

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 February 2020

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 2018/19 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 2018/19 NFI exercise, the Council submitted data for the following areas:

- Housing (Current Tenants and Waiting Lists)
- Payroll
- Care Home Residents
- 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, 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 2018/19 NFI matches. A total of 91 reports were received in respect of East Lothian Council – the reports contained 3,640 individual matches, of which 578 were high risk matches. Internal Audit have reviewed all 578 high risk matches. In addition, we have also reviewed other matches that were selected on a risk based approach.
- 3.7 As at 7 February 2020, 997 matches had been fully investigated and closed and 423 matches are currently in progress. Of the 997 matches, we found that:
- in 863 cases, no fraud or errors were identified;
 - in 129 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; and
 - in the remaining 5 cases, overpayments of £115,719.62 were identified which have all now been recovered by the Council.
- 3.8 The overpayments of £115,719.62 related to the following:
- £2,771.57 related to a payment which the Council made to a residential home after the resident's death. This amount has now been recovered from the residential home.
 - £98,615.05 related to 3 creditor payments (£71,018.68, £15,263.51 and £12,332.86) made to different contractors. The contractors have acknowledged and repaid these overpayments to the Council. Systems controls preventing payments of duplicate invoice numbers had not identified these payments as slightly different invoice numbers had been entered in each case.
 - £14,333.00, related to foster care payments to another authority, these are normally made in 3 instalments, in this case this had been paid in 2 instalments initially and a third invoice had been issued and paid in error.
- 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 March 2019, of which 565 investigations have been undertaken and no fraud has been identified. The Council resubmitted data in January 2020 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. From this exercise 1,886 matches are now being investigated for completion by May 2020. 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.

3.11 All other matches currently being investigated from the 2018/19 NFI exercise will be concluded prior to 31 March 2020.

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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