

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 22 OCTOBER 2024

NATIONAL FRAUD INITIATIVE UPDATE

REPORT BY CATHIE WYLLIE, SERVICE LEADER - INTERNAL AUDIT

1. ABSTRACT

- 1.1 This report advises members of the publication of Audit Scotland's report 'The National Fraud Initiative in Scotland 2024' and provides information on National Fraud Initiative (NFI) planning for 2024/25. It also provides members with a final update on the outcomes of NFI 2022/23.

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

- 2.1 Participation in the NFI supports the council's zero tolerance approach to fraud and corruption, which in turn supports services in the delivery of corporate priorities set out in the Angus Community Plan and the Council Plan.

3. RECOMMENDATIONS

It is recommended that the Committee:

- (i) Consider the Audit Scotland report 'The National Fraud Initiative in Scotland 2024' and provide any comments;
- (ii) Consider the self-appraisal checklist at Appendix 1 and provide any comments;
- (iii) Note the local outcomes from NFI 2022/23: £14,135 from incorrect council tax reduction; £22,597 from duplicate payments and a notional value of £181,350 from 279 cancelled Blue Badge permits; and
- (iv) Note the continued participation of Angus Council in NFI.

4. BACKGROUND

- 4.1 The remit of the Scrutiny and Audit committee includes the consideration of reports on the adequacy and effectiveness of the Council's counter-fraud arrangements. NFI is a biennial national counter-fraud initiative which uses computer data matching techniques to detect fraud and error. Participation is compulsory for Scottish Local Authorities as part of their statutory audit. The NFI in Scotland is coordinated by Audit Scotland and public bodies that take part include the Scottish Government and other central government bodies, all councils, NHS bodies, pension administering bodies, the Scottish Fire and Rescue Service, Police Scotland and colleges.
- 4.2 Data sharing enables the NFI to use technology to compare information about individuals held by different public bodies, and on different financial systems, that might suggest fraud or error exists. A match does not automatically mean that there is a fraud or error; an initial review is carried out to determine which matches can be eliminated and which should be investigated further.
- 4.3 The main data match areas in the 2022/23 NFI exercise were payroll, creditor payments, Council Tax Reduction, Housing Benefit, pensions, housing tenancy & waiting lists, Blue Badges and adult concessionary bus travel.

5. AUDIT SCOTLAND NATIONAL REPORT

- 5.1 Audit Scotland publishes a national report summarising the results of each biennial NFI. The report includes details of the national outcomes as calculated by Audit Scotland from the outcomes recorded on the secure NFI website by participating bodies. The latest report, "The

National Fraud Initiative in Scotland 2024” was published in August 2024 and can be accessed from Audit Scotland’s website: <https://audit.scot/publications/the-national-fraud-initiative-in-scotland-2024>

- 5.2 The national report includes three recommendations. Table A summarises Angus Council’s position in relation to each of the recommendations.

Table A: NFI 2022/23 Recommendations

NFI Recommendation	Angus Council position
Ensure that an appropriate level of resource is available to deliver NFI follow-up activities in an efficient and effective manner, in line with local priorities.	For NFI 2024/25, the overall approach will be determined by the Team Leader Counter-Fraud and agreed with the Service Leader Internal Audit and the Director of Finance. The approach will take account of the recommendations for efficient working.
Use the NFI Self-Appraisal Checklist as part of planning for the 2024/25 exercise.	Part A of the self-appraisal checklist, for those charged with governance, is included as an appendix to this report, for members’ information and comment. Part B is for the NFI key contact and users and will be used by officers to assist with the planning for NFI 2024/25.
Put in place arrangements for monitoring follow-up activity, and where it is necessary seek to understand reasons for low or nil outcomes.	Arrangements are in place to monitor and review service match follow-up. Unexpected low or nil outcomes will be the subject of review.

6. NFI NATIONAL AND LOCAL OUTCOMES

6.1 Table B below sets out a summary of the national outcomes included within the national report, together with the corresponding figures for Angus Council. In the national report, the outcomes include the value of the fraud/error detected and estimates for prevented future losses and costs. In Table B the Angus Council outcomes are shown on the same basis.

Table B: Summary Outcomes for NFI 2022/23

Category	NFI outcomes £M	Angus Council outcomes £M	Note
Council Tax discounts removed	4.5	N/A	Angus Council does not submit data for this data match to NFI. The counter-fraud team carries out regular data matching exercises and the results are reported to this committee, most recently in June 2024 (190/24).
Occupational pensions stopped or reduced	5.6	N/A	Data submitted by Dundee City Council and the Scottish Public Pensions Agency as the administering authorities for the pension schemes.
Blue Badges stopped or flagged for future checks	3.3	0.181	279 Blue Badges issued to persons now deceased were cancelled. For each cancelled badge NFI attaches a value of £650 to reflect lost parking and congestion charge revenue. This does not mean however that every badge was being misused.
Creditors	0.75	0.0225	Three errors were identified. Actual value £22,597*.
Council Tax reduction stopped or reduced	0.92	0.017	Three errors were identified. Actual value £15,135*.
Other	6.43	nil	"Other" outcomes include housing tenancy, housing benefit, payroll and pilot exercises.
Total	21.5	0.221	

6.2 * Errors identified for creditors and Council Tax Reduction are negligible relative to the scale of payments made.

6.3 Table B shows that the estimated value of the 2022/23 NFI outcomes to the public purse in Scotland is £21.5 million (increased from £14.9m in 2020/21). In some areas this increase is attributed to changes in estimation methodologies.

6.4 NFI governance and follow-up arrangements remained sound for most participating bodies including Angus Council.

6.5 Angus Council is seeking recovery in full of overpaid Council Tax Reduction, and Creditor duplicate payments.

7. NFI 2024/25

- 7.1 Participation in NFI is an integral part of the Council's corporate approach to the prevention and detection of fraud and error. The Counter-Fraud & Corruption Strategy makes specific reference to participation in NFI. The low level of outcomes identified to date provides assurance that, for those areas covered by NFI, the internal control framework of the Council is operating effectively.
- 7.2 The 2024/25 NFI exercise is due to start in autumn 2024. The Director of Finance is the NFI Senior Responsible Officer and the Team Leader - Counter Fraud is the NFI Key Contact.
- 7.3 Progress in the 2024/25 NFI exercise will be reported in the counter fraud update reports to the Scrutiny & Audit committee. A dedicated report on NFI 2024/25 will be made when the biennial Audit Scotland national report is published.

8. FINANCIAL IMPLICATIONS

- 8.1 There are no financial implications arising directly from this report.

9. RISK MANAGEMENT

- 9.1 There are no direct risk management implications arising from the recommendations of this report. The work of the CFT does however mitigate fraud risk and improve controls to counter the Council's fraud risk.

10. ENVIRONMENTAL IMPLICATIONS

- 10.1 There are no direct environmental implications arising from the recommendations of this report.

11. EQUALITY IMPACT ASSESSMENT

- 11.1 An Equality Impact Assessment has been completed and is attached.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices

1. Self-appraisal checklist for those charged with governance.
2. Equality Impact Assessment.

NFI Self-Appraisal Checklist

Part A: for those charged with governance	Yes/No/ Partly	Is action required?	Who by and when?
Leadership, commitment, and communication			
1. Are we aware of emerging fraud risks and have we taken appropriate preventative and detective action?	<p>Yes. Risks are known via the Audit Scotland reports, Scottish Local Authority Investigators Group attendance and communicating with other agencies and with internal colleagues.</p> <p>Preventative measures include providing fraud awareness internally. Detective action is progressed by carrying out a programme of data matching initiatives.</p>	No	
2. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	<p>Yes. Commitment to the NFI is supported by the provision of counter fraud resource to plan and co-ordinate the delivery of the exercise.</p> <p>For the NFI the counter-fraud team liaise with other services, manage upload of data and review matches. Outcomes are reported to the Scrutiny & Audit Committee.</p>	No	
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error. And do we make reference to NFI in our governance codes and statements?	<p>Yes. The Council's Counter Fraud and Corruption Strategy makes specific reference to participation in NFI.</p> <p>Counter fraud arrangements are referenced in the Annual Governance Statement. The Local Code of Corporate Governance links to Counter Fraud Framework which references the NFI.</p>	No	

Part A: for those charged with governance	Yes/No/ Partly	Is action required?	Who by and when?
4. Does our Key Contact have sufficient authority and time to ensure that NFI is delivered effectively?	Yes.	No	
5. Has the approach to follow up different NFI match types been clearly set out and reported as part of the bodies NFI planning process?	Yes. The follow-up approach is monitored by the NFI Key Contact and guided by experience in processing the NFI, reference to guidance including that in NFI Matters and completion of the self-appraisal checklist. This planning will be shared with the Senior Responsible Officer.	No	
6. Are NFI progress and outcomes reported regularly to senior management and elected/board members (e.g., the audit committee or equivalent)?	Yes. NFI progress and activity is regularly reported to the Scrutiny & Audit committee in a dedicated report most recently in November 2023 (325/23). It is also referenced in the 6 monthly counter-fraud reports to this committee.	No	
7. Where we have not submitted data or used the matches returned to us (e.g., council tax single person discounts), are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	Yes. As in previous years, the Council will not submit the electoral register to NFI. Alternative data matching exercises will be carried out by the counter- fraud team. Results are be reported to the Scrutiny & Audit committee, on a bi-annual basis most recently in June 2024 (190/24).	No	

Part A: for those charged with governance	Yes/No/ Partly	Is action required?	Who by and when?
8. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Yes. The NFI Key Contact is the Team Leader-Counter Fraud, who reports to the Service Leader Internal Audit.	No	
9. Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes. This is regularly reviewed by the counter-fraud team and Internal Audit.	No	
10. Do we need and have access to fraud investigation officers to enable frauds to be followed up fully?	Yes. Access to fraud investigation officers is secured.	No	
11. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (e.g., successful prosecutions)?	Results are reported to the Scrutiny & Audit committee. Were the exercise to identify cases which resulted in successful prosecution there would be attendant publicity.	No	