

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead - Resources****Audit Committee: 16 September 2020**

Subject: National Fraud Initiative 2018/19**1. Purpose**

- 1.1** The purpose of this report is to inform Members of the Audit Scotland Report “National Fraud Initiative 2018/19” published in July 2020 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 2021 Audit Committee outlining the Council’s progress with the 2020-2021 exercise.

3. Background

- 3.1** The NFI in Scotland is now well established with this being the 7th 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 In terms of key messages, the report identified the following:

- The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched and controls and governance are changing.
- Since the last report in July 2018, outcomes valued at £15.3m have been recorded. The cumulative outcomes from the NFI in Scotland since the first exercise in 2006/07 are now £143.6m. Across the UK, the cumulative total of NFI outcomes are now £1.93bn.
- NFI outcomes in Scotland have fallen by £2.4m in the 2018/19 exercise, despite an increase in participating bodies. Reduced levels of outcomes could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.
- Most organisations demonstrate a strong commitment to counter-fraud and the NFI. Some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.

4.2 Since the last exercise in 2016/17, the areas with significant changes are as follows:

- Council Tax Discounts – £4.9m, which is an increase of £0.5m
- Pensions – £3.2m, which is a reduction of £2.2m
- Housing Benefit - £2.8m, which is an increase of £0.7m
- Blue badges – £1.8m, which is a reduction of £0.7m
- Housing Waiting Lists - £0.7m which is an increase of £0.5m

- Creditors - £0.6m, which is a reduction of £0.5m
- Residential Care homes - £0.4m, which is a reduction of £0.5m
- Council Tax Reduction Scheme - £0.3m, which is a reduction of £0.2m

4.3 From a local perspective, outcomes valued at £70,598 have been recorded for the 2018/19 exercise as follows:

Area	No. Of Cases	Fraud	Error	Financial Outcome
HB Claimants	836	29	9	£42,971
CTRS	1,242	6	5	£27,627
Creditors	2,824	0	0	0
Blue Badge	205	0	132	£75,900(Notional)
Housing tenants/Waiting list	283	0	0	0
Personal Budgets	4	0	0	0
Private Residential Care Homes	37	0	0	0
Right To Buy	401	0	0	0
Procurement	53	0	0	0
Payroll	102	0	0	0
TOTAL	5,987	35	146	£70,598

4.4 The report recommends that:

- All participants should be aware of emerging fraud risks, e.g. due to Covid-19, and take appropriate preventative and detective action.
- All participants in the NFI exercise should ensure that they maximise the benefits of their participation. They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.
- Audit committees, or equivalent, and staff leading the NFI should review the NFI self-appraisal checklist. This will ensure they are fully informed of their organisation's planning and progress in the 2020/21 NFI exercise.
- Where local auditors have identified specific areas for improvement, participants should act on these as soon as possible.

4.5 In response to the recommendations, a copy of the completed self-appraisal checklist is attached at Appendix 2. This highlights the good progress the Council has made in undertaking counter-fraud activities. In addition, there were no specific areas for improvement identified by Audit Scotland in their Interim Audit Letter in relation to the Council's engagement in the 2018/2019 NFI exercise.

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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Appendix 1:	Audit Scotland Report – National Fraud Initiative 2018-19 (July 2020)
Appendix 2:	NFI Self-appraisal checklist
Background Papers:	None
Wards Affected:	All wards