

Report To: Audit Committee **Date:** 26 February 2019

Report By: Corporate Director Environment Regeneration and Resources **Report No:** AC/04/19/SA/APr

Contact Officer: Andi Priestman **Contact No:** 01475 712251

Subject: The National Fraud Initiative In Scotland – 2018/2019 Exercise

1.0 PURPOSE

- 1.1 The purpose of this report is to update Members on the current position with regard to the National Fraud Initiative in Scotland 2018/2019 Exercise.

2.0 SUMMARY

- 2.1 The National Fraud Initiative (NFI) is now well established with the 2018/2019 exercise, being the 7th biennial exercise since 2006. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error.
- 2.2 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.
- 2.3 For 2018/2019, data matches were released on 31 January 2019. Inverclyde Council's matches are set out in the undernoted table:

| Data Set | Fraud Risk Rating | | | | Total |
|--------------------------------|-------------------|-----------|------------|------------|------------|
| | H | M | L | Nil | |
| Blue Badge Parking Permit | 159 | 42 | 0 | 0 | 201 |
| Housing Benefit Claimants | 45 | 27 | 144 | 141 | 357 |
| Payroll | 9 | 8 | 0 | 22 | 39 |
| Personal Budgets | 4 | 0 | 3 | 0 | 7 |
| Private Residential Care Homes | 23 | 22 | 0 | 0 | 45 |
| Total | 240 | 99 | 147 | 163 | 649 |

- 2.4 The Cabinet Office has advised of the late release of other datasets including Council Tax Reduction Scheme, Creditors and Procurement as work in ongoing to finalise the matches for these datasets. An updated will be provided to the April Audit Committee meeting.
- 2.5 The 2018/2019 NFI exercise will be monitored by Internal Audit as part of the 2018/2019 and 2019/2020 Annual Audit Plans and an update on progress will be provided on a regular basis to Audit Committee.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Audit Committee notes the contents of this report and agrees that further updates are provided to Audit Committee as part of the Internal Audit Progress report outlining the Council's progress with the 2018-2019 exercise.

Scott Allan
Corporate Director Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 The NFI in Scotland is now well established with this being the 6th 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.
- 4.2 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.
- 4.3 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.
- 4.4 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.
- 4.5 Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (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.

5.0 CURRENT POSITION

5.1 For 2018/2019, data matches were released on 31 January 2019. Inverclyde Council's matches are set out in the undernoted table:

| Data Set | Fraud Risk Rating | | | | Total |
|--------------------------------|-------------------|-----------|------------|------------|------------|
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5.2 The Cabinet Office has advised of the late release of other datasets including Council Tax Reduction Scheme, Creditors and Procurement as work in ongoing to finalise the matches for these datasets. An updated will be provided to the April Audit Committee meeting.

5.3 The 2018/2019 NFI exercise will be monitored by Internal Audit as part of the 2018/2019 and 2019/2020 Annual Audit Plans and an update on progress will be provided on a regular basis to Audit Committee.

6.0 IMPLICATIONS

Finance

6.1 There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report | Virement From | Other Comments |
|-------------|----------------|--------------|----------------------------|---------------|----------------|
| N/A | | | | | |

Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact | Virement From (if Applicable) | Other Comments |
|-------------|----------------|------------------|-------------------|-------------------------------|----------------|
| N/A | | | | | |

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 There are no direct equalities implications arising from this report.

Repopulation

6.5 There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 Relevant officers have been consulted in the preparation of this report.

8.0 LIST OF BACKGROUND PAPERS

8.1 Internal Audit Progress Report AC/27/18/SA/APr