

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE29 September 2022Report by Director of Business Operations & PartnershipsNATIONAL 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 2021/22.

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 2021/22.

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 2021. The outcomes of the exercise and our approach towards it are also subject to audit. The National Fraud Initiative 2022 report by Audit Scotland was published in August 2022 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 2022. 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 2021/2022".

4. 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.

5. 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

6. 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; Payroll and Accounts Payable (Creditors) history. Each area takes responsibility for comparing their own data sets and for subsequent recovery or follow up

action as appropriate. Private Supported Care Homes were not included in the most recent NFI exercise, due to a legal question raised around the definition of patient data.

7. Mitigating potential fraud across all 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.

AUDIT SCOTLAND REPORTS

8. Audit Scotland published their “The National Fraud Initiative in Scotland 2022” paper in August 2022. The 2020/21 NFI exercise identified outcomes in Scotland of £14.9m, with a cumulative outcome since 2006/07 of £158.5m. NFI outcomes across Scotland have reduced by £0.4m in the past 2 years, which Audit Scotland believe could be due to less fraud and error, strong internal controls or some key data sets not being included. Pressures on staffing and services due to Covid 19 may also be a factor contributing to the lower outcomes.

9. Audit Scotland acknowledge that most organisations demonstrate a strong commitment to counter fraud and NFI, however there was a lower percentage completing the exercise satisfactorily compared to 2018/19. A checklist is available from Audit Scotland for the NFI exercise, and it is recommended that all public bodies complete this. East Renfrewshire Council complete this checklist in line with the recommendations, and this confirms there is a robust approach to NFI.

10. As reported in 2021, within the Council 3,026 matches were reported in the 2020/21 NFI exercise (2018/19 4,422), with a potential value of fraud or error of £77,499. The decrease in matches of 1,396 were mainly due to Accounts Payable (Creditors) and Housing Benefit. Within Accounts Payable the new Integra Finance and Procurement ICT system was used in 2020/21 versus the eFinancials system in 2018/19. It has been identified that Integra Purchase to Pay has a more robust control environment, with the NFI matching exercise confirming that. Every high risk match (396) and all Single Person Discounts (SPD) (1,105) were investigated. The remaining cases were categorised as medium or low risk and a sample of these cases were also investigated.

11. Audit Scotland published a further report earlier this summer, “Non-domestic rates: Small Business Bonus Scheme Pilot evaluation” This report updated on a pilot which was carried out by Audit Scotland. The pilot identified £2.2m in businesses inappropriately claiming Small Business Bonus Relief (SBBS). East Renfrewshire Council fully participated in the pilot, along with the majority of Scottish Councils, with data matches investigated by Renfrewshire Council (who administer Business Rates/ Non Domestic Rates on behalf of ERC). No further action was identified for the 30 data matches. Scottish Government are now considering how this exercise can be repeated on a regular basis as part of the full NFI exercise.

12. Covid 19 grants were paid in Scotland under the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF). A pilot was carried out by Audit Scotland to identify matches of this data in early 2021 and then rechecked due to low numbers of matches. Data released in September 2021, identified only 1 fraudulent Business Grant in Scotland for £25,000. It is not anticipated that this exercise will be run again.

OTHER RELATED INITIATIVES

13. 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.

14. 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. 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 2021, there have been no new referrals, and there is no further information from the DWP on the 1 previous referral. The reduced levels of fraud in this area, are partly due to a reduced Housing Benefit caseload, with the move to Universal Credit, and the effective control environment.

15. 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.

NEXT STEPS

16. The NFI exercise for 2020/21 is complete, outcomes recorded and audited with Audit Scotland having compiled their report. The next stage will be to start the 2022/23 exercise during 2023.

FINANCE AND EFFICIENCY

17. While the recovery through the NFI exercise was relatively low for 2020/21 at £77,499, 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

18. 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; Business Operations & Partnerships Business Support; Payroll, Accounts Payable (Creditors) and Economic Development. Renfrewshire Council also supported on Non Domestic rates.

CONCLUSION

19. 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 2022 report.

20. The latest NFI was challenging to complete due to ongoing workload pressures in teams caused by rising demands, pandemic-related tasks and the ongoing transition between legacy and new ICT systems. As reported to Cabinet in 2021 this resulted in backlogs with ramifications for performance measures across 2021/22, particularly for the Revenues and Benefits Service. The NFI exercise is a timely reminder that achieving operational deliverables and compliance to mitigate against fraud and error is a delicate balance and one where our teams have demonstrated a good focus in another challenging year.

RECOMMENDATION

21. 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 2021/22.

REPORT AUTHOR

Alison Ballingall, Senior Revenues Manager

For further information please contact Louise Pringle, Director of Business Operations & Partnerships, 0141 577 3136, louise.pringle@eastrenfrewshire.gov.uk

BACKGROUND PAPERS

- National Fraud Initiative – Update, Audit & Scrutiny Committee, 23 September 2021
- Audit Scotland Report - The National Fraud Initiative in Scotland 2022: https://www.audit-scotland.gov.uk/uploads/docs/report/2022/nr_220818_national_fraud_initiative.pdf
- Audit Scotland Report – National Fraud Initiative – Non-domestic rates: Small Business Bonus Scheme Pilot evaluation https://www.audit-scotland.gov.uk/uploads/docs/um/nfi_ndr_sbbs_pilot_report_may22.pdf