

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer - Resources****Audit Committee: 9 November 2022**

Subject: National Fraud Initiative 2020/21**1. Purpose**

- 1.1** The purpose of this report is to inform Members of the Audit Scotland Report “National Fraud Initiative 2020/21” published in August 2022 and to provide an overview of the key messages and recommendations raised in the report and how these issues are being addressed by the Council.

2. Recommendations

- 2.1** It is recommended that the Audit Committee notes the contents of this report and agrees that a further update report is submitted to the March 2023 Audit Committee outlining the Council’s progress with the 2022-2023 exercise.

3. Background

- 3.1** The NFI in Scotland is now well established with this being the 8th biennial exercise since 2006/07. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. The NFI remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies. Its key features are that it:
- acts as a deterrent to potential fraudsters.
 - identifies errors and fraud thus enabling appropriate action to recover money and/or press criminal charges.
 - can provide assurances, similar to a regular health check, that systems are operating well and can also identify where improvements are required.
 - operates across boundaries between public bodies in different sectors and countries.
 - represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.
- 3.2** The NFI works by using data matching to compare a range of information held on bodies’ systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called ‘matches’. A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

- 3.3** Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.
- 3.4** Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and can therefore limit the gaps available for fraudsters to manipulate and can help identify those that have. It also supports bodies to identify and implement process and control improvements that should reduce future errors and the costs of correcting these errors.
- 3.5** Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The NFI exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

4. Main Issues

- 4.1** The latest report was published in August 2022 and can be found [here](#):

In terms of key messages, the report identified the following:

- The 2020/21 NFI exercise has identified outcomes valued at £14.9 million. The cumulative outcomes from the NFI in Scotland since 2006/07 are now £158.5 million.
- The overall level of fraud identified by the NFI has fallen by £0.4 million since the last report in July 2020. The reduction in outcomes could be due to less fraud and error in the system, strong internal controls or due to some key data sets from previous exercises not being included in the latest exercise.
- Most organisations that participate in the NFI continue to demonstrate a strong commitment to counter-fraud and the NFI. However a lower percentage of participating public bodies managed their roles in the 2020/21 NFI exercise satisfactorily compared to the 2018/19 exercise.
- Pilot work to look at potential data matches for future NFI exercises identified £2.2 million in incorrect non-domestic rates relief. The report can be found [here](#).

- 4.2** Since the last exercise in 2018/19, the areas with significant changes are as follows:

- Council Tax Discounts – £4.6m, which is a reduction of £0.3m
- Pensions – £1.5m, which is a reduction of £1.7m
- Housing Benefit - £1.2m, which is reduction of £1.6m
- Blue badges – £2.7m, which is an increase of £0.9m

- Housing Waiting Lists - £1.6m which is a decrease of £0.1m
- Creditors - £0.5m, which is a reduction of £0.1m
- Council Tax Reduction Scheme - £0.7m, which is an increase of £0.4m

4.3 From a local perspective, outcomes valued at £75,630 have been recorded for the 2020/21 exercise as follows:

Area	No. Of Cases	Fraud	Error	Financial Outcome
HB Claimants	4	4	0	£19,230
Council Tax Reduction/Discount	19	19	0	£38,377
Creditors	2	0	2	£18,023
Blue Badge	184	42	142	£105,800 (Notional)
TOTAL	213	69	144	£75,630

4.4 In relation to the business rates pilot exercise, 4 cases of fraud were identified with an associated financial outcome of £57,279.

4.5 The report recommends that:

- All participating bodies in the NFI exercise should ensure that they maximise the benefits of their participation. This includes reviewing matches timeously and prioritising high-risk matches. NFI users should review the guidance within the NFI secure web application to help ensure the most effective use of limited resources when reviewing and investigating NFI matches.
- The NFI self-appraisal checklist should be reviewed by the audit committee, or equivalent, and staff leading the NFI process. This is to ensure that their organisation's planning, approach and progress during the next NFI exercise is appropriate.
- Where local auditors have identified specific areas for improvement, participating bodies should act on these as soon as possible.

4.6 In response to the recommendations, a copy of the completed self-appraisal checklist is attached at Appendix 1. This highlights the good progress the Council continues to make in undertaking counter-fraud activities.

5. Personnel Implications

5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

7.1 The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. This can lead to process risks being identified during the investigation of matches and internal controls being strengthened to reduce the risk of fraud and error recurring in the future and improve the Council's control environment.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

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Date: 14 October 2022

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Appendix 1: NFI Self-appraisal checklist

Background Papers: None

Wards Affected: All wards