

REPORT TO: Audit and Governance Committee

MEETING DATE: 21 January 2014

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – National Fraud Initiative

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the work undertaken on the 2012/13 National Fraud Initiative.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the report.

3 BACKGROUND

- 3.1 The National Fraud Initiative (NFI) is a data matching exercise, which is led by Audit Scotland and runs every two years. The purpose of the exercise is to match electronic data (e.g. names, addresses, Dates of Birth, National Insurance Numbers), both within and between participating bodies, to detect fraud and overpayments.
- 3.2 East Lothian Council, along with other local authorities and public sector bodies, participates in the NFI data matching exercise. NFI seeks to help participating bodies identify possible cases of fraud and detect and correct any over or under payments. The data for NFI in Scotland is processed by the Audit Commission on behalf of Audit Scotland.
- 3.3 As part of the 2012/13 NFI exercise, the data submitted to the Audit Commission for data matching purposes included the following:
- Payroll Information
 - Housing Benefit Claimants
 - Council Tax Benefit Claimants
 - Housing Tenancy Details
 - Payments to Private Residential Care Homes
 - Right to Buy Information
 - Blue Badges and Resident Parking Permits
 - Creditors Information
 - Insurance Information

- 3.4 The output of the data matching process (i.e. reports of data matches) is returned to the Council for consideration and investigation. Data matches do not in themselves indicate fraud, but rather identify cases, which may require further investigation.
- 3.5 In East Lothian Council, staff within Revenues have responsibility for investigating matches involving Housing or Council Tax Benefit. In addition, other areas within the Council also review matches on specific areas e.g. Blue Badges and Resident Parking Permits.
- 3.6 This report outlines the outcome of the investigations undertaken in respect of NFI matches. The Audit Commission identifies recommended matches – matches that are most likely to indicate possible fraud or overpayments.
- 3.7 As part of the audit plan, we have reviewed the following reports. The findings from our audit work are outlined below:

Report Number	Report Title	Total Matches	Recommended Matches
80/81	Payroll to Creditors	38	25
102/103	Housing Tenants to Housing Tenants	13	10
111/113	Housing Tenants to Housing Benefit Claimants	26	14
156	Right to Buy to Housing Benefit Claimants	3	3
173	Private Residential Care Homes to DWP Deceased	77	3
180.5	Insurance Claimants to Insurance Claimants	4	1
708	Duplicate records by amount and creditor reference	1,773	160
709	VAT overpaid	4	1
711	Duplicate records by invoice number and amount but different creditor reference and name	86	8
713	Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	15	2

Payroll to Creditors

- 3.8 We examined 2 reports in this category – the matches identify instances where a Council employee and creditor are linked by the same bank account or the same address. The purpose of the reports was to identify undeclared interests, possible procurement corruption and creditor accounts being set up to receive unauthorised payments.

- 3.9 We reviewed the 25 recommended matches and found that adequate explanations were available – in two cases employees had provided services on a self-employed basis before being employed by the Council. For one of these cases further investigation is currently in progress. In the remaining 23 cases satisfactory explanations were obtained.

Housing Tenants to Housing Tenants

- 3.10 We examined 2 reports in this category – the reports identify individuals who appear to be resident at 2 different addresses suggesting possible cases of subletting or dual tenancies.
- 3.11 Of the 10 recommended matches, we found that satisfactory explanations were obtained in 7 cases – for the remaining 3 cases we are awaiting clarification from other Local Authorities.

Housing Tenants to Housing Benefit Claimants

- 3.12 We examined the 14 recommended matches and found that no further investigation was required in 12 cases where the National Insurance Number did not match, indicating that the matches were from different claimants. Of the remaining 2 cases, we found that in one case no National Insurance Number was available, for the other case the Date of Birth and National Insurance Number were a direct match – for both these cases further enquiries are being carried out to obtain additional information.

Right to Buy to Housing Benefit Claimants

- 3.13 This match sought to identify cases where a person appeared to have disposed of a right to buy property as they were now claiming housing benefit or were living at a different address.
- 3.14 We examined the 3 recommended matches and found that in one case the Right to Buy application did not proceed. For the remaining 2 cases, we note that the person who had purchased the property is the current occupier and is no longer claiming housing benefit.

Private Residential Care Homes to DWP Deceased

- 3.15 This report matched payments made by the Council to private residential care homes with DWP deceased records. The report sought to highlight cases where a resident had died, but the Council may have continued to make payments to the care home.
- 3.16 Although the report recommended 3 matches for investigation we have examined all 77 matches identified in this category. We found that in 73 cases no overpayments had occurred and the Council had paid residential care charges for the correct period. However in the remaining 4 cases, we found that overpayments had occurred – the total overpayments identified were approximately £7,900.
- 3.17 Where overpayments were identified, the residential home was contacted and a credit note was requested for the amount of the overpayment. We note that in all cases the overpayments have now been recovered.

Insurance Claimants to Insurance Claimants

- 3.18 The purpose of the report was to identify serial claimants either within or between authorities.
- 3.19 We examined all 4 matches in this report and found that in 2 cases no insurance payments were made. For the remaining 2 cases we found that in 1 case the claim related to both a motor claim and a personal injury claim. In the remaining case, 2 claims were made by members of the same household – both claims were settled but related to different incidents.

Duplicate records by amount and creditor reference

- 3.20 This report highlights possible duplicate payments that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.
- 3.21 A total of 1,773 matches were identified of which 160 were recommended matches. We are currently reviewing the matches highlighted in this report.

Duplicate records by invoice number and amount but different creditor reference and name

- 3.22 This match highlighted possible duplicate payments for the same goods/services but to creditors with different creditor reference numbers and names.
- 3.23 The report highlighted 86 matches of which 8 were recommended matches. In 4 cases, we found that the same amount of grant had been paid to separate organisations and the payments were not duplicate payments. We are currently reviewing the remaining 4 cases.

Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date

- 3.24 This report highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.
- 3.25 We investigated the 2 recommended matches and found that adequate explanations were available in respect of both matches identified.

VAT overpaid

- 3.26 This report identifies instances where VAT may have been overpaid. This is based on the information provided within the NFI invoice history data submission and the output includes the level and scale of overpaid VAT.
- 3.27 We examined the one recommended match in this category and found that an input error resulted in an overpayment being recorded on the ledger system (the VAT amount was input as £63,110.26 rather than £6,311.26). We found that the input error was promptly identified and corrected by the department before the payment was made and that the VAT ledger code was adjusted appropriately.

Blue Badge Parking Permit /Resident Parking Permit

- 3.28 The following reports relate to Blue Badge Parking Permits and Resident Parking Permits and have been matched to DWP deceased records – the reports identify cases where the permit holder has died, but the Council may not have been notified.

Report Number	Report Title	Total Matches	Recommended Matches
172.1	Blue Badge Parking Permit to DWP Deceased	276	241
172.3	Resident Parking Permit to DWP Deceased	17	17

- 3.29 The Council's Transportation Section have been provided with both reports and are reviewing all the matches to ensure that appropriate action has been taken.

Housing Benefits

- 3.30 All reports identifying matches relating to housing benefit claimants are investigated by the Council's Revenues Section. This includes matches relating to student loans, payroll, pensions, market traders, taxi drivers and holders of personal alcohol licences.
- 3.31 At the time of writing our report a number of cases were in progress and were being investigated – 1 case was being referred to the Procurator Fiscal and in a further case the claimant was being interviewed under caution.
- 3.32 The amount of any fraud or overpayments identified will be quantified and entered on the NFI website on conclusion of the cases.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
- 6.2 Personnel - None
- 6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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