

PERTH AND KINROSS COUNCIL**Audit Sub-Committee – 20th January 2010****NATIONAL FRAUD INITIATIVE 2008/09 – PROGRESS REPORT****Report by the Acting Chief Internal Auditor****ABSTRACT**

This interim report outlines the action that has been taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative.

1 RECOMMENDATION

- 1.1 It is recommended that the Audit Sub-Committee notes the position in respect of the work which has been undertaken with regard to the National Fraud Initiative (NFI) and a further report will be submitted in due course at the conclusion of the exercise.

2 BACKGROUND

- 2.1 The Audit Commission, since 1996, has administered the National Fraud Initiative (NFI) in England. NFI constitutes a sophisticated data matching exercise matching electronic data within and between participating public bodies to assist in the prevention and detection of fraud. The NFI exercise in Scotland is Audit Scotland's data matching exercise that runs every two years in line with the Audit Commission's timetable. The Audit Commission processes the data for the NFI in Scotland on behalf of Audit Scotland. This 2008/09 exercise represents the third NFI data matching to be undertaken in Scotland.
- 2.2 The NFI exercise helps participating bodies (such as Local Authorities, Police Boards, Fire and Rescue Boards and the other public sector bodies) to identify possible cases of fraud and detect and correct any consequential under or overpayments. The NFI also helps Auditors in assessing the Council's arrangements for preventing, deterring and detecting fraud. It may highlight instances of administrative errors and incorrect data.
- 2.3 Once the data matching process is completed, the output is made available online to the data providers for consideration and further investigation, as appropriate.
- 2.4 Internal Audit acts as a facilitator within the Council and maintains regular contact with External Audit, Audit Scotland and the Services to ensure that the latter are progressing investigations in accordance with the NFI timetable and guidance.
- 2.5 This report presents a summary of progress and outcomes to date of the Perth and Kinross Council NFI 2008-2009 project.

3 PROGRESS WITH THE INITIATIVE

- 3.1 Guidance on the 2008/09 exercise was provided to local authorities in the summer of 2008. This guidance was later supplemented by on line training modules. Internal Audit ensured that appropriate guidance was available to the relevant Service contacts.
- 3.2 Data sets were produced in the prescribed format and submitted for processing by the Audit Commission in October 2008 via the NFI secure website. Details of the data submissions were presented to the Audit Sub-Committee of 27th August 2008. The payroll data set included employee information but excluded information relating to elected members/councillors.
- 3.3 A supplementary request was received in September 2009 to submit data from Council Tax and the Electoral Register for matching. The request for the latter was refused on reiteration of the advice from the Council's Legal Division for the 2006/2007 exercise, that the Council is permitted a copy of the Register for specific purpose(s) which does not include submitting the data to a third party.
- 3.4 Local Authorities subsequently received the results of the data matching exercise in February 2009. A total of 48 reports detailing different data matches, incorporating 4,411 matches, were received in respect of Perth and Kinross Council.
- 3.5 Investigations are mostly complete and a small number of matches within three reports continue to be progressed by the relevant Service contacts. Internal Audit will continue to liaise with the relevant contacts to ensure these are progressed.
- 3.6 Internal Audit has been proactive in ensuring the NFI exercise is not relied upon by the Services as the key control to mitigate risks. Where appropriate existing controls have been reviewed and enhanced to ensure risks are proactively managed, for example, records of Blue Badge Parking Permits will in future be checked on a regular basis to deceased person's records [Report 09/387 refers].
- 3.7 At this stage in the review a number of areas have been identified that may involve possible error or fraud:
- i A data match between Housing Benefit Claimants and UK Visas. This case arose due to the immigration status of the claimant and relates to a housing benefit payment overpaid of approximately £20,032. These funds will be reclaimed from the Department of Work & Pensions (DWP). The definitive overpayment figure is subject to liaison between the Service and the DWP. Using the criteria set by NFI guidance the Service has assessed this match as an error.
 - ii A data match between Housing Benefit Claimants and Student Loans arose where the claimant failed to advise the Council that he had moved outwith the area. This housing benefit overpayment of £2,088 has been passed by the Service to the Sherriff Officers for diligence. No

monies have yet been received. Using the criteria set by NFI guidance the Service has assessed this match as an error.

- iii A data match between Housing Benefit Claimants and Payroll. This case arose where the claimant did not declare all their earnings. Housing Benefit of £290 was overpaid. These funds are being recovered from ongoing entitlement to benefit. Using the criteria set by NFI guidance the Service has assessed this match as an error.

3.8 As at December 2009, the total amount to be recovered is £22410.

3.9 In addition a report of sensitive data matches (e.g. where Council employees are registered as directors of companies from whom the Council has received goods or services) was received in September 2009 and is being progressed separately by Internal Audit.

3.10 It is anticipated that the exercise will be concluded in Quarter 1 of 2010. A further report will be presented to the Audit Sub-Committee at the close of the investigation phase, setting out in general terms the results of the exercise.

4 CONSULTATION

4.1 The Head of Finance and relevant NFI Service Contacts have been consulted in the preparation of this report.

5 RESOURCE IMPLICATIONS

5.1 There are no financial implications arising from this report.

6. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

6.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

6.2 The Chief Executive's Service provides a range of functions for internal and front-line customers alike. These functions support the work of the whole Council by assisting them in the delivery of the Council's Corporate Objectives. As a consequence, this report does not specifically relate to one of the objectives, but assists with the delivery of all five.

7. EQUALITIES ASSESSMENT

7.1 The Council's Corporate Equalities Assessment Framework requires an assessment of functions, policies, procedures or strategies in relation to race, gender and disability and other relevant equality categories. This supports the Council's legal requirement to comply with the duty to assess and consult on

relevant new policies to ensure there is no adverse impact on any community group or employees.

- 7.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Assessment Framework and the determination was made that the items summarised in this report do not require further assessment as they do not have an impact on people's wellbeing.

8. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 8.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 8.2 However, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

9. CONCLUSION

- 9.1 This report outlines the action being taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative.

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