reflect the review work that is already ongoing to avoid any duplication and ensure investigation resources are used effectively.
- 4.7. A target number of investigations is determined based on risk and passed to Service personnel best placed to examine the match. Internal Audit facilitate and report on the outcome from the exercise. There is no obligation to investigate every match but the decision to restrict investigations must be risk based. In 2022, the target number of investigations was determined by a number of factors:-
 - ◆ those that were denoted as high risk by NFI data analytics
 - ◆ those that were identified as a key report
 - ◆ those that were highlighted within the Fraud Report section
 - ◆ outcomes from previous exercises
- 4.8. This resulted in a total of 8,359 'high risk' matches (excluding SPD). A further risk analysis was then undertaken by Internal Audit, mainly of Creditor reports to refine targets further. A total of 3,065 matches have now been highlighted for investigation. A breakdown of the final match targets is provided at Appendix 3. These targets can be amended as investigations progress to reflect the outcomes of the reviews and ensure that resources are directed to areas that are likely to produce the most significant outcomes.
- 4.9. Investigations have a deadline for investigation of 31 December 2023. It is anticipated that most investigations will have been completed ahead of this date and further updates on progress will be reported to the Committee during 2023/2024.
- 4.10. 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. An outcome will be recorded through the NFI website once FES have concluded their investigation. This may result in a delay in closing some investigations.

5. Employee Implications

- 5.1. Internal Audit is responsible for co-ordinating the South Lanarkshire Council exercise which includes facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, undertaking a limited number of investigations and reporting on employee benefit fraud cases if required. A total of 50 days has been allocated in the 2023/2024 Internal Audit Plan. Further time can be allocated in 2023/2024 to monitor, investigate and record investigation outcomes as required.
- 5.2. In addition to the time allocated by Internal Audit, Resources are also required to allocate time to investigations. Based on previous years' exercises, it is anticipated that the time spent by Resources 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. 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 within this report.

8. Other Implications

- 8.1. Fraud Risk is recognised as one of the top 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.
- 8.2. The NFI exercise is a valuable counter fraud exercise which has continued to identify fraud and error within the Council.
- 8.3. When a fraud or overpayment occurs, steps will usually be taken to recover the loss. Services are expected to examine why the loss occurred and demonstrate a change in their processes and procedures accordingly.

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 South Lanarkshire Council 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)

12 June 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Risk and Audit Scrutiny Committee - 2020 National Fraud Initiative Exercise, - 15 September 2021
- ◆ Risk and Audit Scrutiny Committee - 2020 National Fraud Initiative Exercise - 27 September 2022

List of Background Papers

- ◆ None

Contact for Further Information

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

Yvonne Douglas, Audit and Compliance Manager

Ext:- 2618 (Tel: 01698 452618)

E-mail:- yvonne.douglas@southlanarkshire.gov.uk

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 those benefits.
	HB to HB (within SLC and between other authorities)	To identify an individual that is claiming housing benefit from one or more local authority at the same time.
	HB to Housing Tenants (within SLC and between other authorities)	To identify possible tenancy fraud and/or housing benefit fraud where an individual appears to be resident at two different addresses.
	HB to taxi drivers (within SLC and between bodies)	To identify where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to CTRS	To identify anyone claiming housing benefit and council tax reduction from one or more local authority at the same time.
	HB to DWP Deceased	To identify where a claimant has passed away and who was in receipt of DWP benefits which would not have stopped
	HB to Waiting List	To identify where an individual appears to be resident at two different addresses as the address on the waiting list application is different to the address on the benefit system
Council Tax Reduction Scheme (CTRS)	CTRS to Payroll (within SLC and between other bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to pensions	To identify 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 claiming CTRS from one or more local authority.
	CTRS to HB (within SLC and between other authorities)	To identify 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 Housing Tenants (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.

Match area	Match between	Purpose of Match/Fraud risk
	CTRS to taxi drivers(within SLC and between bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTR Scheme to DWP deceased	To identify where a person has passed away but may be in receipt of CTR after the date of death
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 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.
Housing Tenants (HT)	HT (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.
	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 CTR Scheme	To identify possible causes of tenancy fraud and/or incorrect claims for CTR where an individual appears to be resident at two different addresses.
	HT to State Benefits	To identify possible cases of tenancy fraud against the organisation i.e. where an individual appears to be resident at two different addresses.
	HT to DWP Deceased	To Identify where the tenant has died, but the DWP has not been informed.
Waiting Lists	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.
	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.
	Housing Waiting Lists to Housing Benefit Claimants (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 benefit system.
	Waiting List to DWP deceased	To identify an applicant who has died but is still shown on the waiting list.

Match area	Match between	Purpose of Match/Fraud risk
Blue Badges	Blue badge to blue badge	To identify individuals who hold more than one Blue Badge.
	Blue badge to DWP deceased person	To identify cases where a permit holder has died, but the local authority may not have been notified.
Procurement	Procurement – payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage.
Creditors	Duplicate creditors by Duplicate creditor payments and details	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. 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.
	Single Person discount award to other government bodies	To identify individuals who have declared they are living alone but have not declared they are living with a partner or non-dependant in the household.

Comparison of 2020 and 2022 NFI Exercises

Appendix 2

Area	2022 Total	2020 Total	Increase/ - Decrease
Total Housing Benefits Matches	135	172	- 37
Total Council Tax Reduction Scheme Matches	1,272	2,005	- 733
Total Payroll Matches	159	134	25
Total Tenant Matches	488	685	- 197
Total Waiting List Matches	1,267	1,229	38
Total Blue badge Matches	1,339	1,114	225
Total Creditor Matches	4,488	4,981	- 493
Total Procurement Matches	202	259	- 57
Total Single Persons Discount Matches	16,686	15,126	1560
Total SBGF and RHLG matches	0	238	- 238
Overall matches	26,036	25,943	93

Target Investigations

Appendix 3

Area	Total	Target No.*	Anticipated Target Date
Total Housing Benefits Matches	135	97	31/12/2023
Total CTRS Matches *	1,272	265	31/12/2023
Total Payroll Matches	159	143	31/12/2023
Total Tenant Matches	488	377	31/12/2023
Total Waiting List Matches *	1,267	217	31/12/2023
Total Blue badge Matches	1,339	1,339	31/12/2023
Total Creditor Matches	4,488	425	31/12/2023
Total Procurement Matches	202	202	31/12/2023
Total Single Persons Discount Matches	16,686	tba	31/12/2023
Total	26,036	3,065	

* This is an interim target. Depending on outcome and employee resources available, this number may be increased.