

PERTH AND KINROSS COUNCIL

Audit Committee

16 September 2020

THE NATIONAL FRAUD INITIATIVE 2018/19

Report by the Chief Internal Auditor (Report No. 20/168)

PURPOSE OF REPORT

This report presents the reported findings of the 2018/19 National Fraud Initiative exercise.

1. BACKGROUND / MAIN ISSUES

- 1.1 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. The 2018/19 exercise represents the seventh 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. More recently, a progress report was presented to Audit Committee in February 2020 ([Report 20/41](#) refers) which highlights the outcomes for Perth and Kinross for the 2018/19 exercise.

2. 2018/19 NATIONAL REPORT

- 2.1 The "outcomes" arising directly from the 2018/19 investigations, as reported in Audit Scotland's National Fraud Initiative in Scotland Report of July 2020, are £15.3 million. This represents a reduction in the value of overall outcomes from the exercise of £2.4m compared with the previous exercise, which the report recognises may be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error. The Audit Scotland report is attached as Appendix A to this report.
- 2.2 The proportion of the outcomes attributable to Perth and Kinross Council is £6,625.67, as reported previously to Audit Committee ([report 20/41](#)). This relates solely to Benefits outcomes. Action is taking place, where possible, to ensure that the Benefits outcomes are recovered or reported to the DWP for appropriate action.
- 2.3 The benefit of the exercise is that it provides assurance that the systems of internal control in operation within Perth & Kinross are predominantly effective in terms of deterring and detecting fraud and error.
- 2.4 A report outlining the preparations for the 2020/21 NFI exercise will be presented to the Audit Committee in due course.

3. CONCLUSION AND RECOMMENDATION

- 3.1 This report outlines the reported findings from the 2018/19 National Fraud Initiative exercise.
- 3.2 It is recommended that, in order for Councillors to be fully informed of the activity of officers with regard to the National Fraud Initiative, the Audit Committee notes the outcomes as reported within the National Audit Scotland report of the National Fraud Initiative 2018/19.

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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

Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2022 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.

- 1.2 This report relates to all of these objectives.

2. Assessments

Equality Impact Assessment

- 2.1 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.

- 2.2 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.

Risk

- 2.3 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

Internal

- 3.1 The Chief Executive, Head of Legal Services 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.

3. APPENDICES

Appendix 1 – Audit Scotland's Report: The National Fraud Initiative in Scotland