

**NATIONAL FRAUD INITIATIVE PROGRESS REPORT**

**Report by Chief Internal Auditor**

**PURPOSE OF REPORT**

This report outlines the action that has been taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative for 2016/17.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 The Cabinet Office, since April 2015, has taken over responsibility for the administration of the National Fraud Initiative (NFI) from the Audit Commission. The NFI constitutes a sophisticated data matching exercise matching electronic data within and between participating public bodies to assist in the prevention and detection of fraud. The NFI exercise in Scotland is Audit Scotland's data matching exercise that runs every two years in line with the published timetable. The Cabinet Office process the data for the NFI in Scotland on behalf of Audit Scotland. This 2016/17 exercise represents the sixth NFI data matching to be undertaken in Scotland.
- 1.2 The overall aims of the NFI are to serve the public interest by safeguarding public money against losses from fraud or misappropriation and to contribute towards the fight against fraud. It improves the use made of public resources by identifying anomalies in the data held by different authorities and by ensuring that these are highlighted for further investigation. Whilst it is designed to detect fraud, it may also identify instances of administration error or inaccurate data.
- 1.3 The NFI exercise helps participating bodies (such as Local Authorities, Police Scotland, Scottish Fire and Rescue and the other public sector bodies) to identify possible cases of fraud and detect and correct any consequential under or overpayments. The NFI also helps Auditors in assessing the Council's arrangements for preventing, deterring and detecting fraud.
- 1.4 There are broadly three stages in the NFI process:
  - 1 the submission of the required datasets by public authorities and other organisations;
  - 2 the processing of the data (data matching) in order to identify anomalies; and
  - 3 the investigation of the highlighted and reported anomalies.

- 1.5 The Council is responsible for stages 1 and 3; processing of the data (stage 2) is carried out under arrangements put in place by the Cabinet Office. Reports on the Council's involvement and responsibilities have previously been presented to the Audit Committee. The reported findings of the 2014/15 exercise was presented to Audit Committee in September 2016 (report 16/412 refers)
- 1.6 Internal Audit acts as a facilitator within the Council and maintains regular contact with Services and Audit Scotland to ensure that the former are progressing investigations in accordance with the NFI timetable and guidance.
- 1.7 The Audit Committee is aware that Perth & Kinross Council is one of two local authorities which do not provide the Electoral Roll for the NFI. Legislation to allow Councils to provide Electoral Register details was introduced after the 2008/09 exercise. However the advice from Legal Services is that this is insufficient to warrant submission of the Electoral Register by the Council. The advice is that the Council is permitted a copy of the Register for specific purposes which do not include submitting the data to a third party. The Council's position has been highlighted to Audit Scotland.
- 1.8 Consequently, Perth & Kinross Council does not use the NFI model for checking eligibility to single occupancy discount. As an alternative to manage risks associated with not providing this information we engage an external agency to carry out such checks on our behalf.

Using this method, an initial data matching exercise identifies those where it is believed that single occupancy discount is valid and those where information is held indicating that circumstances may not allow such a discount.

This has proven to be highly successful as, in addition to electoral roll information, it provides indication of multiple occupancy through other channels such as mobile phone contract and pay day lending data etc. along with a range of more traditionally recorded data such as bank, insurance and credit card details.

The external agencies also provide categories of risk based on the data held that allows us to focus on the highest of these as a matter of urgency.

The data provided is much more up to date than that accessible via the NFI model thus avoiding cases where people have recently moved in/out or more importantly passed away. The external agencies also offer a process where changes are reported as they occur allowing quicker response to any potential single occupancy discount changes.

It should be stressed that, unlike managed services offered by some agencies, we seek information only and ensure that final decisions to remove any discount is made by fully trained revenues staff.

It is the stated intention of the Local Taxes team to instigate such a review during the remainder of the current Financial Year. A meeting has already taken place with procurement colleagues and potential suppliers have been identified in order to proceed with a “quick quote” exercise.

- 1.9 This report presents a summary of progress and the outcomes of the Perth and Kinross Council NFI 2016/17 exercise.

## **2. 2016/17 OUTCOMES FOR PERTH & KINROSS**

- 2.1 A total of 103 reports detailing different data matches were received in respect of Perth and Kinross Council. As at 21 February 2018, these reports contained 5,314 matches, of which 1,328 matches were recommended for further investigation. In addition to investigating the recommended matches, Services have reviewed the remaining matches and investigated a proportion of these using a risk based approach. In total, 2,144 matches have been investigated. Progress has been made with investigating matches, with the exercise concluded and no matches requiring further investigation.
- 2.2 Of the 2,144 fully investigated matches, the level of overpayments identified was £33,475. This comprised Benefits outcomes of £19,444 which includes £14,792 from a new dataset regarding the council tax reduction scheme creditors of £8, 909 and care home payments of £5,122. Action is taking place, where possible, to ensure that the Benefits outcomes are recovered or reported to the DWP for appropriate action. The other overpayments have been recovered. The comparable figures in respect of the outcomes for the 2014/15 exercise were for example for Benefits (excluding the council tax reduction scheme) £17,108 and for Creditors £10,604.
- 2.3 Information relating to the national outcomes will be made available later in the year by Audit Scotland.

## **3. CONCLUSION AND RECOMMENDATIONS**

- 3.1 Perth & Kinross Council takes seriously its obligations for taking part in the NFI exercise and the 2016/17 exercise is now completed.
- 3.2 The Committee is asked to note this report, which outlines the action taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative and the outcomes for the 2016/17 exercise.
- 3.3 The Committee is also asked to note the actions taken by the Revenues & Benefits Service as a result of the non-provision of electoral register information

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
<b>Resource Implications</b>	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
Communications Plan	None

### 1. Strategic Implications

#### 1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

### 2. Assessments

#### 2.1 Equality Impact Assessment

2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

2.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

## 2.2 Risk

2.2.1 The risks are associated with the level of assurance provided on the controls in place for Single Occupancy Discounts.

## 3. **Consultation**

### 3.1 Internal

3.1.1 The Chief Executive and Head of Legal and Governance have been consulted in the preparation of this report.

## 2. **BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.