

To: POLICY AND RESOURCES (FINANCE & CUSTOMER SERVICES) SUBCOMMITTEE	Subject: NATIONAL FRAUD INITIATIVE	
From: EXECUTIVE DIRECTOR OF FINANCE AND CUSTOMER SERVICES		
Date: 14 August 2012	Ref: AC/KA	

1. Background

- 1.1 The National Fraud Initiative (NFI) is undertaken every two years and the Council has successfully participated since the first exercise in 2004. The NFI is organised by Audit Scotland and is carried out by them under statutory powers added to the Public Finance and Accountability (Scotland) Act 2000 by section 97 of the Criminal Justice and Licensing (Scotland) Act 2010.
- 1.2 The NFI involves 'data matching' which is widely recognised as an important tool in detecting and preventing fraud. Data matching involves comparing different data sets using criteria which allows the identification of inconsistencies and anomalies (e.g. highly paid staff in receipt of Housing or Council Tax Benefit, differences between employment income and income declared on benefit application forms, individuals employed in more than one post, dead people in receipt of pensions, payments made to private residential care homes in respect of dead people, etc). This information is designed to enable public bodies to identify possible anomalies and to follow-up these matches on a targeted and prioritised basis to establish if fraud has occurred and, if so, to take appropriate action.
- 1.3 The NFI has become an important tool in the Council's anti-fraud arrangements allowing investigative resources to be better targeted. Information on the Council's employees, tenants, private care home residents, blue badge parking permit holders and insurance claimants was submitted as part of the NFI in October 2010. The Department for Work and Pensions also submitted information drawn from the Council's Housing Benefit system. Regular progress reports on savings identified and improved control arrangements resulting from issues identified have been submitted to the Audit and Governance Panel. Work undertaken on data matches arising from NFI 2010 has identified savings of approximately £520,000 mainly relating to overpayment of Housing Benefit.

2. NFI 2012 – proposed data sets

- 2.1 We have recently received guidance from Audit Scotland in connection with the latest NFI exercise which is about to commence. Although largely similar to previous NFI exercises, the mandatory data sets required for NFI 2012 include a number of data sets which have either not been submitted before or have not been submitted by the Council for some time. Additionally, some of the data specifications have been updated to include additional guidance and some additional information fields.

2.2 For NFI 2012, there is one additional data set which can be included by councils on a discretionary basis. Guidance indicates that discretionary data sets should be assessed to determine whether they represent areas where the Council is at risk or where benefits would arise from the data being included.

2.3 Management has now considered the mandatory and discretionary data sets and it is proposed that the data sets which will be submitted for NFI 2012 are as follows:

- Payroll – will be matched to payroll records to identify individuals who appear to be employed by the Council and other public sector organisations to identify possible phantom employees (mandatory);
- Housing benefit – will be matched to payroll records to identify individuals who appear to be claiming HB/CTB from the Council or another public body whilst in employment with the Council (or another public body taking part in NFI). These individuals' HB/CTB claims will then be checked to ensure that income has been declared (mandatory);
- Current tenants – will be matched to current tenant records to identify individuals who appear to have multiple tenancies and are possibly sub-letting (mandatory);
- Tenants right to buy – will be matched to housing benefit records to identify individuals who have bought (or are in the process of buying) their house but appear to be claiming HB/CTB (mandatory);
- Disabled parking (blue badges) – will be matched to records of dead persons to confirm cases where badges/travel passes have not been surrendered upon the applicant's death (mandatory);
- Private care home residents – will be matched to dead persons to confirm that private care homes are not claiming income for residents who have passed away (mandatory);
- Taxi licence holders – will be matched to housing benefit records to confirm declaration of income (mandatory);
- Market/street trader licences – will be matched to housing benefit records to confirm declaration of income (mandatory);
- Personal licence for the supply of alcohol – will be matched to housing benefit records to confirm declaration of income (mandatory);
- Creditors payments and standing data – will be matched to other creditors payments and standing data to confirm duplicate payments (mandatory); and
- Personal injury insurance claims – will be matched to other claims to identify persons submitting multiple and possibly fraudulent claims and to housing benefit records to confirm declaration of capital (discretionary).

3. NFI – further considerations

3.1 The information for each of the data sets must be extracted and uploaded to the secure NFI database on 8 October 2012. Internal Audit will liaise directly with Services regarding required data formats and other detailed technical requirements.

- 3.2 The output from the data matching exercise will be provided to the Council in January 2013. The Council will be expected to follow-up these matches on a targeted and prioritised basis to establish if fraud has occurred and, if so, to take appropriate action. Internal Audit will act as a point of receipt for the data matching output, will be involved in an initial high-level review of the data and will also be responsible for ensuring that the Council responds appropriately to the information and prioritises and investigates individual matches.
- 3.3 The Council will be required to provide data under section 97 of the Criminal Justice and Licensing (Scotland) Act 2010. Since the Council will not be volunteering the data for the exercise, data subjects consent is not required. However, in line with good practice, the Council has previously determined that data should not be provided for the exercise unless data subjects have been notified that their information will be used for this purpose and this approach has been endorsed by the Information Commissioner.
- 3.4 The issue will require to be considered in respect of all data sets submitted, although in most cases it is expected that no further action is required where application forms completed by applicants already provide notification that the information may be used for the prevention and detection of fraud. Again Internal Audit staff will liaise directly with Services on this issue and will provide detailed guidance on the required wording and issuing of any such notifications.
- 3.5 When investigations are complete and there is evidence of fraud, the Council will need to ensure that proper consideration is given to how this information is used. The Council's Anti-Fraud Policy makes clear that the Council will be robust in dealing with any persons who attempt to defraud the Council and indicates that the Council's Disciplinary Procedures will be invoked where the outcome of an investigation indicates improper behaviour on the part of employees.

4. Recommendations

- 4.1 The Committee is asked to support the Council's participation in the NFI 2012 and to note the detailed proposals contained in this report.



Executive Director of Finance and Customer Services

For further information please contact Ken Adamson, Audit Manager on 01698 302188