

## **National Fraud Initiative Update 2016/17**

### **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 2016/17, and the outcomes of these exercises.

#### **2. Background**

- 2.1 The National Fraud Initiative (NFI) is a UK wide counter-fraud exercise led in Scotland 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 2016/17:
  - the main data match uploaded in October 2016 which compared a number of datasets; and
  - the Council Tax to Referendum Electoral Roll (Recheck) data match which was uploaded in December 2016.
- 2.3 The main change to the data match this year was that most of the Housing Benefit matches were sent directly to the Department for Work and Pensions for investigation.
- 2.4 There were 2 new datasets included this year - Housing Tenants and Waiting Lists.
- 2.5 Initial investigation of matches was carried out by staff in the relevant services.
- 2.6 In June, Internal Audit gave evidence to the Public Audit and Post Legislative Scrutiny Committee of the Scottish Parliament on the NFI.

#### **3. Outcomes**

The NFI exercises for 2016/17 have identified a total of £68,758 in overpaid benefits and discounts. Outcomes in 2014/15 were £135,444<sup>1</sup> and in 2012/13 they were £38,556. Further details can be found in Appendix 1.

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<sup>1</sup> 2014/15 includes £93,000 for a house that was returned to stock as a result of an NFI investigation

## **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 suitable 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 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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## Outcomes from 2016/17 NFI Exercise

## Appendix 1

Type	No of Matches 2016/17	Fraud or Errors	Outcome	Annual Value / No of Badges	Comments
Disabled Parking Blue Badges	97	38	£21,850	4,290 badges in issue	For detail of errors see below
Payroll	162	1	£5,242	Total payroll £137,000,000	For issues see below
Council Tax Reduction Scheme	632	1	£418	Total CTRS £4,739,000	For issues see below
Housing Tenants	346	1	£0		For issues see below
Waiting List	466	9	£0		For issues see below
Creditors	2,727	0	-		No issues found The large number of matches is as a result of the volume of creditors' information.
Housing Benefit	539	0	-		No issues found
Residential Care Homes	30	0	-		No issues found
Personal Budgets	9	0	-		No issues found
Insurance Claims	1	0	-		No issues found
Amberhill	1	0	-		No issues found Match of data against immigration systems
Cifas Pilot	14	0	-		No issues found Pilot match of data relating to fraudulent credit applications.
<b>Biennial Exercise Subtotal</b>	<b>5,024</b>	<b>50</b>	<b>£27,510</b>		
Recheck Electoral Roll to Single Person Discounts	2,679	86	£41,248	Total Single Person Discount £3,813,000	Includes 1 fraudulent match see below
<b>Total</b>	<b>7,703</b>	<b>136</b>	<b>£68,758</b>		

## Issues Found

Samples of each match category were selected, based on the matches recommended by NFI. Results were as follows:

- Blue Badges – 38 badges were discovered where the death of the badge-holder had been recorded on Council systems but the badges had not been cancelled on the national system. There is no evidence that the badges were in use. NFI values each badge cancellation at £575.

- Payroll – One issue was found relating to a pensioner in receipt of a gratuity whose death had not been communicated to payroll. The value shown is the remaining pension to age 85. The actual overpayment was £217.
- Council Tax Reduction Scheme – One error was found that related to a claim over a period of employment. The overpayment is being repaid.
- Housing Tenants and Waiting Lists – these are new datasets included this year. 7 deaths were removed from the waiting list and there were 3 clerical errors which were corrected.
- Creditors – this area always generates a large number of matches, but there were no errors found that had not already been identified and corrected by the internal controls in place.
- Housing Benefit – the main Housing Benefit matches were sent directly to the DWP for investigation. Matches to Payroll and Student records were sent to us for investigation, no issues were found.
- Cifas Pilot – We took part in a pilot exercise where our NFI data was compared to data from the fraud prevention service Cifas. Cifas maintains a database of frauds and attempted frauds reported by members (mainly financial organisations). The matches related to inaccurate loan applications and mobile phone contracts. This indication of dishonesty gives no evidence of fraud against the Council.
- Electoral Roll to Single Person Discount – The comparison of the Electoral Roll to the Single Person Discount claimants has revealed 25 overpayments one of which has an outcome of £11,721 because a full exemption had been applied. The house had a full unoccupied exemption when purchased and the resident did not notify that he had moved in. With no evidence of fraudulent intent we are advised we cannot prosecute in this case.