

Audit & Risk Committee

28 June 2022

NATIONAL FRAUD INITIATIVE OUTCOMES 2020/21 AND PREPARATIONS 2022/23

Report by Chief Internal Auditor
(Report No 22/246)

1. PURPOSE

- 1.1 This report presents the reported findings of the 2020/21 National Fraud Initiative (NFI) exercise. It also outlines the preparations currently underway in respect of the 2022/23 exercise.

2. RECOMMENDATION

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| 2.1 | <p>It is recommended that the Audit and Risk Committee notes:</p> <ul style="list-style-type: none">• The outcomes as reported within the national Audit Scotland report of the National Fraud Initiative 2020/21; and• The work undertaken in preparation for the 2022/23 exercise. <p>It is further recommended that the Audit and Risk Committee approves the section of Audit Scotland's self-appraisal checklist relating to those charged with governance at Appendix A.</p> |
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3. STRUCTURE OF REPORT

- 3.1 This report is structured over the following sections:
- Section 4: Background
 - Section 5: 2020/21 National Report
 - Section 6: 2022/23 Preparations
 - Section 7: Conclusions
 - Appendix

4. BACKGROUND/MAIN ISSUES

- 4.1 The National Fraud Initiative (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 Cabinet Office is responsible for the administration of the NFI in the UK. 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 processes the data for the NFI in Scotland on behalf of Audit Scotland. This 2020/21 exercise represents the seventh NFI data matching to be undertaken in Scotland.

- 4.2 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.
- 4.3 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.
- 4.4 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.
- 4.5 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. More recently, a progress report was presented to the Audit Committee in March 2022 (report 22/65 refers) which highlights the outcomes for Perth and Kinross for the 2020/21 exercise.

5. 2020/21 NATIONAL REPORT

- 5.1 The "outcomes" arising directly from the 2020/21 investigations, as reported in Audit Scotland's [National Fraud Initiative in Scotland](#) Report of August 2022, are £14.9 million..
- 5.2 The proportion of the figure attributable to Perth and Kinross Council is £25,370.90, as reported previously to Audit Committee ([report 22/65](#)). This comprised Benefits outcomes of £869.27, with the remainder identified as relating to business rates matches, which was a new addition to the NFI as a result of business grants paid as a result of the COVID-19 pandemic. Action is taking place, where possible, to ensure that these outcomes are recovered.

6 2022/23 PREPARATIONS

- 6.1 Audit Scotland's report provides a self-appraisal checklist which has been completed for 2022/23 and actions identified in order to improve arrangements are being taken forward. Part A of this checklist is entitled "for those charged with governance" and is attached at Appendix 1 for approval by the Audit Committee.

- 6.2 Internal Audit is currently liaising with relevant contacts within Services concerning 2022/23 requirements and will liaise with the Council's external auditors in due course.
- 6.3 It is anticipated for 2022/23 as in previous exercises, that additional datasets will be requested mid cycle e.g. Council Tax and Electoral register data.
- 6.4 Data protection legislation requires that individuals whose personal information is to be provided for NFI purposes are informed. This is undertaken by the provision of privacy notices. Internal Audit will facilitate the processes whereby, where appropriate, data subjects are notified of the use of their personal data in the exercise for preventing and detecting fraud. In addition, Internal Audit will support Services to ensure that the relevant datasets are submitted in accordance with the NFI timetable.
- 6.5 The proposed Council dataset submissions for 2022/23 are:

Dataset	Mandatory/Risk Based	Privacy notice required?
Payroll	Mandatory	Yes
Pensions (provided by Dundee City Council)	Mandatory	Yes
Housing Tenants	Mandatory	Yes
Housing Waiting Lists	Mandatory	Yes
Blue badges resident parking (transport passes and permits)	Mandatory	Yes
Licenses	Mandatory	Yes
Trade creditors (payments history)	Mandatory	N/A (not personal data)
Trade creditors (standing data)	Mandatory	N/A (not personal data)
Council tax reduction scheme	Mandatory	Yes
Council Tax	Mandatory	Yes

- 6.6 A further mandatory dataset is the Electoral Register, however the Committee has been informed previously that it is the opinion of the Head of Legal and Governance Services that the Council is not permitted to share this information for the purposes of NFI.
- 6.7 A further update report will be presented to the Audit Committee in due course.

7 CONCLUSIONS

- 7.1 Perth & Kinross Council takes seriously its obligations for taking part in the NFI exercise and the 2020/21 exercise is now completed. This report outlines the reported findings from the 2020/21 National Fraud Initiative exercise and

the action being taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative for 2022/23.

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APPENDICES

- Appendix 1 Part A of Audit Scotland's Self Assessment Checklist for those charged with governance