

PERTH AND KINROSS COUNCIL**Audit Committee****30 March 2016****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 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 Audit Commission, and latterly the Cabinet Office, process 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 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 June 2015 (report 15/272 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, 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, separate 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.
- 1.9 This report presents a summary of progress and the outcomes of the Perth and Kinross Council NFI 2014/15 exercise and provides details of the progress of the exercise within Revenues and Benefits to match Council Tax Single Person Discount records.

2. 2014/15 OUTCOMES FOR PERTH & KINROSS

- 2.1 A total of 71 reports detailing different data matches were received in respect of Perth and Kinross Council. As at 17 February 2016, these reports contained 4,547 matches, of which 1,038 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, 1,682 matches have been investigated. Progress has been made with investigating matches, with one

match requiring further investigation. This match is a recommended matches and Internal Audit will continue to liaise with the relevant Service contact to ensure that it is satisfactorily concluded. It is not anticipated that this match will highlight any fraudulent activity within the Council.

- 2.2 Of the 1,679 fully investigated matches, the level of overpayments identified was £27,712.95. This comprised Benefits outcomes of £17,108.15 and creditors of £10,604.80, with the latter relating to one duplicate invoice for which recovery has taken place. Action is taking place, where possible, to ensure that the Benefits outcomes are recovered. These figures compare favourably with the outcomes for the 2012/13 exercise, where outcomes for Benefits were £48,530 and for Creditors were £11,950.
- 2.3 Information relating to the national outcomes will be made available later in the year by Audit Scotland.

3. SINGLE PERSON DISCOUNT

- 3.1 The Audit Committee has been informed (report 15/272 refers) that there were 113 cases identified where the single person discount no longer applied and as a result £72,011.79 was billed. The amount due has increased to £72,343.38 due to such aspects as retrospective account adjustments, imposition of statutory additions. Of this, £64,398.80 has been collected so far and arrangements are in place for the collection of the remaining £7,944.58.
- 3.2 Of the 72 who did not respond to efforts to verify the status of the Single Person Discount claim and therefore had their claim cancelled for the current and last financial year which resulted in a further £50,186.36 being identified for collection, £19,844.34 has been received so far and arrangements are in place for the collection of the remaining £16,610.81. The cancellation of the application of Single Person Discounts led to respondents coming forward with further evidence and 10 cases to the value of £13,731.21 were reinstated.

4. CONCLUSION AND RECOMMENDATIONS

- 4.1 Perth & Kinross Council takes seriously its obligations for taking part in the NFI exercise and the 2014/15 exercise is now substantially completed.
- 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 taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative and the outcomes 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 this exercise.

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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 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.