

PERTH AND KINROSS COUNCIL**Audit Committee****24 June 2015****NATIONAL FRAUD INITIATIVE PROGRESS REPORT****Report by the 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 2014/15.

In addition, the report updates the Committee on the outcome of the exercise to verify the accuracy of Single Person Discounts for Council Tax.

1. BACKGROUND / MAIN ISSUES

- 1.1 The Audit Commission, since 1996, has administered the National Fraud Initiative (NFI) in England. Since April 2015, the Cabinet Office has taken over responsibility. 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 Audit Commission's timetable. The Audit Commission processes the data for the NFI in Scotland on behalf of Audit Scotland. This 2014/15 exercise represents the fifth 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 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.
- 1.6 Consequently, data matching using this data set which would be undertaken through the NFI cannot be completed. In order to manage the risks associated with not providing this information, arrangements were made to match the copy of the Electoral Register with Council Tax records to identify any possible frauds or errors in connection with Single Person Discounts applied where there is only one adult recorded as being resident at an address in the Council Tax system.
- 1.7 This report presents a summary of progress of the Perth and Kinross Council NFI 2014/15 project and provides details of the outcomes of the exercise within Revenues and Benefits to match Council Tax Single Person Discount records.

2. PROGRESS WITH THE INITIATIVE

- 2.1 Guidance on the 2014/15 exercise was provided to Local Authorities in the summer of 2014. 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 September 2014 via the NFI secure website with the exception of the Electoral Register (see 1.5 above).
- 2.3 Local Authorities received the results of the 2014/15 data matching exercise in January 2015. A total of 66 reports detailing different data matches were received in respect of Perth and Kinross Council. As at 25 May, these reports contained 4,385 matches, of which 999 matches are recommended for further investigation. Progress is being made with investigating matches from most of the reports and Internal Audit will continue to liaise with the relevant Service contacts to ensure that they are progressed.
- 2.4 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. Single Person Discount

- 3.1 The Revenues and Benefits Service procured an external agency to undertake a data matching exercise in order to ensure that the risk that single person discount was being fraudulently claimed was minimised.

- 3.2 An extract of the information relating to those in receipt of the Single Person Discount in April 2014 was used and checked against the public electoral register, insurance, credit agencies and payday loans records. The results were communicated to the Service in May 2014 and were ranked in terms of the reliability of the information. The Service took a risk based approach in processing these and sought clarification on those with very high quality matches initially, then for the high quality matches and subsequently for the medium quality matches. Where the quality of the match was low, these were not pursued.
- 3.3 Each household was contacted to verify the number of residents in the household.
- 3.4 From the 2,162 very high, high and medium quality matches, 156 were found to have claimed this discount incorrectly. Of those, 43 subsequently had a disregard applied as a result of a student or apprentice being resident in the property and therefore there was no financial loss to the Council. A further 113 declared that the single person discount no longer applied and as a result £72,011.79 has been billed. A further 72 did not respond to efforts to verify the status of the Single Person Discount claim and have therefore had their claim cancelled for the current and last financial year. This has resulted in a further £50,186.36 being identified for collection.
- 3.5 Of the £122,198.15 identified for collection, £53,659.56 has been received so far and arrangements are in place for the collection the remaining £68,538.59.

4. CONCLUSION AND RECOMMENDATIONS

- 4.1 Perth & Kinross Council takes seriously its obligations for taking part in the NFI exercise and progress is being made with investigating identified matches.
- 4.2 Progress is being made with recovering the Council Tax which is due to the Council as a result of the data matching exercise which has highlighted instances where the single Person Discount has been incorrectly claimed.
- 4.3 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 for the 2014/15 exercise.
- 4.4 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 and the outcomes of the exercise to identify fraud and error.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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 controls in place for Single Person Discounts.

- 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.