

EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

27 September 2018

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT

NATIONAL FRAUD INITIATIVE IN SCOTLAND

PURPOSE OF REPORT

1. To provide information on the Audit Scotland report *The National Fraud Initiative in Scotland*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. A copy of the Audit Scotland report *The National Fraud Initiative in Scotland* published in July 2018, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Members leading the review of this particular report are Councillor Miller and Councillor Grant. The Head of Business Change and Revenue Services has provided comments on the report and a copy of that feedback is attached (see Appendix A).

RECOMMENDATION

4. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit Scotland report *The National Fraud Initiative in Scotland*.

BLANK PAGE

AUDIT SCOTLAND - THE NATIONAL FRAUD INITIATIVE IN SCOTLANDComments from Head of Business Change & RevenuesSeptember 2018**PURPOSE OF REPORT**

1. To provide comments on how East Renfrewshire Council is placed in relation to a report on 'The National Fraud Initiative', published by Audit Scotland in July 2018.

SUMMARY

2. East Renfrewshire Council has an effective approach to the National Fraud Initiative (NFI) and all recommendations in the report have been addressed. A range of relevant services across the organisation participate in this biennial exercise and the outcomes are reported to Audit and Scrutiny Committee routinely, most recently in November 2017. The outcomes of the exercise and our approach towards it are also subject to audit and our External Auditors will comment on this in their Annual Report, which will be presented separately to Audit and Scrutiny Committee in September 2018.

REPORT

3. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Data matching is an effective and efficient way to identify areas for further investigation by connecting discrepancies between different data sets, which include the Electoral Register, HMRC information on pensions and income, Student Loans, immigration and Department of Work and Pensions (DWP) records.

4. For East Renfrewshire, the success of the NFI comes primarily from Council staff who:

- Investigate the NFI data matches
- Identify and stop frauds and errors
- Recover overpayments
- Hold fraudsters accountable
- Routinely improve their systems

5. East Renfrewshire has a single point of contact for NFI and a well-established internal network of departmental contacts, covering areas such as Housing Benefit; Council Tax Reduction; Council Tax Single Persons' Discount; Blue Badges; Housing waiting lists; civic and taxi licensing; private supported care homes; payroll and creditors' history. Each area takes responsibility for comparing their own data sets and for subsequent recovery or follow up action as appropriate.

6. Within the Council 3,294 matches were reported in the 2016/17 NFI exercise and, after risk assessments, 100% of those indicated as high risks (1226) were investigated. The remaining cases were categorised as low risk, although a sample of these cases was also investigated. Checks were also carried out on comparisons between pensions and Payroll records and creditors' activity for the Council and Culture and Leisure Trust.

7. As reported to Audit and Scrutiny Committee in November 2017, the investigation of all the high risk cases resulted in identification of three possible frauds (within Housing Benefits) and 88 claimant errors across a number of Council areas. The total potential value of fraud or claimant errors highlighted by NFI for East Renfrewshire Council for the 2016/17 exercise was £92,365.

8. The largest area of fraud and claimant error is Housing Benefit and Council Tax Reduction, which totalled 34 cases at a value of £34,087. Recovery action is underway for £33,316 of this (the difference between the two figures is due to the customers appealing the decision to create an overpayment). A significant number of these claimant errors are annual increases in claimant's pensions and their failure to advise our Housing Benefit team. Recovery of Council Tax Reduction may not always be possible if the claimant has moved away from East Renfrewshire. In line with guidance, five cases were referred to the DWP for further investigation and possible prosecution.

9. The DWP's national Fraud and Error Service (FES) continues to protect the Council's interests and to mitigate our risk against Housing Benefit fraud. Under these arrangements, the DWP expects each council to nominate a single point of contact for referral of fraud cases for investigation. Our single point of contact also deals internally with our Benefits team to identify potential Council Tax Reduction overpayments and to stop these overpayments at source.

10. Although full recovery of these debts can take a number of years, the Council's Corporate Debt Recovery Team pursues these cases through either long-term payment arrangements or by deductions direct through the DWP. These arrangements were explained in the Debt Recovery Policy which was approved by Cabinet in June 2016. In Housing Benefit cases where benefit is still in payment, identified overpayments are recovered from ongoing entitlement by prescribed rates of recovery.

11. The main benefit from the NFI exercise is the reduction in ongoing fraud and the deterrent effect gained from regular data matching.

12. Mitigating potential fraud across these areas is a matter for each service area and there are a number of roles across the Council that have specific remits to eradicate or reduce fraud taking place at source (e.g. Tenancy Enforcement Officers, Licensing Enforcement Officer, Internal Audit) and all employees are encouraged through the Code of Conduct and Anti-Fraud and Bribery Strategy to report suspicions of fraud. In respect of Housing Benefit and Council Tax Reduction, robust verification of income at the point of claim greatly reduces fraudulent cases and this is confirmed with the NFI match which indicates that cases of fraud have arisen due to unreported changes in income that have occurred after the initial declaration.

OTHER RELATED INITIATIVES

13. Our report to Audit and Scrutiny Committee in November 2017 also discussed work underway in the area of Single Persons' Discounts for Council Tax and highlighted an Experian data exercise that the Council had conducted in 2017 to match records against those held by this third party provider (e.g. bank, credit card and mobile phone contracts) which allowed us to highlight further cases of potential fraud and error. This will now be a supplementary exercise that we will carry out biennially during the 'off-year' from NFI to further strengthen our approach. This is in line with Audit Scotland's recommendations in the report.

14. In addition to NFI, the Benefits Section has a number of well-established electronic interfaces, such as HMRC Real Time Information (RTI). Through this interface, the Council is provided with employment and pension information for Benefit claimants and employees on an ongoing basis. Approximately 150 cases per month are checked for inconsistencies between income held on the benefits system and that held by HMRC.

15. The DWP also funds a newer initiative called Verify Earnings & Pensions (VEP) and East Renfrewshire Council has been live with this system since August 2017. HMRC now send live updates as 'VEP alerts' to the Housing Benefit team which highlight earnings and pension changes greater than £5 per week for investigation.

16. New functionality provided via the NFI system allowed a number of 'App Checks' (50) to be provided free of charge in order for East Renfrewshire Council to investigate cases and to establish if this was useful software, for a potential onward contract – this functionality was mentioned in the 'Recommendations' section of Audit Scotland's report. The free App Check cases were sampled by staff from Housing Benefit and the Money Advice & Rights Team (MART) and was found to contain no new additional data and the key contact advised the NFI coordinator that East Renfrewshire Council had no further plans to progress this option for the future.

AUDIT VERIFICATION

17. As recommended in previous audits, the Revenues & Business Support Manager (NFI key contact) used the self-appraisal checklist provided ahead of the 2016/17 exercise and found this to be a useful tool. This has now been adopted into our procedures for future years.

18. Our External Auditors conduct a review of our approach to NFI and report on this as part of their Annual Report. No concerns have been raised as part of this year's audit.

CONCLUSION

19. East Renfrewshire Council participates fully in the biennial NFI exercises and has reported to Audit and Scrutiny Committee on outcomes from the 2016/17 exercise. The Council has a robust and effective approach to NFI and this is verified by external audit.

20. Arrangements have already commenced in the Council to prepare for the next NFI exercise for 2018/19. Data sets will be provided by services in October for the exercise which will commence nationally in January 2019.

Report Author: Steven Skelly, Revenues & Business Support Manager

For further information please contact: Louise Pringle, Head of Business Change & Revenues, 0141 577 3136, louise.pringle@eastrenfrewshire.gov.uk

BACKGROUND PAPER

- National Fraud Initiative – Update, Audit & Scrutiny Committee, 9 November 2017

BLANK PAGE