

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 February 2018

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 2016/17 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 Cabinet Office on behalf of Audit Scotland.
- 3.3 As part of the 2016/17 NFI exercise, the Council submitted data for the following areas:
- Housing (Current Tenants, Waiting List and Right to Buy)
 - Payroll
 - Private Supported Care Home Residents
 - Transportation (Residents Parking Permits)
 - Council Tax and Electoral Register
 - Direct Payments
 - Creditors (Standing Data and Payment History)
 - Licences (Market Trader, Taxi Driver and Personal Alcohol Licences)
 - Council Tax Reduction Scheme
- 3.4 In addition, details of insurance claimants were submitted directly by the Council's insurers, Benefits details were submitted by the DWP and Blue Badge

details were submitted directly by Northgate Public Services on behalf of the Council.

- 3.5 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.
- 3.6 This report provides a summary of the outcome of the investigations undertaken for the 2016/17 NFI matches. A total of 107 reports were received in respect of East Lothian Council – the reports contained 3,152 individual matches, of which 578 were recommended matches. Internal Audit are reviewing all recommended matches, together with other additional matches that have been selected on a risk based approach.
- 3.7 As at 8 February 2018, 477 matches have been fully investigated and closed. Of the 477 matches, we found that:
- in 363 cases, no fraud or errors were identified;
 - in 109 cases, errors were identified in respect of Blue Badges and Residents Parking Permits and in each case appropriate action was taken by the Council's Transportation section to either cancel the permit/badge or to update the system with the correct information;
 - in the remaining 5 cases, overpayments of £52,515.24 were identified.
- 3.8 The overpayments of £52,515.24 related to the following:
- £5,512.82 related to payments which the Council had continued to make to a residential home after the resident's death. This amount has now been recovered from the residential home.
 - £35,023.42 related to 2 duplicate payments (£24,533.18 and £10,490.24) made to the same contractor. The contractor has acknowledged both overpayments and the Council is currently in the process of recovering these amounts.
 - £11,808 relates to a duplicate payment made to a separate contractor. The service area is currently liaising with the contractor to ensure recovery of the overpayment.
 - £171 related to input error – VAT was incorrectly posted on the Creditors system as £190.03 rather than £19.03. This resulted in the supplier being overpaid by £171 and VAT being over claimed by £171. Recovery of this amount from the supplier is currently in progress.
- 3.9 In addition to the above, the Council's Revenues section receive separate reports on Council Tax and Electoral Register matches – the matches identify cases where Single Person Discount may have been incorrectly awarded.
- 3.10 The Council Tax and Electoral Register data was initially uploaded and the matches released in January 2017. The Council resubmitted data in August 2017 as part of the NFI ReCheck process on the basis that the Electoral Register was likely to be more complete due to the General Election and the increase in people registering to vote. A summary of the work being undertaken by the Revenues section is outlined below:
- All matches are being checked and the Council Tax and Benefits systems

updated with details of action taken.

- Checks are being undertaken on previous occupiers to eliminate those who have recently changed address.
- Letters were issued to relevant individuals – where no response was received the Single Person Discount was removed and a revised bill issued.
- In some cases, Single Person Discount was withdrawn and a new bill issued following checks to the Benefits system.

The current status of the work as at 8 February 2018 is as follows:

- 1,640 matches have been investigated and closed with no fraud or error.
- 62 matches are currently being investigated.
- 12 matches have been recorded as fraud and revised bills have been issued to persons who had previously been receiving a Single Person Discount incorrectly. The Council is currently in the process of recovering £3,266.39 in respect of persons who had previously been receiving a Single Person Discount.

3.11 All matches currently being investigated will be concluded prior to 31 March 2018.

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

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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