

National Fraud Initiative – 2012/13 Outcomes

Report by Kevin Anderson, Head of Housing and Community

1 Purpose of Report

This report is to provide Audit Committee with an update on the progress and outcomes of the National Fraud Initiative (NFI) for 2012/13.

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 2012 and the resulting matches were made available to Midlothian Council in January 2013.

3 Report Implications

3.1 Resource

There are no resource implications arising from this report.

3.2 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.

3.3 Single Midlothian Plan and Business Transformation

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

3.4 Key Priorities within the Single Midlothian Plan

N/A

3.5 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.

3.5 Adopting a Preventative Approach

It also provides assurance that existing data held is free from fraud or error.

3.6 Involving Communities and Other Stakeholders

Consultation has taken place with Internal Audit colleagues in accordance with External Audit recommendation a) as detailed in Section 4.2.

3.7 Ensuring Equalities

This report is not proposing any new or changes to policy and as such, there are no issues requiring an EQIA.

3.8 Supporting Sustainable Development

N/A

3.9 IT Issues

None.

4 Summary

4.1 A summary of the matches received is shown below with details of the outcomes of initial checks:

Section	Number of Matches (2012/13)	Cleared No Issue	Checking/ Investigating	Closed after Investigation	Other
Benefit Fraud	1243	751	63	1 ^{*1}	428 ^{*2}
Payroll	92	49	43		
Disabled Parking Clients (Blue Badge)	129	84	-	45 ^{*3}	
Housing	50	34	16	-	
Private Residential Care Homes	49		49		
Insurance Claims	26	-	-	-	26 ^{*4}
TOTAL	1668	1169			

*1 The Benefit Fraud case that has been closed resulted in an overpayment of £1915.64 occurring. This overpayment is being recovered from the customer.

*2 Housing Benefit and/or Council Tax Reduction cases which relate to Pension Credit cases will be progressed by The Pension Service or relate to Assessed Income Periods. Assessed Income Periods exist for those customers in receipt of Pension Credit and who may have had an increase in capital or income. They can legitimately be ignored until the end of the Assessed Income Period term.

*3 45 Blue Badges were cancelled as a result of NFI in cases where we did not know that the Blue Badge holder was deceased.

*4 Insurance Claim matches are checked and progressed by our external Insurance Company

4.2 Grant Thornton UK LLP submitted a questionnaire to Audit Scotland advising that the Council's arrangements for NFI were classed as Green and that they were satisfied with the overall arrangements. They made two Amber recommendations as follows:

- a) Internal Audit should monitor the Council's approach to NFI to ensure any weaknesses are addressed.
- b) NFI progress and outcomes should be reported regularly to senior management and Audit Committee.

Both of these recommendations were agreed and put into place immediately. This report directly addresses recommendation b).

5 Recommendations

Audit Committee is invited to agree the contents of this report. An update will be provided to Audit Committee on 17 June 2014 at which point, the majority of investigations will have concluded and the national report on NFI activity will have been published by Audit Scotland.

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Background Papers:

None.

Declaration Box

Instructions: This box must be completed by the author of the report. The box will be copied and saved by the Council Secretariat who will delete it from the report prior to photocopying the agenda.

Title of Report: National Fraud Initiative – 2012/13 Outcomes

Meeting Presented to: Audit Committee

Author of Report: Kathleen Leddy, Revenues Manager, Security and Systems

I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

- All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Integrated Service Support.*
- All risk implications have been addressed.*
- All other report implications have been addressed.*
- My Director has endorsed the report for submission to the Council Secretariat.*

For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.

Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.