

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE24 September 2020Report by Head of Communities, Revenues & ChangeNATIONAL FRAUD INITIATIVE - UPDATE**PURPOSE OF REPORT**

1. To provide an update on the National Fraud Initiative (NFI) in Scotland and the work carried out by East Renfrewshire Council in 2019/20.

RECOMMENDATION

2. It is recommended that the Committee considers the report and notes the action taken in respect of the National Fraud Initiative (NFI) in East Renfrewshire Council for 2019/20.

BACKGROUND

3. 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 September 2019. The outcomes of the exercise and our approach towards it are also subject to audit. The National Fraud Initiative 2018/19 report by Audit Scotland was published in July 2020 and Audit Scotland will comment on ERC's approach in their Annual Report, which will be presented separately to Audit and Scrutiny Committee in September 2020.

4. Further work in this area is being highlighted to the Committee through the report on "Managing the risk of Fraud and Corruption – Fraud Response Statement 2019/2020".

REPORT

5. 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.

6. The success of the NFI comes primarily from the public bodies who:

- Investigate the NFI data matches
- Identify and stop fraud and errors
- Recover overpayments
- Hold fraudsters accountable
- Improve their systems

7. East Renfrewshire has a single point of contact for NFI and a well-established internal network of departmental contacts, covering such areas 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.

8. As reported in 2019, within the Council 4,422 matches were reported in the 2018/19 NFI exercise with a potential value of fraud or errors of £95,360. After risk assessments, 100% of those indicated as high risks (1,965) and all Single Person Discounts (SPD) (1,006) were investigated. The remaining cases were categorised as medium or low risk and a sample of these cases were also investigated.

9. A data matching exercise of Council Tax SPD records against financial and banking records held by Experian was planned during 2020, however due to resourcing issues and the national "lock-down" this was postponed. The NFI activity will proceed as expected during 2021 with the rescheduled data matching exercise thereafter.

AUDIT SCOTLAND REPORT

10. Audit Scotland published their "National Fraud Initiative 2018/19" paper in July 2020. They recognise that the Covid 19 pandemic has brought significant challenges to the public sector, as bodies seek to deliver in an extremely difficult time, while the risk of fraud and error has increased.

11. From June 2018 to July 2020 outcomes in Scotland of £15.3m have been recorded, with a cumulative outcome since 2006/07 of £143.6m. NFI outcomes across Scotland have reduced by £2.4m in the past 2 years, which Audit Scotland believe could be due to less fraud and error, strong internal controls or less effective detection of fraud or error. They acknowledge that most organisations are strongly committed to counter fraud and NFI, however some could act more promptly.

12. A pilot was undertaken with the Scottish Government and 7 Scottish Councils on Non Domestic Rates, to help identify businesses inappropriately claiming Small Business Bonus Scheme (SBBS) relief. The pilot was a success with Scottish Government currently considering a national roll-out. East Renfrewshire Council were not part of this pilot group,

FRAUD & ERROR SERVICE (FES)

13. Under national welfare reforms, the Department of Work and Pensions (DWP) set up a fraud and error investigation service (FES). The DWP FES team continue to protect the Council's interests and to mitigate our risk against Housing Benefit fraud.

14. Council and FES investigations into HB fraud can result in Housing Benefit Overpayment (HBO), the imposition of an administration penalty (i.e. half of the amount of the overpayment) or the potential for prosecution for HB fraud. Since we last reported in September 2019, there have been 12 new referrals, with 8 confirmed as requiring no further action and the remaining 4 under investigation.

OTHER RELATED INITIATIVES

15. The Benefits Section receives information on an ongoing basis via an electronic interface with HMRC called Verify Earnings and Pensions (VEPS). Through this interface,

the Council is provided with employment and pension information for Housing Benefit (HB) claimants on an ongoing basis. Any new earnings (or new pension income) for those in receipt of HB is reported to our team through the interface, as are changes to earnings or pension levels. The functionality also allows our team to notify HMRC of new HB claims and within 48 hours of the claim being notified, ERC are supplied with the earnings and /or pension levels for the claimant. This facility assists with benefit processing, as there is less reliance on claimants to provide evidence of their income.

16. The Council is also a member of various networks which circulate and share information about potential scams and frauds. This information is shared routinely across services for learning and development purposes.

17. Audit Scotland published 2 further reports earlier this summer, being “The Fraud and Irregularity Update 2019/20” and “Emerging Fraud Risks”. The first report comprised various case studies covering services in councils across Scotland, and the second focused on the increased fraud risk due to Covid 19. Both reports have been shared with NFI contacts throughout East Renfrewshire Council.

NEXT STEPS

18. The NFI exercise for 2018/19 is complete, outcomes recorded and audited with Audit Scotland having compiled their report. The next stage will be to start the 2020/21 exercise during 2021.

FINANCE AND EFFICIENCY

19. While the recovery through the NFI exercise was relatively low for 2018/19 at £23,652, the main benefit from carrying out the exercise is the reduction in ongoing fraud and the deterrent effect gained from regular data matching.

PARTNERSHIP WORKING

20. The follow up work carried out through the NFI exercise has been through partnership working with the following ERC teams; Housing Benefit & Discretionary Payments, Council Tax, Accountancy; Housing; Customer First; HSCP; C&CS Business Support; Payroll and Creditors.

CONCLUSION

21. The Council has a robust and effective approach to NFI, which is complemented by existing fraud prevention measures and confirmed by Audit Scotland in their 2020 report.

RECOMMENDATION

22. It is recommended that the Committee considers the report and notes the action taken in respect of the National Fraud Initiative (NFI) in East Renfrewshire Council for 2019/20.

REPORT AUTHOR

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BACKGROUND PAPERS

- National Fraud Initiative – Update, Audit & Scrutiny Committee, 26 September 2019
- Audit Scotland, National Fraud Initiative 2018/19, 9 July 2020, <https://www.audit-scotland.gov.uk/report/the-national-fraud-initiative-in-scotland-201819>
- Audit Scotland, Emerging Fraud Risks, June 2020, <https://www.audit-scotland.gov.uk/report/covid-19-emerging-fraud-risks>
- Audit Scotland, Fraud & Irregularity Update 2019/20, July 2020, <https://www.audit-scotland.gov.uk/report/fraud-and-irregularity-update-201920>