Midlothian

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 progress with the National Fraud Initiative data matching exercise for 2014/15.

2.   Background

2.1   The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland, assisted by the Audit Commission. 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   The NFI allows public bodies to investigate these matches and, if fraud or error has taken place, to stop payments and attempt to recover the amounts involved. It also allows auditors to assess the arrangements that the bodies have put in place to prevent and detect fraud, including how they approach the NFI exercise itself.

2.3   Data was uploaded to Audit Commission in October 2014 and the resulting matches were made available to Midlothian Council in January 2015.

3.   Summary of Progress

The following table shows the matches received from the NFI in January 2015

Type	No of Matches 2014/15	Cleared No Issue	Checking/ Investigating	Closed after Investigation
Housing Benefit	849	809	40	
Payroll	139	-	139	
Disabled Parking Blue Badges	120	96	-	24[*1]
Residential Care Homes	28	6	22	
Insurance Claims	11		11	
Personal Budgets	33		33	
Creditors	2,105		2,105	
Total	**3,285**	**911**	**2,350**	**24**

Notes *1   The checking of matches for Disabled Parking Blue Badges has enabled us to cancel 24 Blue Badges where we were not aware that the holder was deceased.

Work is progressing in checking the matches received and identifying those that require further investigation.

Compared to the previous data matching exercise there are more matches in total but there are two new datasets included, Creditors and Personal Budgets. Of all data types that were reported in the last exercise only the payroll data types are producing more matches.

Type	No of Matches 2012/13	No of Matches 2014/15	Movement
Housing Benefit	1,243	849	-394
Payroll	92	139	+47
Blue Badge	129	120	-9
Housing	50	-	-50
Care Homes	49	28	-21
Insurance Claims	26	11	-15
Personal Budgets		33	+33
Subtotal	**1,589**	**1,180**	
Creditors		2,105	+2,105
Total	**1,589**	**3,285**	

The next data matching exercise will be comparing the referendum electoral roll to council tax data. This will be uploaded and matches available in April 2015.

4.   **Report Implications**

4.1 Resource

Services will be required to direct resources towards checking the matches identified in the NFI reports. There should be no requirement for additional resources.

4.2 Risk

The NFI is a control that is implemented to ensure any fraud or error is identified. It also provides assurance that if no fraud or error is found, that existing control methods are adequate.

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; and

- note that further updates will be provided in May and September 2015.

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