

REPORT TO: Audit and Governance Committee

MEETING DATE: 30 November 2021

BY: Service Manager – Internal Audit

SUBJECT: Internal Audit Report – National Fraud Initiative

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the work undertaken on the 2020/21 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 2020/21 NFI exercise, the Council submitted data for the following areas:
- Housing (Current Tenants and Waiting Lists)
 - Payroll
 - Residents Parking Permits
 - Council Tax and Electoral Register
 - Creditors (Standing Data and Payment History)
 - Taxi Driver Licences
 - Council Tax Reduction Scheme
 - Non-Domestic Rates Small Business Bonus Scheme
 - COVID Business Support Grants
- 3.4 In addition, Benefits details are submitted by the DWP and Blue Badge details are submitted directly by the Blue Badge Digital Service.

- 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 2020/21 NFI matches. A total of 82 reports were received in respect of East Lothian Council – the reports contained 3,104 individual matches, of which Internal Audit have reviewed 906 of the matches considered high risk, using a risk based approach.
- 3.7 As at 19 November 2021, 577 matches had been fully investigated and closed and a further 329 matches are currently in progress. Of the 577 matches, we found that:
- in 482 cases, no fraud or errors were identified;
 - in 87 cases, errors were identified in respect of Blue Badges and in each case appropriate action was taken by the Council to either cancel or not renew the Blue Badge; and
 - in the remaining 8 cases, overpayments/under recovery of income amounting to £102,517.74 was identified which has been or is being recovered by the Council, with the exception of £22,286.94 from a company that has now ceased trading, although recovery will be progressed as far as possible.
- 3.8 The overpayments of £102,517.74 related to the following:
- £98,745.60 related to two duplicate payments made on duplicate completion certificates, approved for payment in error, for completed street lighting work in 2019. On discovery of the overpayment credit notes were raised against the contractor in April 2020. The contractor was contacted on a number of occasions to request repayment, however funds were not available to make the repayment and an agreed programme of work was put in place to repay the outstanding funds, reducing the balance to £22,286.94 by September 2021 when the company has advised that they have ceased trading. Recovery of any sums possible will be progressed, however full recovery is now unlikely.
 - £1,186.68 related to two creditor payments (£662.28 and £524.40) made to different organisations. The organisations have acknowledged and are repaying these overpayments to the Council. These payments were made as these organisations had separate creditor accounts set up with slightly different naming of the organisation, as a result system controls preventing payment of duplicate invoices did not operate. These creditor accounts are being merged into one account to prevent further overpayments.
 - £2,154.80 related to one company who was claiming Small Business Bonus Scheme (SBBS) relief on their business properties in East Lothian, however the business had then become the ratepayer on three other property units in another Scottish Local Authority in December 2020. These additional properties rateable value took the company above the SBBS threshold. Revised bills have now been issued for the 2020/21 financial year for the additional Non-Domestic Rates now due.
 - £430.66 related to an individual who became a member of staff at East Lothian Council in 2020 and had not advised the Council Tax team of the increased salary. The Council Tax bill has subsequently been revised and the underpayment is being recovered.

- 3.9 In addition to the above, the Council's Revenues team 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 2021. An initial review of the 2,016 matches identified 18 duplicate matches and a file of 1,998 matches was then used in February/March 2021 to send letters requesting revised information from all Council Tax payers included within the matches. Responses to all of these requests for information are now being worked through by the Revenues team and to date 2 cases have been classed as fraud and 3 as error by Council Tax payers with £3,427.29 of additional Council Tax being requested from households. Following working of all responses received, reminders will be issued to non-responders prior to any removal of Single Person Discount if appropriate.
- 3.11 All other matches currently being investigated from the 2020/21 NFI exercise will be concluded prior to 31 March 2022.
- 3.12 In addition to the fraud and error identified above payroll matches identified 6 staff members with concurrent secondary employment with another public sector organisation, of these 6 staff members only 2 had completed a secondary employment form as required by the East Lothian Code of Conduct. Line management in each case had been aware of the secondary employment and there are no concerns over the employment undertaken. In 3 cases this secondary employment form has now been completed, in the other case the concurrent employment has now ceased. Management and staff have now been reminded of the requirement to formally record secondary employment as required by the East Lothian Council Code of Conduct.

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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DATE	19 November 2021