

**NORTH LANARKSHIRE COUNCIL**

**REPORT**

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| To: POLICY AND RESOURCES<br>(FINANCE SUB-COMMITTEE) |             | Subject: NATIONAL FRAUD INITIATIVE<br>2006-2007 |
| From: DIRECTOR OF FINANCE                           |             |   |
| Date: 4 August 2006                                 | Ref: DoF/KA |   |

**1. Background**

- 1.1 The Council participated in the National Fraud Initiative (NFI) in Scotland in 2004-2005. The NFI is organised by Audit Scotland and is carried out by them under powers contained in section 100 of the Local Government (Scotland) Act and section 53 of the Local Government in Scotland Act 2003.
- 1.2 The NFI involves 'datamatching' which is widely recognised as an important tool in detecting and preventing fraud. Datamatching 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 etc). This information is designed to enable public bodies to follow-up these matches on a targeted and prioritised basis to establish if fraud has occurred and to take appropriate action.
- 1.3 Information on the Council's employees and payroll data was submitted as part of the NFI in October 2004. The Department for Work and Pensions also submitted information drawn from the Council's Housing Benefit system.
- 1.4 Work undertaken on datamatches by the Council has identified savings of approximately £450,000 arising from NFI mainly relating to overpayment of Housing Benefit.

**2. NFI 2006 – proposed data sets**

- 2.1 In view of the success of the 2004-2005 exercise, it has been proposed that NFI 2006 should again include payroll and housing benefit information but that additional data sets, some of which are mandatory and some of which are optional, should be added.
- 2.2 Guidance indicates that the list of proposed data sets should be assessed to determine whether these represent areas where the Council is at risk or where benefits would arise from the data being included.
- 2.3 The Council's Audit Manager has considered the optional data sets and prepared proposals which the Corporate Management Team agreed in May 2006. It is proposed that the data sets which will be submitted for NFI 2006 are as follows:
  - Payroll – will be matched to payroll records to identify individuals who appear to be employed by the Council and another organisation;

- Payroll – will be matched to housing benefit records to identify individuals employed by the Council who are claiming HB/CTB from another authority;
- Housing benefit – will be matched to payroll records to identify individuals who appear to be claiming HB/CTB from the Council whilst in employment with the Council (or another public body taking part in NFI);
- 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;
- Former tenants with rent arrears > £1,000 where a current address is not available – will be matched to housing benefit and other rent records to identify current addresses;
- 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;
- 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; and
- Taxi licence holders and market/street traders' licences – will be matched to HB/CTB to confirm declaration of income.

### **3. NFI – the next steps**

- 3.1 The information for each of the data sets will be extracted in October 2006 and the output from the datamatching exercise will be provided to the Council in January 2007. The Council will be expected to follow-up these matches on a targeted and prioritised basis to establish if fraud has occurred and to take appropriate action.
- 3.2 Internal Audit will act as a point of receipt for the datamatching output and will be involved in an initial review of the data. Internal Audit will also be responsible for ensuring that the Council responds appropriately to the information and prioritises and investigates individual matches.

### **4. Further considerations**

- 4.1 As data for the NFI is required to be provided under section 100 of the Local Government (Scotland) Act 1973, it will not be necessary to obtain data subjects' consent. 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. This will require to be considered in respect of all datasets submitted, although in some cases no further action may be required where application forms completed by applicants already provide notification that the information provided by them may be used for the prevention and detection of fraud. Council employees will be notified of the exercise in September via an insert in payslips.

- 4.2 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.
- 4.3 As data which will be submitted for the NFI will include elected members, there is potential for datamatches and subsequent investigations to involve elected members. The Council would not expect to differentiate between elected members and other individuals when investigating suspected fraud although, given the increased sensitivity of any such investigations, it is proposed that the Audit Manager will inform the Chief Executive and Council Leader (or the relevant political group leader), where datamatches require to be investigated, before any such work is commenced.

## **5. Recommendations**

- 5.1 The Committee are asked to approve the Council's participation in the NFI 2006 and to endorse the detailed proposals contained in this report.



**Director of Finance**