

**National Fraud Initiative Update 2014/15
Report by Internal Audit Manager****1. Purpose of the Report**

The purpose of this report is to update the Audit Committee on the completion of the National Fraud Initiative data matching exercises for 2014/15, and the outcomes of this exercise.

2. Background

2.1 The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.

2.2 Two NFI exercises took place in 2014/15:

- the main data match uploaded in October 2014 which compared a number of datasets; and
- the Council Tax to Referendum Electoral Roll data match which was uploaded in May 2015.

Initial investigation of matches was carried out by staff in the relevant services. Housing Benefit matches were reviewed by the Corporate Fraud Officers and Council Tax matches were sifted by the Corporate Fraud Officers and then referred to Revenues visiting officers for investigation.

3. Outcomes

The NFI exercises for 2014/15 have identified a total of £16,153 in overpaid benefits and discounts. The total for 2012/13 was £38,556

The overpayment totals have been declining in recent years for three reasons:

- the NFI matching process is now run on a regular basis and therefore a number of matches from previous years have already been identified and investigated;
- a movement towards real time information sharing between HM Revenues and Customs and the Department for Work and Pensions(DWP) has led to potential frauds and errors being identified at an earlier stage without the need to wait for the biennial NFI exercise; and
- potential housing benefit frauds from October 2015 are now investigated by the Single Fraud Investigation Service of the DWP. This means that Midlothian Council no longer has

responsibility for these cases and matches. Any therefore that result in recovery are excluded from the above figures.

The following table shows the matches received from the NFI in 2014/15:

Type	No of Matches 2014/15	Cleared No Issue	Errors	Referred for Fraud Investigation	Outcome
Housing Benefit	857	828	3	26	Overpayments identified £8,888 plus 26 cases referred to the DWP for further investigation.
Disabled Parking Blue Badges	120	96	24		24 Blue Badges were cancelled when the match revealed the holders were deceased.
Payroll	147	147			No issues
Residential Care Homes	28	28			No issues
Insurance Claims	13	13			No issues
Personal Budgets	33	33			No issues
Creditors	2,105	2,105			Matches were sampled and no errors were found that had not already been picked up by the controls in place and corrected. The large number of matches is as a result of the volume of creditors' information.
Biennial Exercise Subtotal	3,303	3,250	27	26	
Referendum Electoral Roll	2,770	2,737	33		Overpayments identified £7,265
Total	6,073	5,987	60	26	£16,153

The majority of matches were resolved by internal checking processes and only a small percentage of matches required referral for investigation.

The next data matching exercise will be comparing the electoral roll in December 2015 to council tax data extracted in November. Work on these matches will start at the beginning of 2016.

4. Report Implications

4.1 Resource

Services have directed resources towards the initial checking of matches identified in the NFI reports. There has been no requirement for additional resources.

4.2 Risk

The NFI is a control that is implemented to identify potential fraud or error. It also provides assurance that if no fraud or error is found, that existing controls are working effectively.

Ensuring that proper arrangements are in place to deal with the resulting NFI matches is critical in ensuring the Council meets its obligations and also provides assurance to Internal and External auditors.

4.3 Single Midlothian Plan

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

4.4 Key Priorities within the Single Midlothian Plan

This report does not address the issues within the Single Midlothian Plan.

4.5 Impact on Performance and Outcomes

Participation in the NFI ensures that fraud or error can be identified as a result of data matching with information from public bodies.

4.6 Adopting a Preventative Approach

Participation in the NFI provides assurance that existing data held is free from fraud or error.

4.7 Involving Communities and Other Stakeholders

The Council's external auditors Grant Thornton have advised Audit Scotland that they were satisfied with the Council's arrangements for NFI.

4.8 Ensuring Equalities

There are no equalities issues with regard to this report.

4.9 Supporting Sustainable Development

There are no sustainability issues with regard to this report.

4.10 IT Issues

There are no IT issues with regard to this report.

5. Recommendations

The Audit Committee is invited to note the contents of this report.

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