

# North Lanarkshire Council Report

## Audit and Scrutiny Panel

approval  noting

Ref KA

Date 30/06/21

## National Fraud Initiative - Update

**From** Audit and Risk Manager

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### Executive Summary

The purpose of this report is to inform the Panel of the progress made to date by the Council in response to the 2020 National Fraud Initiative (NFI) data matching exercise and to highlight where further action is required by relevant Services.

The NFI is a data matching exercise, organised by Audit Scotland, which is undertaken every two years and is widely recognised as an important tool in detecting and preventing fraud. It involves comparing data sets using criteria which allows for the identification of inconsistencies and anomalies which may be indicative of possible fraud and/or error. This information then enables public bodies to follow-up matches on a targeted and prioritised basis to establish if fraud has occurred and to take appropriate action.

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### Recommendations

It is recommended that the Panel note the contents of this report and the progress made to date and planned in relation to the follow-up of matches.

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### The Plan for North Lanarkshire

Priority All priorities

Ambition statement All ambition statements

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## **1. Background**

- 1.1 The NFI is a UK-wide exercise which enables public bodies to take advantage of data matching techniques to assist them in detecting possible fraud and error. It 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 works by using data matching to compare a range of information held by public bodies to identify potential inconsistencies or circumstances that could indicate fraud or error. This information enables public bodies to follow-up these matches on a targeted and prioritised basis to establish if fraud has occurred and to take appropriate action. A match does not automatically mean that there is fraud or error, and therefore the Council is not expected to review and/or follow up every match. The outcomes from any investigation are recorded on the secure NFI web application.
  - 1.3 Information in relation to payroll, housing (current tenants and waiting lists), council tax reduction scheme, blue badge parking permits, taxi licenses, and creditor payments and other relevant standing data was uploaded by the Council to the secure NFI database in October 2020. The results of the data matching for these data sets were received on 29 January 2021 and the Council has a total of 14,033 matches across 92 reports.
  - 1.4 Additionally, council tax single person discount and electoral register data was uploaded separately to the NFI database in December 2020. As the matches only relate to North Lanarkshire, they were made available shortly after submission and the Council received a total of 8,732 matches across two reports.
  - 1.5 One new data set was requested for inclusion in NFI 2020 – Small Business Bonus Scheme (SBBS) – and this was submitted in April 2021. The matches for this data set have not yet been received.
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## **2. Report**

### **NFI Progress to date**

- 2.1 Audit Scotland has indicated that they do not expect every match or report to be reviewed and has advised bodies to prioritise matches. As such, they have categorised the individual reports based on the quality of match (high, medium, address or information only), with 'high' reports often being matched on National Insurance Number. Additionally, all matches contained in reports have been allocated a 'risk scoring' based on a combination of the likelihood of fraud occurring and the number of times an individual appears across the NFI data.
- 2.2 Given the high volume of matches received, there are limitations to the number of matches that can be reviewed within the resources available. Services are responsible for determining a method of prioritising their matches for investigation, ensuring timely action and update of the NFI database. This is generally done by considering the risk scoring allocated on the NFI database.

2.3 To date, 3,546 (25%) matches have been processed, resulting in 581 errors with £9,771 savings. A summary of the results by report type is detailed in the table below.

Report Type	Total Matches	Processed	In Progress	Fraud	Error	Total Value (£)
Housing Benefit	226	192	8	0	2	1,654
Council Tax Reduction	2,296	542	11	0	28	8,117
Payroll	66	33	6	0	0	0
Blue Badges	1,066	1,066	0	0	551	0
Creditors	6,353	1,390	5	0	0	0
Procurement	91	0	0	0	0	0
Housing Tenants	2,152	108	117	0	0	0
Housing Waiting List	1,783	6	62	0	0	0
<b>Total</b>	<b>14,033</b>	<b>3,337</b>	<b>209</b>	<b>0</b>	<b>581</b>	<b>9,771</b>

2.4 Matches relating to housing benefit and council tax reduction have been dealt with by the Appeals and Adjudications team within Financial Solutions. The team has prioritised the high and medium risk housing benefit reports, and review of these reports is almost complete. They then intend to review the high and medium risk council tax reduction reports with expected completion by October 2021 and the review of these reports is currently well underway.

2.5 Internal Audit assessed payroll to payroll matches where North Lanarkshire Council employees are also employed by other public sector organisations. These matches are generally innocent, although public bodies have previously identified matches to be indicative of 'ghost' employees or individuals holding multiple employments whilst on sick leave with one of the bodies. Review of these matches was prioritised and focused on North Lanarkshire Council employees earning more than £10,000 per annum with both bodies. No issues were identified. The remaining matches were not selected for investigation as there is a lower risk of significant fraud or error given the smaller sums involved.

2.6 The review of matches relating to blue badges is complete and has resulted in 551 badges being cancelled, generally because of the badge holder being deceased. The Council has had a high number of blue badge matches during the current and previous NFI exercises as there has been no robust mechanism in place to ensure notification to the Council of a badge holder's death and/or to ensure the return of a badge. However, the section responsible for processing blue badges is now using information from the Council's 'Tell Us Once' process to cancel badges for deceased persons. This should hopefully reduce the number of blue badges matches in future NFI exercises.

2.7 Creditors matches, relating to potential duplicate payments and creditor references account for 45% of the total matches received and the majority (90%) of these fall into two reports matched on invoice number, invoice amount and/or creditor reference. Internal Audit has undertaken an initial review of these matches and has identified that they contain many false positives as some suppliers (i.e. utilities) have regular monthly charges using the account reference as the invoice number. As such, review of these matches has been prioritised to focus on those where the potential for duplicate payments is greatest and the invoice value is most significant. Investigation of these matches remains ongoing, however, to date, only a small number (occurrence and value) of potential duplicate payments have been identified and these are in the process of being investigated further by internal Audit.

- 2.8 Matches relating to procurement involve a comparison of North Lanarkshire Council employees to Companies House information to identify any potential undeclared conflicts of interest. Internal Audit intend to review these matches once the review of creditors matches is complete.
- 2.9 Review of housing tenant and waiting list matches during previous NFI exercises has been limited and matches have generally continued to reappear in subsequent exercises. During the last NFI exercise in 2018, the Service committed to improving the quality of data held on the Council's housing management system (HSMS) to ensure that the data held by the Council more accurately reflected movements in household composition. As such, the number of housing tenant matches received for NFI 2020 has reduced by approximately 25%. Housing Solutions has prepared an initial action plan for reviewing housing tenant and waiting list matches and, after discussion with Internal Audit, has agreed to update this plan to better prioritise matches and reports and reflect more realistic completion timescales. Once the action plan has been agreed, Housing Solutions intend to commence their review of the matches. Internal Audit has agreed to provide a resource to assist with the review of housing matches and will liaise with the Service to update HSMS with any required amendments arising from these matches.
- 2.10 Financial Solutions have reviewed and considered the council tax single persons discount matches and have determined that there is little or no merit in allocating scarce resources to review these matches in detail. The Service considers that outsourcing a separate data matching exercise using credit reference agencies would be more beneficial and would likely generate more significant savings. The Service is currently in consultation with the Corporate Procurement team to prepare a tender for an exercise of this nature.

### **Covid-19 Business Grants**

- 2.11 As part of the counter fraud response to the Scottish Government's Covid-19 business relief programme, the NFI 2020 work programme included the requirement to submit additional data in relation to the Covid-19 business grants for the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. This data was submitted in January 2021 and is being matched within, and between, Councils to identify potential fraud in relation to multiple grants paid to businesses at the full 100% rate; grants paid to businesses where the cumulative rateable value exceeds permitted limits; duplication between grant schemes; and payments made to businesses or individuals flagged in proven fraud 'watchlist' data. The matches have not yet been received but are expected shortly.
- 2.12 From the outset of Covid-19 business grants being processed, the Council has participated in ongoing information sharing regarding potential fraudulent applications via the Scottish Local Authority Investigator Group (SLAIG). This information has, where appropriate, also been shared nationally with a specialist unit within Police Scotland. In addition, Internal Audit has also reported a series of suspected fraudulent business grant applications to the Lanarkshire Division of Police Scotland and several live Police enquiries are ongoing.

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### **3. Public Sector Equality Duty and Fairer Scotland Duty**

3.1 None identified.

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### **4. Impact**

4.1 **Financial impact** None identified

4.2 **HR policy / Legislative impact** None identified

4.3 **Technology / Digital impact** None identified.

4.4 **Environmental impact** None identified.

4.5 **Communications impact** None identified.

4.6 **Risk impact:** Failure to participate in the NFI could result in non-compliance with legislation, criticism from external audit and error and fraudulent activity not identified at an early stage.

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### **5. Measures of success**

5.1 Successful participation in NFI 2020 will result in error, fraud and potential savings identified and positive assessment by the Council's external auditor of the Council's approach.



**Ken Adamson, Audit and Risk Manager**