

REPORT TO: SCRUTINY COMMITTEE – 27 SEPTEMBER 2017

REPORT ON: CORPORATE FRAUD TEAM ACTIVITY AND PERFORMANCE, INCLUDING NFI

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 309-2017

1.0 PURPOSE OF REPORT

This report is to inform the Elected Members on the Corporate Fraud Team's activity and performance for the 12 month period to 31 March 2017. The report also includes the Council's National Fraud Initiative (NFI) results.

2.0 RECOMMENDATIONS

It is recommended that Members of the Committee:

- i. note the content of the Corporate Fraud Team's Activity and Performance Report, including the latest NFI results at Appendix 1 and 2 respectively.

3.0 FINANCIAL IMPLICATIONS

During the financial year to 31 March 2017, the CFT identified of the order of £125,000 savings from general investigative work, £333,008 of fraud and error in Housing Benefits through the sharing of intelligence with the Department of Work and Pensions Single Fraud Investigation Service (SFIS), overpayments of £8,015.24 through the biennial 2016/17 NFI exercise and overpayments of £32,632.62 via the 2016 supplementary Council Tax Single Person Discounts NFI exercise.

4.0 MAIN TEXT

4.1 Corporate Fraud Activity and Performance

At the 27 April 2015 Policy and Resources Committee (Article VIII, Report No 180-2015) Members approved the establishment of a Corporate Fraud Team (CFT) from the 1 June 2015. At the same time, responsibility for investigating allegations of Housing Benefit fraud in Dundee transferred to SFIS. The CFT is a specialist investigative unit with responsibility for investigating all types of corporate fraud, including:

- housing tenancy
- council tax reduction / exemptions and discounts
- procurement
- payroll and pensions
- blue badge
- parking

Savings identified during the CFTs inaugural year were reported to the Scrutiny Committee in September 2016.

During the year to 31 March 2017, the CFT identified of the order of £125,000 savings, including a notional element of £38,000 relating to tenancy and blue badge cases. With reference to Article XVI, Report No 84-2015 of the Policy and Resources Committee in February 2015, the notional value allocated to each tenancy returned to use in the Council is £18,000 and the notional value allocated to the termination of each blue badge is £2,000. The CFT also continues to assist SFIS with Housing Benefit investigations through the sharing of intelligence and during the year to 31 March 2017 that work identified £333,008 of fraud and error in Housing Benefits. See Appendix 1.

In addition to the investigative work carried out during 2016/17, the CFT has also provided a diverse range of advice and guidance to a number of services including Legal, Licensing, Corporate Procurement, Parking, Incomes, Environment, Non-Domestic Rates and Children and Families. Furthermore, the CFT Supervisor has worked alongside other key members of staff in the Council and Police Scotland's Counter Corruption Unit to help set up a Corporate Integrity Group and develop a new Whistleblowing Policy with supporting working practices and procedures.

In March 2017, the DVLA carried out an audit and inspection of the evidence available to support vehicle keeper requests received from the Council. The DVLA subsequently issued a letter confirming the overall rating to be "Green", signifying that a high level of compliance was demonstrated.

The CFT continues to evolve and going forward will become involved in relevant operational groups and processes, including the Serious Organised Crime Group chaired by the Head of Corporate Finance and administering the new system in place to record and manage whistleblowing allegations received by the Council. The CFT Supervisor's new Executive Board membership role on NAFN (the National Anti-Fraud Network) and membership of SLAIG (the Scottish Local Authorities Investigators Group), along with relevant continuous professional development, will assist with the continuous development of the service and sharing of good practice and intelligence nationally.

4.2 National Fraud Initiative

The NFI in Scotland is a biennial counter-fraud exercise led by Audit Scotland that utilises computerised techniques to compare electronic data, about individuals, held by different public bodies to identify potential matches. These may, following further examination, indicate the existence of fraud or error. As a participating body, the Council uploads files of specific electronic data to the secure NFI website for matching purposes.

In line with last year, improvement continues to be made in relation to the overall management of the NFI exercise. The formal action plan, developed to ensure that all key actions and areas for improvement relating to NFI are captured and addressed appropriately and timeously, continues to be utilised and is updated / monitored on a regular basis. There also continues to be improvements in relation to investigating data matches in general and in the engagement of services in this process. Delivery of training assists with this and raises awareness of the NFI process.

Participation in the NFI exercise is mandatory and, as such, the level of engagement, including progress made towards investigating data matches and the importance placed on the exercise within the organisation is considered by External Audit. Last year, the review carried out by the Council's external auditors, KPMG, in February 2016 resulted in a "green rated" NFI submission being returned to Audit Scotland. The Council's new external auditors, Audit Scotland, has carried out an initial assessment of the Council's arrangements and whilst a formal report is not expected until June 2018, the Council has received verbal feedback that the findings in the report will be positive.

The CFT Supervisor is the Key Contact for the NFI exercise in the Council and reports operationally to the Senior Manager – Internal Audit. Key Contact responsibilities include:

- co-ordinating and monitoring the overall exercise
- ensuring that the specifications for data sets are adhered to
- ensuring data sets are uploaded accurately and timeously
- ensuring that key individuals required to assist with the investigation of matches are identified and adequately trained
- ensuring outcomes from the investigation of matches are recorded on the web application promptly and accurately

The 2016/17 NFI biennial exercise commenced in August 2016 when contact was made with all relevant heads of service to establish who the key contacts would be for the data extraction phase. Successful data extraction was completed on time with a total 17 data sets uploaded to the website on 11 October 2016. In preparation for the data matches investigation phase, the CFT Supervisor delivered training sessions, during the period October 2016 to January 2017, to 37 members of staff from a variety of Council services and Dundee Health and Social Care Partnership, including Corporate Procurement, Insurance, Payroll, Pensions, Licensing, Housing and Revenues. These training sessions, which included a presentation on the background of NFI and the Council's commitment to participate in the exercise, required staff to complete practical navigational exercises on the new NFI Website.

The Council received its data matches in late January 2017 and the CFT Supervisor then held one to one training sessions with all relevant service leads to ensure that they were fully aware of responsibilities, investigation procedures and how to record outcomes on the NFI Website. Work surrounding the data matches is currently ongoing. However, as at 31 March 2017, 1,384 matches had been processed and fraud or error was identified in 93 of them, resulting in overpayments of £8,015.24 of which £7,486.60 had either been recovered or a formal arrangement in place for its recovery. See Appendix 2.

In addition to the biennial NFI matching exercise, separate exercises are undertaken to match electoral registers against those households where Council Tax Single Person Discounts are being claimed. As at 31 March 2017, overpayments of £32,632.62 had been identified via this supplementary exercise. See also Appendix 2.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Council Management Team was consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

05 SEPTEMBER 2017

CORPORATE FRAUD ACTIVITY AND PERFORMANCE REPORT - 1 APRIL 2016 TO 31 MARCH 2017

FRAUD TYPE	REFERRALS TO TEAM	SAVINGS IDENTIFIED (£) / BENEFITS
Tenancy Fraud	30	18,000 (1 house returned to Housing stock)
Blue Badge	14	20,000 (9 Badges removed for misuse and 1 successful case prosecuted)
Council Tax (Reduction, Exemptions & Discounts)	137	70,964
General Income	1	100
Parking	5	2,000
Scottish Welfare Fund	3	Advice and Guidance
Procurement	2	Advice and Guidance
Legal and Licensing	3	Advice and Guidance
UKBA Identity Check	1	Advice and Guidance
Grants	1	Advice and Guidance
Trading Standards	1	Advice and Guidance
Children and Families	1	Advice and Guidance
Housing Benefit (identified during other CFT investigations)	14	13,719
TOTAL	213	124,783
Housing Benefit Overpayments from Single Fraud Investigation Service (SFIS)	267	333,008

The tables below provide a summary of results specific to Dundee City Council from the biennial 2016/17 NFI exercise and the 2016 Supplementary Council Tax Single Person Discount NFI exercise.

2016/17 NFI EXERCISE RESULTS (Work in progress)	Totals		
Matches Processed	1,384		
Overpayments Identified	£8,015.24		
Overpayments recovered or an arrangement has been put in place to recover	(£7,486.60)		
Outcomes	Cleared	Fraud & Errors	Ongoing Investigations
	1,263	93	28

2016 SUPPLEMENTARY NFI EXERCISE - COUNCIL TAX SINGLE PERSON DISCOUNTS	Totals		
Matches Processed	437		
Overpayments Identified	£32,632.62		
Overpayments recovered or an arrangement has been put in place to recover	(£32,161.68)		
Outcomes	Cleared	Fraud & Errors	Ongoing Investigations
	362	64	11