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**Report to: Audit and Finance Committee**

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**Date of Meeting: 16<sup>th</sup> November 2017**

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**Subject: The National Fraud Initiative**

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**Report by: Head of Resources & Governance**

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## **1.0 Purpose**

- 1.1. Following the report by the council's External Auditor presented to Council in September and the attention drawn to the Council's performance on investigating National Fraud Initiative (NFI) matches, this report updates Committee on progress to date and provides some context on the national NFI exercise and the circumstances that led to the lower than expected match investigations

## **2.0 Recommendations**

- 2.1. The Committee is invited to note the background, current context and the progress that has been made.

## **3.0 Considerations**

- 3.1 The National Fraud Initiative (NFI) is a counter-fraud exercise coordinated in Scotland by Audit Scotland that runs every two years. It matches electronic data within and between public bodies to find fraudulent or mistaken payments made by participating public bodies. In the past 10 years, over £110m of "fraud and error" has been uncovered in Scotland.

- 3.2 The recovered money is the result of overpayments and incorrect discounts and benefits being paid, such as pensions paid into accounts of people who have died or housing benefit paid to students. Other areas include:

- Blue Badges still being provided to deceased persons,
- employees connected to external companies that the employee may not have declared as an interest,

- a person's immigration status and whether they have a 'right to in the UK

3.3 More than 100 public bodies across central government, local government and health participated in the last NFI, which led to 5,939 overpayments worth approximately £4.6m being recovered.

3.4 A total of £16.8m worth of error was recorded in the two years since the previous NFI report in 2014, including 4,846 council tax discounts reduced or cancelled, 194 pensions stopped, 3,073 blue badges stopped or flagged up for further checks and 868 housing benefit payments stopped or reduced (national figures).

3.5 This brings the cumulative total since the NFI began in 2006 to £110m in Scotland and £1.39bn across the UK.

3.6 The figures include detected fraud, error, overpayments and recoveries as well as estimated future losses that have been prevented.

#### **4.0 NFI in Clackmannanshire: Brief Analysis of the 2016/17 NFI Exercise**

4.1 Clackmannanshire Council has been an active participant in the NFI since its inception. The Council has always and still does value the benefit of identifying fraud and error which also aligns with the CIPFA/Accounts Commission recommendations for 'protecting the public pound' (2008).

#### **5.0 2016/17 NFI Exercise**

5.1.1. Clackmannanshire Council provided Audit Scotland with the required data within the timescale specified by Audit Scotland and no significant problems were encountered in achieving this requirement. The data was processed in accordance with the Data Protection Act, it was then cross-referenced with other data held by government departments such as the Department for Works and Pensions (DWP), Her Majesty's Revenue and Customs (HMRC) and Companies House among others.

5.1.2. The cross-matching process identified a total of 1352 cases where inconsistencies exist between data-sets and the resulting matches were referred to the council for further investigation. Of this group, 472 are identified as "recommended" which in effect affords them a higher priority than the remaining matches. A more detailed breakdown of the types, numbers and outcomes of matches is provided at Appendix 1.

5.1.3. Because of internal restructuring and reduction in staffing, engagement with the current NFI experienced some initial administrative delay in conducting assessments of the current exercise matches. Work was ongoing led by Resources and Governance with colleagues from other service teams,

particularly Revenues and Benefits, to identify how work could be best managed within existing workloads. This delay was identified and commented on by external audit in their report to Council in September 2017 and it was noted that only 2% of matches had been investigated. By the time the external audit report to council was presented, management intervention had re-focused attention towards completing the NFI and at the time of this report over 54% of matches have now been assessed, investigated and concluded.

5.1.4. The highest proportion of interventions involves Council Tax and Housing benefit. These matches also provide the largest number of cases where fraud and/or error was identified and have resulted in the identification of around £28,000 of fraud/error (to date). At the time of reporting, further intervention in Council Tax matches was ongoing therefore the figure quoted is likely to change on completion of this particular match report.

5.1.5. Of the remainder of matches provided, no significant events involving fraud and/or error were identified.

## **5.2. Observations & Commentary**

5.2.1. The principal reason for the slower than expected engagement by Audit Scotland was the result of changes in staffing since the last NFI exercise. The management intervention has seen completion of over 50% of the exercise (at October 2017).

5.2.2. In general the relevant cleanliness of the data held by the Council translates directly into the quality of the matches it receives. The reality being the cleaner the data held by each body, the increased likelihood that any high priority matches identified warrant further investigation.

5.2.3. Data matching performs a snapshot of the various data held at a specific point in time, consequently some data may be obsolete before the matches are provided to the relevant investigating bodies. An example of this is the data held on the electoral register which takes a snapshot of persons living at a particular household on a particular date. If the house is sold, soon after compilation of the register or if a member of the household marries or dies, then the data is effectively useless by the time it is subject to cross reference examination. The consequence of this is that employees time is being spent examining information that is already known.

5.2.4. As with previous NFI exercises, priority was given to matches defined as 'high risk'. Of these matches, the majority of savings identified have been in the areas associated with the payment of housing benefits and Council tax reductions.

5.2.5. From all other cases examined, it is clear that –as in previous NFI exercises– most matches were the result of different data being held by different organisations e.g. someone describing themselves as *Mr A. N. Other* to

agency 1, and *A. N. Other* to agency 2. The resulting omission of 'Mr' in agency 2's database will produce a match that has to be examined. The vast majority of matches looked at, produced little return other than to correct data.

- 5.2.6. There is a need by services to examine their administrative arrangement that impact on NFI matches. For example, in the area of blue badges, 55 cases were identified for examination, and on checking these cases, it was found that the Council had already been notified that the blue badge holder was deceased. The only benefit from this match was to establish if the blue badge had been returned to the authority.

## **6.0 Future Planning**

- 6.1 In order to ensure proper and focused engagement with future NFI exercises, a more systematic NFI work-plan will be put in place that identifies and targets specific assignees to undertake or oversee the completion of particular data match reports, relative to their area of work. For example, the team leader/service manager revenues would have responsibility for overseeing Council Tax and housing benefit matches, similarly, Blue Badge matches would be the responsibility of the team leader (Roads/transport).
- 6.2 The NFI has to be completed within a specified timeframe, therefore a more focused and systematic work-plan should have key dates by which progress could be monitored and assessed and –where required- would allow senior management to better gauge the need for any intervention to ensure targets are being met and the exercise is completed within the timeframe. (see appendix 2).
- 6.3 Spreading the burden by broadening the pool of employees responsible for completing data matches, should ensure that timeframes are met and may actually prove beneficial in reducing the overall cost of administering the NFI.

## **7.0 Conclusion**

- 7.1 The National Fraud Initiative has played an important role in tackling fraud and error in and between public sector bodies over the past two decades. In previous years the Council have enjoyed significant savings through detected fraud and error, thereby providing justification from a purely financial sense for conducting the initiative.
- 7.2 In preparation for future NFI commitments, a more structured approach to the exercise should ensure rapid and systematic engagement with the exercise. By widening the onus of responsibility for engagement and completion of the various NFI matches, should result in the exercise being completed more efficiently and within the specified time allotted.

## 8.0 Sustainability Implications

8.1 None

## 9.0 Resource Implications

9.1 *Financial Details*

9.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

9.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes

9.4 *Staffing*

9.5 Reduction in staffing may impact on Councils ability to fully engage in future NFI exercises

## 10.0 Exempt Reports

10.1 Is this report exempt? Yes  (please detail the reasons for exemption below) No

## 11.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

The area has a positive image and attracts people and businesses

Our communities are more cohesive and inclusive

People are better skilled, trained and ready for learning and employment

Our communities are safer

Vulnerable people and families are supported

Substance misuse and its effects are reduced

Health is improving and health inequalities are reducing

The environment is protected and enhanced for all

The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

## 12.0 Equalities Impact

12.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
 Yes  No

**13.0 Legality**

130.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

**14.0 Appendices**

14.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 Examples Type of Matches

Appendix 2 Examples NFI Action Plan

**15.0 Background Papers**

15.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)  
 Yes  (please list the documents below) No

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Richard Saunders	Senior Auditor	6209

**Approved by**

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources & Governance	
Nikki Bridle	Depute Chief Executive	

## Appendix 1

	TYPE OF MATCH	CASES	CASE STATUS				SAVINGS		
	 Housing Benefit Claimants to Student Loans	11 20	 Closed	20	0	0	1	£277.38	High
<b>13</b>	 Housing Benefit Claimants to Payroll	0 17	 Closed	17	0	0	2	£13,234.85	High
<b>14</b>	 Housing Benefit Claimants to Payroll	0 9	 Closed	9	0	0	6	£4,523.97	High
<b>14.1</b>	 Housing Benefit Claimants to Pensions	0 127	 Closed	127	0	0	1	£702.99	High
<b>17</b>	 Housing Benefit Claimants to Payroll	0 14	 Closed	14	0	0	0	£1,238.41	Address
<b>18</b>	 Housing Benefit Claimants to Payroll	0 9	 Closed	9	0	0	4	£7,807.25	Address
<b>18.1</b>	 Housing Benefit Claimants to Pensions	0 9	 Closed	9	0	0	0	£538.75	Address
<b>27</b>	 Housing Benefit Claimants to Housing Benefit Claimants	0 1	 Closed	1	0	0	0	£0.00	High
<b>33</b>	 Housing Benefit Claimants to Housing Tenants	0 1	 Closed	1	0	0	0	£0.00	Medium
<b>34</b>	 Housing Benefit Claimants to Right to Buy	0 5	 Closed	5	0	0	0	£0.00	High
<b>45.1</b>	 Housing Benefit Claimants to Insurance Claimants	0 1	 Closed	1	0	0	0	£0.00	High
<b>45.5</b>	 Housing Benefit Claimants to Insurance Claimants	0 1	 Closed	1	0	0	0	£0.00	Address
<b>47.1</b>	 Housing Benefit Claimants to Taxi Drivers	1 10	 Closed	0	0	0	0	£0.00	High
<b>47.2</b>	 Housing Benefit Claimants to Taxi Drivers	0 1	 Closed	0	0	0	0	£0.00	High
<b>47.3</b>	 Housing Benefit Claimants to Taxi Drivers	0 1	 Closed	1	0	0	0	£0.00	Medium
<b>47.5</b>	 Housing Benefit Claimants to Taxi Drivers	0 8	 Closed	0	0	0	0	£0.00	Address
<b>47.6</b>	 Housing Benefit Claimants to Taxi Drivers	0 1	 Closed	1	0	0	0	£0.00	Address

	TYPE OF MATCH	CASES	CASE STATUS					SAVING	
<b>48.1</b>	 Housing Benefit Claimants to Personal alcohol licences	0 1	 Closed	1	0	0	0	£0.00	High
<b>48.2</b>	 Housing Benefit Claimants to Personal alcohol licences	0 1	 Closed	1	0	0	0	£0.00	High
<b>48.5</b>	 Housing Benefit Claimants to Personal alcohol licences	0 1	 Closed	1	0	0	0	£0.00	Address
<b>49.1</b>	  Housing Benefit Claimants to DWP Deceased	6 23	 Closed	0	0	0	0	£0.00	High
<b>66</b>	   Payroll to Payroll	0 31	 Closed	31	0	0	0	£0.00	High
<b>78</b>	 Payroll to Pensions	0 7	 Closed	0	0	0	0	£0.00	Info
<b>81</b>	 Payroll to Creditors	3 7	 Closed	7	0	0	0	£0.00	Address
<b>91</b>	 Housing Benefit Claimants to Waiting List	0 14	 Closed	14	0	0	3	£622.13	High
<b>100</b>	 Housing Tenants to Housing Tenants	0 5	 Closed	5	0	0	0	£0.00	High
<b>102.2</b>	 Housing Tenants to Housing Tenants - Phone Number	46 51	 Closed	51	0	0	0	£0.00	High
<b>102.3</b>	 Housing Tenants to Housing Tenants - Email Address	0 1	 Closed	1	0	0	0	£0.00	High
<b>103</b>	  Housing Tenants to Housing Tenants	2 5	 Closed	5	0	0	0	£0.00	Medium
<b>103.2</b>	 Housing Tenants to Housing Tenants - Phone Number	14 14	 Closed	14	0	0	0	£0.00	High
<b>104</b>	 Housing Tenants to In-Country Immigration	1 1	 Closed	1	0	0	0	£0.00	High
<b>111</b>	 Housing Tenants to Housing Benefit Claimants	1 2	 Opened	2	0	0	0	£0.00	High
<b>120</b>	  Housing Tenants to DWP deceased	0 47	 Closed	47	0	0	0	£0.00	High
<b>151.1</b>	 Right to Buy to Housing Tenants - Phone Number	0 2	 Closed	2	0	0	0	£0.00	High
<b>156</b>	  Right to Buy to Housing Benefit Claimants	0 9	 Closed	9	0	0	0	£0.00	High
<b>172.1</b>	  Blue Badge Parking Permit to DWP Deceased	38 55	 Closed	38	0	0	0	£0.00	High
<b>173</b>	  Private Residential Care Homes to DWP Deceased	11 21	 Closed	21	0	0	0	£0.00	High

	TYPE OF MATCH		CASES	CASE STATUS				SAVING		
<u>180.5</u>	 Insurance Claimants to Insurance Claimants	0	1	 Closed	1	0	0	0	£0.00	Address
<u>180.6</u>	 Insurance Claimants to Insurance Claimants	0	1	 Closed	1	0	0	0	£0.00	Address
<u>701</u>	 Duplicate creditors by creditor name	0	28	 Closed	28	0	0	0	£0.00	High
<u>702</u>	 Duplicate creditors by address detail	0	18	 Closed	18	0	0	0	£0.00	High
<u>703</u>	 Duplicate creditors by bank account number	0	8	 Closed	8	0	0	0	£0.00	High
<u>708</u>	  Duplicate records by amount and creditor reference	25	122	 Closed	122	0	0	1	£0.00	High
<u>710</u>	  Duplicate records by name, invoice number and amount but different creditor reference	0	2	 Closed	2	0	0	0	£0.00	High
<u>711</u>	  Duplicate records by invoice number and amount but different creditor reference and name	0	2	 Closed	2	0	0	0	£0.00	High
<u>713</u>	 Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	0	2	 Closed	2	0	0	0	£0.00	High
<u>750</u>	  Procurement - Payroll to Companies House (Director)	4	5	 Closed	5	0	0	0	£0.00	High
<u>752</u>	  Procurement - Payroll to Companies House (Director)	9	14	 Closed						



**NFI Action Plan (example)**

<b>What</b>	<b>Responsible person(s)</b>	<b>When</b>	<b>Action Required</b>	<b>Further action</b>
<b>Oversee NFI Exercise</b>	<b>S.95 officer. Head of Resources &amp; Governance</b>	<b>On initial contact from Audit Scotland until conclusion</b>	<b>Head of R&amp;G to oversee arrangements to comply with fulfilling requirements of NFI</b>	<b>Ongoing regular monitoring throughout NFI exercise</b>
<b>Provide Data To Audit Scotland</b>	<b>Service Manager IT</b>	<b>By date specified by Audit Scotland</b>	<b>Take copies of required data in specified format and forward by due date to Audit Scotland</b>	
<b>Council tax Reduction Scheme</b>	<b>Team Leader: Revenues</b>	<b>By Date Specified</b>	<b>Examine High Risk cases to ascertain if possible fraud or error</b>	<b>If error – Record this on system. If Fraud, make further enquiries and record outcomes</b>
<b>Housing Benefit matches</b>	<b>Team Leader/co- ordinator: Revenues</b>	<b>By Date Specified</b>	<b>Examine High Risk cases to ascertain if possible fraud or error</b>	<b>If error – Record this on system. If Fraud, make further enquiries and record outcomes</b>
<b>Tenancy Matches</b>	<b>Team Leader: Allocations</b>	<b>By Date Specified</b>	<b>Examine High Risk cases to ascertain if possible fraud or error</b>	<b>If error – Record this on system. If Fraud, make further enquiries and record outcomes</b>
<b>Payroll/Pensions/Cre ditors:</b>	<b>Payroll co- ordinator</b>	<b>By Date Specified</b>	<b>Examine High Risk cases to ascertain if possible fraud or error</b>	<b>If error – Record this on system. If Fraud, make further enquiries and record</b>

<b>What</b>	<b>Responsible person(s)</b>	<b>When</b>	<b>Action Required</b>	<b>Further action</b>
				<b>outcomes</b>
<b>Creditors:</b>	<b>Accountancy Team Leader</b>	<b>By Date Specified</b>	<b>Examine High Risk cases to ascertain if possible fraud or error</b>	<b>If error – Record this on system. If Fraud, make further enquiries and record outcomes</b>
<b>Blue Badges:</b>	<b>Roads/Transport Team Leader</b>	<b>By Date Specified</b>	<b>Examine High Risk cases to ascertain if possible fraud or error</b>	<b>If error – Record this on system. If Fraud, make further enquiries and record outcomes</b>
<b>Licensing (Taxi's / Liquor / other)</b>	<b>Licensing Officer</b>	<b>By Date Specified</b>	<b>Examine High Risk cases to ascertain if possible fraud or error</b>	<b>If error – Record this on system. If Fraud, make further enquiries and record outcomes</b>
<b>Insurance matches</b>	<b>Insurance Officer</b>	<b>By Date Specified</b>	<b>Examine High Risk cases to ascertain if possible fraud or error</b>	<b>If error – Record this on system. If Fraud, make further enquiries and record outcomes</b>