

PERTH AND KINROSS COUNCIL**Audit Committee****5 February 2014****NATIONAL FRAUD INITIATIVE 2012/13 – PROGRESS REPORT****Report by the Chief Internal Auditor****PURPOSE OF REPORT**

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

1. BACKGROUND / MAIN ISSUES

- 1.1 The Audit Commission, since 1996, has administered the National Fraud Initiative (NFI) in England. 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 Audit Commission's timetable. The Audit Commission processes the data for the NFI in Scotland on behalf of Audit Scotland. This 2012/13 exercise represents the fourth NFI data matching to be undertaken in Scotland.
- 1.2 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. It may highlight instances of administrative errors and incorrect data.
- 1.3 Once the data matching process is completed, the output is made available online to the data providers for consideration and further investigation, as appropriate.
- 1.4 Internal Audit acts as a facilitator within the Council and maintains regular contact with External Audit, Audit Scotland and the Services to ensure that the latter are progressing investigations in accordance with the NFI timetable and guidance.
- 1.5 This report presents a summary of progress and outcomes to date of the Perth and Kinross Council NFI 2012/13 project.

2. PROGRESS WITH THE INITIATIVE

- 2.1 Guidance on the 2012/13 exercise was provided to Local Authorities in the summer of 2012. This guidance was later supplemented by Audit Commission on line training modules. Internal Audit ensured that appropriate guidance was available to the relevant Service contacts.
- 2.2 Data sets were produced in the prescribed format and uploaded for processing by the Audit Commission from October 2012 via the NFI secure website.
- 2.3 A request was received to submit data from Council Tax and the Electoral Register for matching. Legislation to allow Councils to provide Electoral Register details was introduced after the 2008/09 exercise however the advice from Legal Services stated that this was insufficient to require 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 along with detail behind the judgement. In order to manage the risks associated with not providing this information to a third party, arrangements have been made to match the copy of the Electoral Register with Council Tax records to identify any possible frauds or errors in connection with the Single Person Discounts applied where there is only one adult recorded as being resident at an address in the Council Tax system.
- 2.4 Local Authorities received the results of the 2012/13 data matching exercise in January 2013. A total of 66 reports detailing different data matches, incorporating 3,963 matches, were received in respect of Perth and Kinross Council. Of these matches, there were 983 matches recommended for further investigation. As at 18th December, 967 recommended matches had been investigated, with the remaining 16 matches being progressed. A further 891 matches were investigated by the Services in line with the appropriate guidance..
- 2.5 Investigations are mostly complete with 30 matches within 9 reports continuing to be progressed by the relevant Services. Internal Audit will continue to liaise with the relevant contacts to ensure these are progressed.
- 2.6 Internal Audit has been proactive in ensuring the NFI exercise is not relied upon by the Services as the key control to mitigate risks. Where appropriate existing controls have been reviewed and enhanced to ensure risks are proactively managed.
- 2.7 At this stage in the review, 28 matches have been identified that may involve possible error or fraud. This compares favourably to the figure of 263 matches for the 2010/11 exercise. Of these:
 - i 26 housing benefit claims have been highlighted, with a current value of £47,089. Investigations are continuing and this may further impact on the value of the amount to be recovered; and

- ii 2 duplicate payments through the creditors system were discovered with a value of £8,822.
 - iii No blue badges have been cancelled as a result of the exercise.
- 2.8 Of the 263 matches from the 2010/11 exercise, 241 related to blue badges which should have been cancelled as the holder was deceased. Improvements in the overall control environment were implemented and in the 2012/13 exercise, no blue badges have been identified to be cancelled for this reason.
- 2.9 As at January 2014, the total amount to be recovered is £16,066. This compares with a value identified for recovery at a similar point in the 2010/11 exercise of £31,675.
- 2.10 It is anticipated that the exercise will be concluded in Quarter 1 of 2014. A further report will be presented to the Audit Committee at the close of the investigation phase, setting out in general terms the results of the exercise.

3. CONCLUSION AND RECOMMENDATION

- 3.1 The Committee is asked to note this report, which outlines the action being taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
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 control environment in the event that Internal Audit's planned work is not completed on time.

3. Consultation

3.1 Internal

- 3.1.1 The Chief Executive and Head of Finance 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.

