

REPORT TO: SCRUTINY COMMITTEE - 23 SEPTEMBER 2020

REPORT ON: NATIONAL FRAUD INITIATIVE

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 219-2020

1.0 PURPOSE OF REPORT

This report is to inform Elected Members of the continued work of the 2018/19 National Fraud Initiative (NFI) exercise, the mandatory 2018/19 Electoral Roll / Council Tax Single Person Discounts data matching exercise and preparations for the 2020/21 NFI exercise.

2.0 RECOMMENDATIONS

It is recommended that Members of the Committee:

- i. note the progress made on investigating the data matches received from the Cabinet Office as part of the 2018/19 NFI exercise at Appendix 1;
- ii. note progress towards planning and preparations for the 2020/21 NFI exercise;
- iii. note Audit Scotland's national report on the NFI 2018/19 dated July 2018 at Appendix 3; and
- iv. review the completed NFI Self-Appraisal Checklist for those charged with governance at Appendix 2.

3.0 FINANCIAL IMPLICATIONS

The 2018/19 NFI exercise has identified £101,634.53 of overpayments, which have either been recovered or a formal recovery arrangement is in place. As a result of stopping these errors now, the NFI has estimated that the Council has also saved an additional notional amount of £284,294.43, bringing the overall total to £385,928.96.

The supplementary mandatory 2018/19 Electoral Roll / Council Tax Single Person Discounts data matching exercise has also identified overpayments of £34,285.29 which have been, or are in the process of being recovered through the Council's normal Council Tax billing and recovery processes.

4.0 BACKGROUND

The NFI is a biennial data matching exercise, co-ordinated at a national level by the Cabinet Office, designed to help participating bodies detect fraud and error. Computerised techniques are utilised to compare electronic data held by different public and private sector bodies in Scotland, England and Wales and identify data matches, which may, following further examination, uncover the existence of fraud or error. The NFI exercise in Scotland is led by Audit Scotland and participation is mandatory for the Council. Participation also assists the Council with its Deter agenda.

The Senior Responsible Officer for the NFI exercise in the Council is the Executive Director of Corporate Services and the Key Contact is the Corporate Fraud Supervisor, who 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 NFI Website promptly and accurately

The mandatory data sets submitted by the Council for the 2018/19 NFI exercises were:

- Payroll – Dundee City Council, Leisure & Culture Dundee, Tay Road Bridge Joint Board and Tayside Valuation Joint Board
- Pensions – Tayside Pension Fund (Current & Deferred)
- Creditors – Current and historic from 1 October 2015
- Licences – Civic, Liquor and Taxis
- Council Funded Private Residential Care Payments
- Personal Budgets – Direct Payments
- Resident Parking Permits - Current
- Housing Tenants - Current
- Housing Waiting List
- Housing Right to Buy – Former tenants
- Blue Badge
- Council Tax
- Electoral Roll

4.1 NFI 2018/19 UPDATE

The 2018/19 NFI biennial exercise commenced in August 2018 with the Council uploading its data to the NFI Website in October 2018. In January 2019, the Council received its data matches in the form of 107 reports, containing a total of 22,344 matches. The CFT Supervisor held training sessions with all participating staff to ensure that they were fully aware of their responsibilities, the investigation procedures and how to record outcomes on the NFI Website.

Work surrounding the data matches has now concluded with 7,313 matches having been investigated. Errors were identified in 72 of the matches, resulting in overpayments of £101,634.53, which have either been recovered or a formal recovery arrangement is in place. The NFI also records estimated savings figures where it is reasonable to assume that incidents of fraud, overpayments and errors would have continued undetected without NFI data matching. For the 2018/19 NFI exercise, a total estimated savings figure of £284,294.43, has been calculated. This estimated figure in addition to actual overpayments gives a total value of £385,928.96. See Appendix 1.

A supplementary mandatory data matching exercise was also undertaken in December 2018 to match the Electoral Roll against those households where Council Tax Single Person Discounts was being claimed. 705 matches had been investigated with overpayments of £34,285.29 identified. These overpayments have been recovered or are in the process of being recovered through the Council's normal Council Tax billing and recovery processes. See Appendix 1.

4.2 NFI 2020/21 UPDATE

The next NFI exercise will take place this year. The Council has received instructions from the Cabinet Office, via the NFI Team, surrounding how it should prepare for the 2020/21 NFI exercise and steps have already been taken to plan for the extraction of required data sets.

Following an internal quality control process, the data sets will be uploaded to the NFI Website in line with the Instructions for Participants and Cabinet Office timetable, commencing 9 October 2020. Data matches will be made available to the Council for investigation from 28 January 2021.

Training on how to deal with the data matches along with responsibilities, investigation procedures and how to record outcomes on the NFI Website will be delivered in December 2020, by the CFT Supervisor, to all participating staff from the services detailed Table 1 below.

Table 1 – Services where Participating Staff will be trained

Strategic Service / Client	Service Area
Corporate Services	<ul style="list-style-type: none"> • Corporate Fraud • Corporate Procurement • Pensions • HR and Business Support • Payroll • Welfare Rights • Non-Domestic Rates
Neighbourhood Services	<ul style="list-style-type: none"> • Housing & Communities
Dundee Health and Social Care Partnership	<ul style="list-style-type: none"> • Finance Admin • Blue Badge Admin

Since the start of the Covid-19 pandemic, the risk of fraud and error has increased for a number of reasons, including the introduction of government stimulus packages to support individuals and businesses. These financial packages, some of which are large and have been administered by local government, had to be provided quickly and possibly with a lower level of scrutiny and due diligence than would previously have been the case.

The 2020/21 NFI exercise recognises this increased risk and, consequently, has included new data specifications for Covid-19 post assurance matching. These data specifications should help support fraud detection in payments made for Covid-19 grants, primarily the Business Support Grants. Payment data for these grants will be uploaded as part of the mandatory data the Council is required to submit to the Cabinet Office.

Whilst locally the Council has existing controls in place to mitigate the risk of fraud in these areas, including the co-ordinated sharing of relevant data with other Scottish local authorities, inclusion of these data sets in the 2020/21 NFI exercise should assist further with the detection and prevention of fraud nationally. More specifically, the identification of national / cross border matches as part of the 2020/21 NFI exercise will assist the Council and other participating bodies to focus resources through further investigation into potential fraudulent applications, claims and payments.

4.3 AUDIT SCOTLAND NFI REPORT AND SELF-APPRAISAL CHECKLIST

Audit Scotland publishes a national report setting out the progress of each biennial NFI exercise. The most recent report published in July 2020, which covers the 2018/19 NFI exercise, summarises the national outcomes recorded for all participating public bodies since the last report was issued in July 2018 and is attached for noting at Appendix 3. Page 6 of the national report outlines 4 recommendations for improvement

for all participating bodies. One of the 4 recommendations states that Audit Committees, or equivalent, and staff leading the NFI should review the NFI Self-Appraisal Checklist to ensure that they are fully informed of their organisation's planning and progress in the 2020/21 NFI exercise. The report also contains a link to the NFI Self-Appraisal Checklist.

The Self-Appraisal Checklist has been completed by officers in respect of the 2020/21 NFI exercise and Part A, for those charged with governance, is attached for review purposes at Appendix 2.

5.0 POLICY IMPLICATIONS

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. 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

27 August 2020

TABLE 1 – 2018/19 NFI DATA MATCH – FINAL OUTCOMES

REPORT CONTENT	NO. OF ERRORS	ACTUAL £	NOTIONAL £	TOTAL VALUE £
Housing Benefit	1	1,835.90	1,371.51	3,207.41
Council Tax Reduction	3	2,687.77	834.12	3,521.89
Deceased Pension Investigations	4	23,553.17	261,388.80	284,941.97
Pension Abatements	1	377.23	-	377.23
Payroll Investigations	1	11,408.93	-	11,408.93
Blue Badges	36	-	20,700.00	20,700.00
Creditors	21	61,771.53	-	61,771.53
National Insurance Numbers Corrected	5	-	-	-
TOTAL	72	101,634.53	284,294.43	385,928.96

TABLE 2 – 2018/19 ELECTORAL ROLL AND COUNCIL TAX SINGLE PERSON DISCOUNT DATA MATCH – FINAL OUTCOMES

REPORT CONTENT	NO. OF ERRORS	TOTAL VALUE £
Council Tax to Electoral Roll	53	25,357.04
Council Tax Rising 18's	50	8,928.25
TOTAL	103	34,285.29

Self-appraisal checklist 2020

For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
Leadership, commitment and communication			
1. Are we aware of emerging fraud risks, eg due to Covid-19, and taken preventative and detective action?	<p>YES</p> <p>We are receiving alerts of emerging risks from various agencies, eg Police Scotland, National Anti-Fraud Network (NAFN), Trading Standards Scotland and various cross border Law Enforcement Agencies. Where appropriate, the Corporate Fraud Team shares these alerts and intelligence with those who are charged with assessing the applications for Business Support Grants.</p> <p>Since the start of Covid-19 Lockdown, the Council has been collating the top 5 weekly emerging risks / scams and publishing these on OneDundee to assist the organisation and staff personally.</p> <p>The Council reports all suspicious Business Support Grant applications to Scottish Government (as per instruction) and the Council's Corporate Fraud Team carries out comprehensive investigations on all referrals concerning suspicious applications.</p>	NO	
2. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	<p>YES</p> <p>At the 10 February 2014 Policy and Resources Committee (Article VI, Report No 61-2014), Members received a report on the Future Corporate Strategy for Counter Fraud, including the Corporate Fraud and Corruption Policy and Corporate Fraud Action Plan. The Council's Corporate Fraud and Corruption Policy, which was approved by Members at that meeting, describes the NFI as being part of the Anti-fraud and Corruption Framework that exists within the Council to protect it against fraud and corruption.</p>	NO	

For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
	<p>Progress towards delivering the NFI exercises is communicated regularly to senior management, along with outcomes, and to other key members of staff as and when appropriate.</p> <p>The Internal Audit and Corporate Fraud Service Internet and Intranet pages communicate to users that responsibilities surrounding co-ordinating the NFI in the organisation rest with the Corporate Fraud Team. The NFI Key Contact for the Council is the Corporate Fraud Supervisor (CFS). Information re NFI is also available via a link on the Internet.</p>		
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	<p>YES</p> <p>As above, the NFI is an integral part of the Council's Corporate Fraud and Corruption Policy.</p>	NO	
4. Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	<p>YES</p> <p>Previously, the Council utilised the Flexible Matching Service to enhance its assurances and risk management of the Tayside Pension Fund (TPF) against deceased records held by DWP.</p> <p>Using the Flexible Matching Service has been considered for real-time matching, however, it comes at an additional cost, which the Council is not currently in a position to resource. The Council's position on this is continually reviewed.</p> <p>The Council is, however, a member of NAFN and uses real-time credit / utility / passport checks if there is doubtful application data. The Council pays a yearly subscription to NAFN for that service.</p>	NO	
5. Are the NFI progress and outcomes reported regularly to senior	<p>YES</p> <p>NFI progress and outcomes are reported to the Scrutiny Committee on an annual basis</p>	NO	

For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
management and elected/board members (eg, the audit committee or equivalent)?	each September, covering the previous financial year (1 April to 31 March). NFI Progress reports are also prepared by the Corporate Fraud Supervisor (CFS) for the Senior Manager – Internal Audit, Corporate Finance Management Team and the Executive Director of Corporate Services.		
6. Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	N/A – The Council submits data and uses the matches returned.	N/A	
7. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	YES The NFI Key Contact reports operationally to the Council's Senior Manager - Internal Audit. Regular discussions take place between the NFI Key Contact and the Senior Manager - Internal Audit surrounding the approach to all NFI exercises and an action plan is in place, which is updated and monitored on a regular basis, to ensure all NFI related actions are taken forward appropriately and timeously.	NO	
8. Do we review how frauds and errors arose and use this information to improve our internal controls?	YES The Corporate Fraud Team compiles reports at the end of its investigations. These reports contain identified weaknesses in internal controls. During investigations, Action Plans and Timelines may also be produced as ongoing investigative documents. The Reports, Action Plans and Timelines are documents that are shared with services and the Council's Senior Manager - Internal	NO	

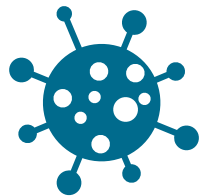
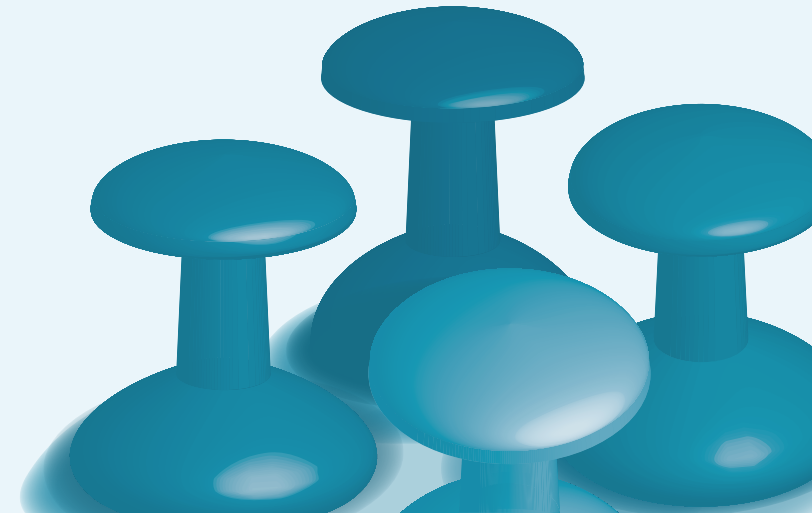
For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
	<p>Audit for information, action and improvements going forward.</p> <p>Weaknesses in internal controls would also be discussed, as appropriate, with the Council's Integrity Group. Going forward, consideration will be given as to whether a new and / or evolving fraud risk should be added to the Council's Corporate Fraud Risk Register.</p>		
<p>9. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?</p>	<p>YES</p> <p>The Corporate Fraud Team's Activity and Performance Report, which is submitted to the Scrutiny Committee annually in September is circulated to senior management internally and published on the Council's Internet pages. The report contains collective achievements of the staff in the Corporate Fraud Team and their colleagues in other service areas, including the Council's Whistleblowing activity and outcomes.</p> <p>Internally, a monthly report is prepared by the CFS for the Corporate Finance Management Team and the Executive Director of Corporate Services on all Corporate Fraud activity and outcomes.</p> <p>Fraud awareness training is delivered to services on a risk basis. Case studies are used in the training to aid understanding and act as a deterrent. The Council's Compliance Group helps inform the fraud awareness training agenda.</p>	NO	

National Fraud Initiative 2018/19



Prepared by Audit Scotland
July 2020

Covid-19 raises risk of public-sector fraud



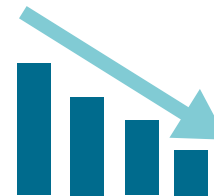
1. Covid-19

The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched and controls and governance are changing.



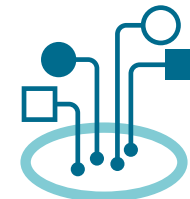
2. Outcomes

Since we last reported on the National Fraud Initiative (NFI) in Scotland in June 2018, outcomes valued at £15.3 million have been recorded. The cumulative outcomes from the NFI in Scotland since the first exercise 2006/07 are now £143.6 million. Across the UK, the cumulative total of NFI outcomes are now £1.93 billion.



3. Results

NFI outcomes in Scotland have fallen by £2.4 million to £15.3 million in the 2018/19 exercise, despite an increase in participating bodies. Reduced levels of outcomes could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.



4. Process

Most organisations demonstrate a strong commitment to counter-fraud and the NFI. Some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.

Recommendations

1. Covid-19 risks


All participants should be aware of emerging fraud risks, eg due to Covid-19, and take appropriate preventative and detective action.

2. Maximise the benefits

All participants in the NFI exercise should ensure that they maximise the benefits of their participation.

They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.

3. Self-appraisal checklist

Audit committees, or equivalent, and staff leading the NFI should review the [NFI self-appraisal checklist](#) .

This will ensure they are fully informed of their organisation's planning and progress in the 2020/21 NFI exercise.

4. Take action

Where local auditors have identified specific areas for improvement, participants should act on these as soon as possible.



1. Fraud risks associated with Covid-19

The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to continue to deliver services for individuals, communities and businesses in an extremely difficult time. This includes additional fraud risks that will be important for public bodies to identify and manage.

Good governance and sound controls are essential in such crisis situations. The risks include, but are not limited to:



public-sector staff working remotely



an increase in cyber-crime as more public-sector staff connect remotely



public-sector staff working under extreme pressure



an increase in phishing emails and scams trying to get staff working under pressure to click on links which allow fraudsters access to public-sector systems




government stimulus packages to support individuals and businesses being provided quickly with a lower level of scrutiny and due diligence than has previously been in place for similar schemes.


2. National Fraud Initiative outcomes


The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The NFI uses data sharing and matching to help confirm that services and payments are provided to the correct people. An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents.

NFI outcomes

 **£15.3 million**
NFI outcomes in Scotland
from the 2018/19 exercise

These are split between outcomes for the 2018/19 exercise (£13.5 million) and late outcomes from the 2016/17 exercise (£1.8 million)

 **£143.6 million**
NFI outcomes cumulatively in
Scotland since 2006/07

 **UK NFI outcomes**
£244.7 million
from the 2018/19 exercise
£1.93 billion
cumulatively since 2006/07

The background of the NFI is contained in [Appendix 1](#).

Trends in outcomes between 2016/17 and 2018/19 exercises



Outcomes in Scotland
have fallen by £2.4 million
to £15.3 million



Number of matches
generated has fallen
by 76,562 to 580,393



Number of participating
bodies has increased
by 11 to 124

The decrease in outcomes is partly down to immigration data not being included in the 2018/19 exercise due to restrictions placed on it by the Home Office following the recent review into the treatment of the Windrush generation. Following the review, the Home Office decided to temporarily suspend sharing immigration data until it had considered the findings of the review and reflected those findings in its policies and procedures. Reduced levels of outcomes and matches could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.

Having fewer matches provides some assurance there do not appear to be significant problems in the areas covered by the exercise. However, participants still benefit from the deterrent effect the NFI creates.

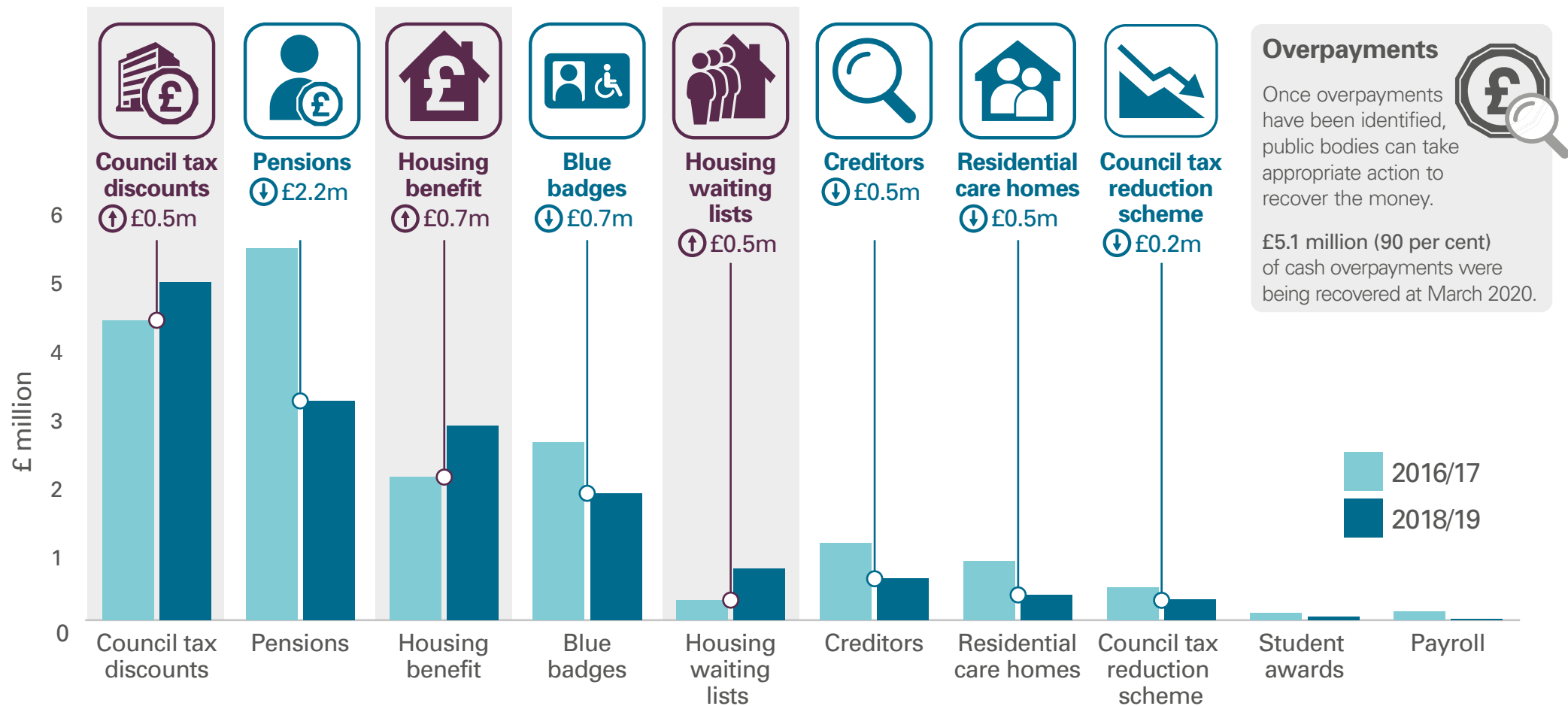
Although the main purpose of the NFI is to ensure funds and services are provided to the correct people, the review of NFI matches may also identify that a customer is entitled to additional services or payments.

Details of the Scottish NFI participants are on our [FraudHub](#) 

3. Results

How the latest outcomes compare to the last exercise

The areas with significant changes are:





Council tax discounts

People living on their own, or with no countable adults in the household, are eligible for a 25 per cent single person discount (SPD) on their annual council tax bill.

£4.9 million

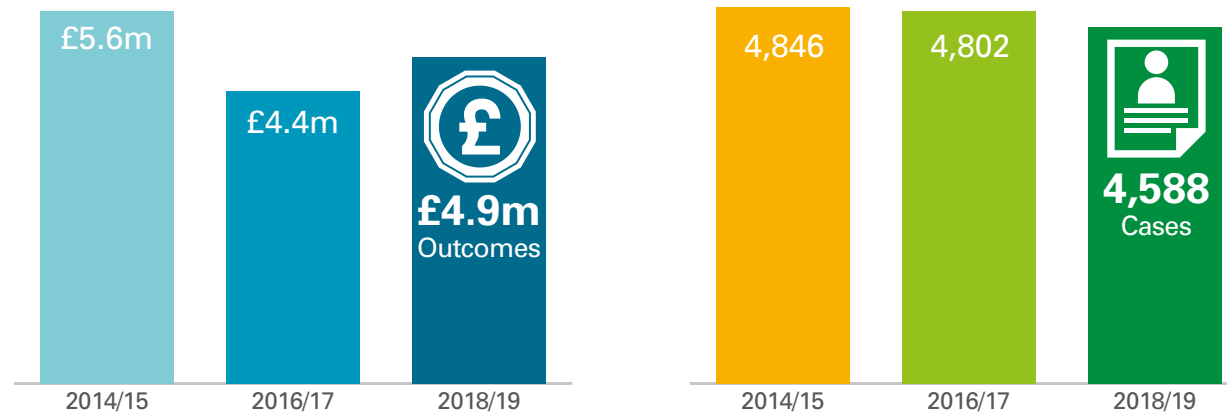
Total outcomes
in 2018/19 exercise

£1,072

Average outcome

4,588

Cases



The 2018/19 NFI exercise found that the total council tax discount incorrectly awarded across Scottish councils totalled £4.9 million. This is an average outcome of £1,072 for each case compared with £916 per case in the 2016/17 NFI.

Five councils used alternative data matching or verification for SPD data matching during 2018/19.

Case study

East Dunbartonshire Council



An NFI match between a council tax reduction claimant and a pension recipient identified that a second undeclared adult was residing with the council tax reduction claimant.

Investigations identified that the pension recipient had been staying in, and jointly owned, the property since 1983. The pension recipient moved out of the property in 2013 and later returned in 2018.

As a result a council tax reduction overpayment of £2,200 plus a council tax SPD outcome of £9,800 were identified.

Council tax data is matched to:



Electoral register



Pensions

For the Scottish Public Pensions Agency (SPPA) and councils that administer pensions, the NFI is an efficient and effective way of checking that they are only paying pensions to people who are alive.

£3.2 million

Total outcomes
in 2018/19 exercise

£2.2 million

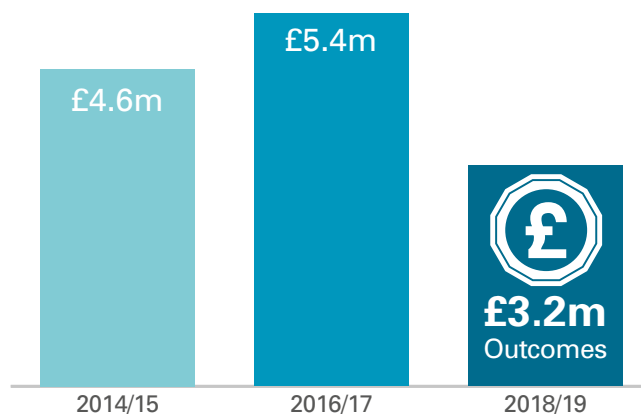
Reduction on the
2016/17 NFI exercise

£32,600

Average outcome
for each case

Pension outcomes have fallen due to the 'tell us once' reporting process having become more embedded over the last two years, and SPPA carrying out 6-monthly mortality screening.

Pension outcomes across the UK have fallen by 59 per cent from £143.7 million in 2016/17, to £59.1 million in 2018/19.



Note: Due to a formula error in the NFI computer system, pension outcomes in the 2016/17 exercise were overstated by £0.9 million. The figure has been adjusted accordingly.

Case study

Dundee City Council



An NFI match indicated that a pensioner had died. Investigations revealed that the pensioner had been living in Canada and had died in 2016.

A pension of just under £22,000 had been paid since the date of death. It was also established that the pensioner's widow has also since died. The overpaid pension has been partially offset against the widow's pension.

Pension data is matched to:



Deceased
person



Payroll



Housing
benefits



Injury
benefits



Amberhill
data

Amberhill is a system used by the Metropolitan Police to authenticate documents presented for identity.

Tell us once



'Tell us once' is a service that lets you report a death to most government organisations when registering the death.



Housing benefit

The NFI provides councils and the Department for Work and Pensions (DWP) with the opportunity to identify a wide range of benefit frauds and errors. Housing benefit helps people on low incomes pay their rent.

£2.8 million

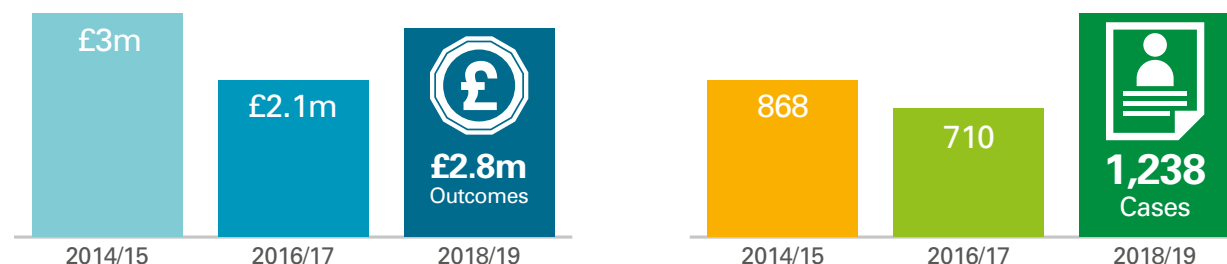
Total outcomes
in 2018/19 exercise

£2,292

Average individual
value of overpayments

1,238

Cases



The value and number of housing benefit cases recorded with overpayments has risen from £2.1 million from 710 cases in the 2016/17 NFI, to £2.8 million from 1,238 cases in the 2018/19 NFI.

Although the number of benefit cases has risen, along with an increase in outcomes, the average individual value of overpayments has fallen from £2,923 in the 2016/17 NFI exercise to £2,292 in 2018/19.

One possible reason for the decline in the average value of individual overpayments of the 2018/19 outcomes is that the DWP and councils are now using real-time information (RTI) payroll and pension information, to help ensure any overpayments are picked up more quickly.

Case study

Renfrewshire Council



An NFI match resulted in a joint investigation by the council and the Department for Work and Pensions. This investigation identified that a benefit claimant had failed to declare their occupational pension since 2013, their earnings while working as a 'bank staff' employee and all of their bank accounts.

The undeclared occupational pension and earnings resulted in a housing benefit overpayment of £6,682.35 and a council tax reduction adjustment of £1,633.91.

The council has reported the matter to the Procurator Fiscal, for consideration of proceedings.

Housing benefit data is matched to:



Student loans



Payroll



Pensions



Housing
benefits



Housing
tenants



Right to buy
(in England)



Licences



Deceased
person



Amberhill
data



Blue badges

The blue badge parking scheme allows people with mobility problems to park for free at on-street parking meters, in 'pay and display' bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances.

£1.8 million

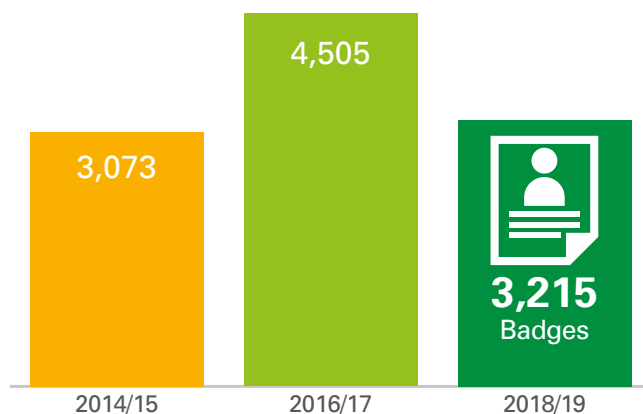
Total outcomes
in 2018/19 exercise

3,215

Total number of blue
badge outcomes in
2018/19 exercise

1,290

Decrease from NFI
2016/17 exercise



The 2018/19 NFI exercise identified 3,215 blue badge outcomes, which is a decrease of 1,290 (40 per cent) since the last exercise.

Badges are sometimes used or renewed improperly by people after the badge holder has died. It is an offence for an unauthorised person to use a blue badge.

Blue badge data is matched to:



Deceased
person



Amberhill
data



Housing waiting lists

The aim of the NFI using housing waiting list data is to identify possible cases of waiting list fraud. This happens when an individual has registered on the waiting list but there are possible undisclosed changes in circumstances or false information has been provided. This was a new data set for the 2016/17 NFI exercise. Social housing provides affordable accommodation, allocated according to need. It usually provides a more secure, long-term tenancy when compared to private renting.

£0.7 million

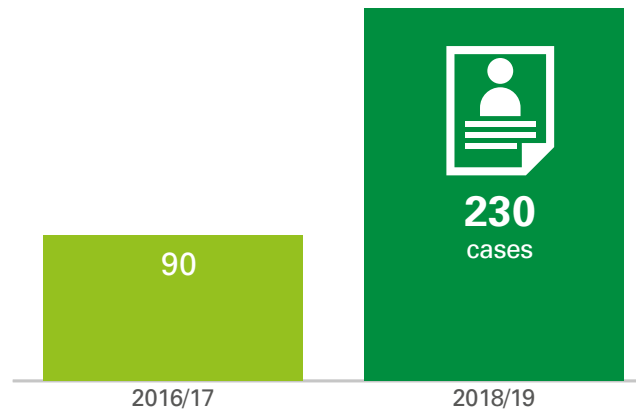
Total outcomes in 2018/19 exercise

230


Cases


Councils identified 230 cases where applicants were removed from waiting lists. Stirling Council identified 185 (80 per cent) of these cases.


The estimated value of these cases is £0.7 million. This is based on a calculation of the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property.




Housing waiting list data is matched to:


 Waiting list

 Housing benefit

 Housing tenants

 Right to buy (in England)

 Deceased persons

 Amberhill data



Creditors

The NFI provides an efficient way to check for duplicate payments and that payments are only made to appropriate creditors. A creditor is a person or an organisation that a public body pays money to for a good or service.

£0.6 million

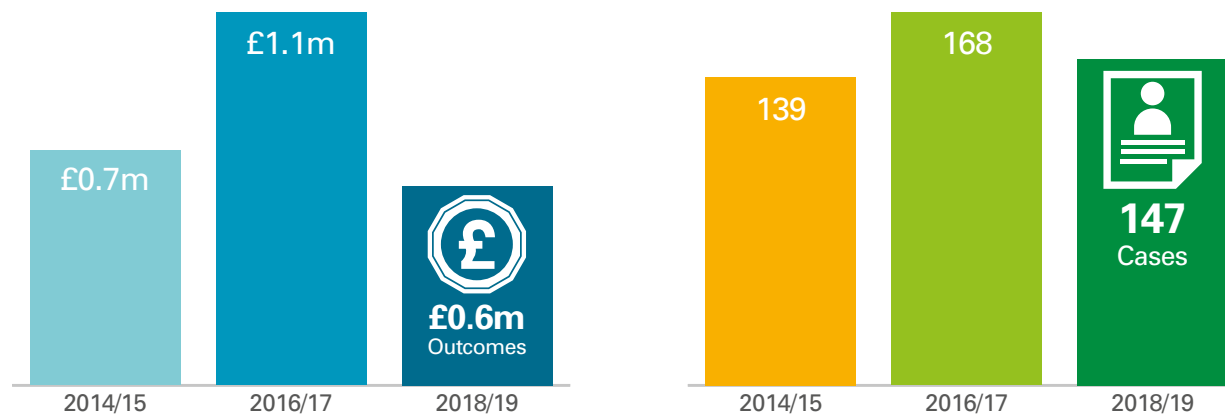
Total outcomes
in 2018/19 exercise

100%

Recovery action
is taking place

147

Cases



The 2018/19 NFI exercise has resulted in 147 creditor outcomes of £0.6 million compared to 168 outcomes worth £1.1 million in 2016/17. Recovery action is taking place for 100% of these overpayments.

Creditor data is matched to:



Creditor data



Payroll



Payments to residential care homes

The NFI identifies cases where a care home resident has died, but the council may not have been notified and so continue to make payments.

£0.4 million

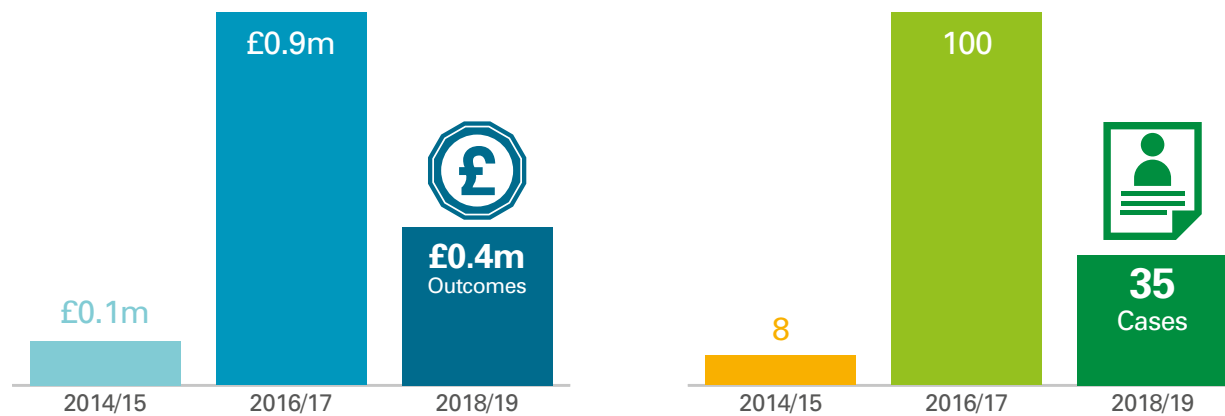
Total outcomes
in 2018/19 exercise

71%

Overpayments are being
recovered

35

Cases



Councils have identified 35 cases of overpayments valued at £0.4 million to care providers for residents who have died.

71 per cent of these overpayments are being recovered.

Despite the number of overpayments having fallen since 2016/17, the average value of overpayment has risen from £8,651 to £10,500.

Residential care home data is matched to:



Deceased persons



Amberhill data



Council tax reduction

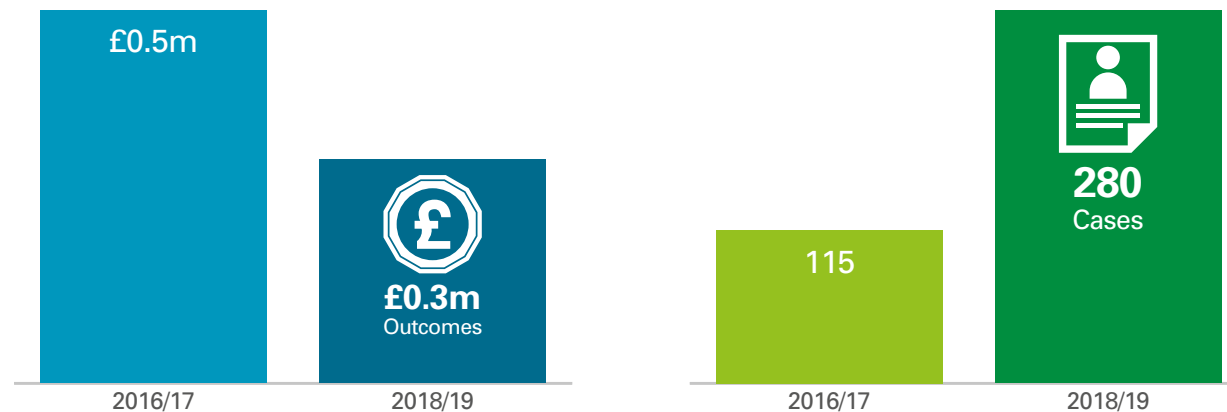
Council tax reduction helps those on low incomes to pay their council tax bills. The NFI provides councils with the opportunity to identify a range of council tax reduction frauds and errors.

£0.3 million

Total outcomes in 2018/19 exercise

280

Cases



The 2016/17 NFI was the first time council tax reduction data sets were included within the NFI.

Outcomes of £0.3 million were identified in the 2018/19 NFI, a fall of £0.2 million from the £0.5 million reported in 2016/17.

Councils have identified more than double the number of cases in 2018/19 but each with a smaller value, suggesting fraud and error is being picked up more quickly.

Council tax reduction data is matched to:



Council tax reduction



Payroll



Pensions payroll



Housing benefits



Housing tenants



Right to buy (in England)



Licences



Deceased persons



Amberhill data



Other data matches

Payroll

£20,000

Total outcomes in
2018/19 exercise

8

Cases

The NFI also matches all participating bodies' employee payroll data as well as those of MSPs and councillors in order to identify cases of potential payroll fraud. The 2018/19 NFI identified eight cases valued at £20,000 compared to 13 cases valued at £0.1 million in the 2016/17 exercise.

Student awards

£50,000

Total outcomes in
2018/19 exercise

2

Case

The NFI provides the Student Awards Agency Scotland (SAAS) with matches identifying cases where individuals may not be eligible for student funding, for example, through identity fraud. The 2018/19 NFI exercise only identified two outcomes, a reduction of 3 from the 2016/17 exercise.

Past NFI exercises have identified larger outcomes in both payroll and student awards. This is partly due to immigration data not being included in the 2018/19 exercise.

Case study

Student Award Agency Scotland (SAAS)



An individual applied for student funding with a counterfeit Slovakian identity card. The applicant was awarded a tuition fee loan of £5,500.

The applicant was arrested, and facial recognition software identified a second false identity that had also been used by this individual.

The applicant made a full admission and is currently being detained in prison. It is expected that they will be deported from the UK following completion of their 12 month prison sentence.

4. Process

Matches benefiting other public bodies

One key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. Data provided by Scottish participants for the 2018/19 NFI exercise helped other public bodies, both within and outwith Scotland, to identify 884 outcomes worth £1.7 million. This is an increase of £0.6 million from 2016/17.



Local government

£854,760

415



Central government

£759,879

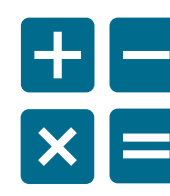
388



NHS

£120,408

75



Colleges

£12,672

6



Total

£1,747,719

884

2016/17

£520,948

232

2016/17

£438,206

254

2016/17

£155,566

77

2016/17

£7,073

5

2016/17

£1,121,793

568

Most of these outcomes relate to housing benefits, housing waiting lists and council tax reductions where, for example, payroll data from a health board may allow a council to identify a housing benefit overpayment.

Matches

For those public bodies taking part in the NFI which may not always identify significant outcomes from their own matches, it is important to appreciate that other bodies and sectors may do so.



Costs and benefits of participating in the NFI



£123,000+

Average outcome for each public body in Scotland for the 2018/19 NFI



£120 – £30,000

Estimated costs of NFI to public bodies



£213,750





Audit Scotland costs

Audit Scotland funds the cost of the NFI system and the biennial data matching for Scottish public-sector bodies

Participating bodies incur costs following up and investigating matches. Participating bodies also incur costs for pilot work and additional services such as the AppCheck¹ pre-application screening.

Many bodies do not keep separate records for NFI costs as it is just one of many counter-fraud activities they are doing. Those that did have records were able to estimate that their costs ranged from £120 to £30,000. This compares favourably with the average outcome for each public body in Scotland of over £123,000 for the 2018/19 NFI.

Overall, the £15.3 million of outcomes from the 2018/19 NFI outweigh the costs.

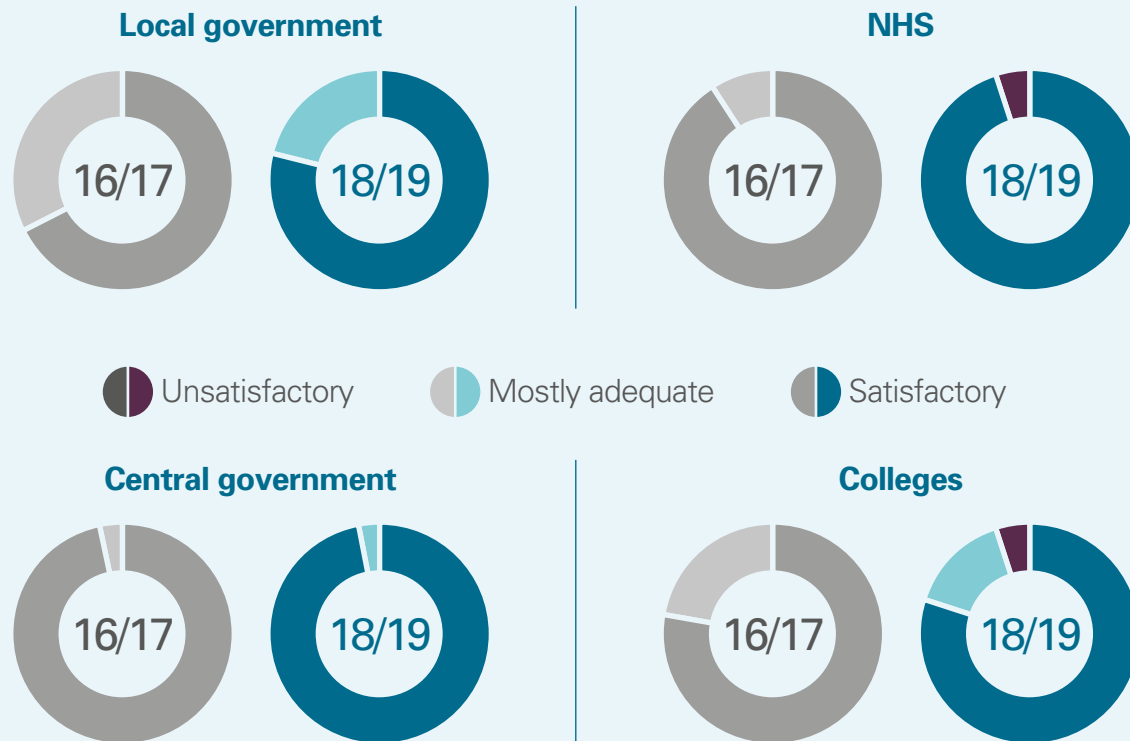
	No. of bodies reported	Cost range
 Local government	●●●● 4	£10,000 – £30,000
 NHS	●●●●●●●● 8	£120 - £6,000
 Central government	●●●●●●●●●● 10	£400 - £10,179
 Colleges	●●●●●●●● 7	£150 - £10,000

Note: 1. Appcheck is a data matching service used at point of applications for a service or benefit.

How bodies work with the NFI


External auditor review of NFI arrangements

A higher percentage of participating public bodies managed their roles in the 2018/19 NFI exercise satisfactorily compared to the 2016/17 NFI exercise.



Auditors reviewed each body's planning and progress with the NFI, and provided recommendations for improvement where appropriate.

Some bodies could be more pro-active in their approach to the NFI. All colleges were included in the 2018/19 exercise for the first time. Three colleges only submitted data after receiving several prompts from auditors. They cited resourcing and IT issues as the reasons. One of these colleges did not subsequently review any matches it received.

We recommend that all bodies use [our checklist](#)  to self-appraise their involvement in the NFI before and during the 2020/21 NFI exercise.

NFI pilot activity – non-domestic rates

A **pilot** 📍 was undertaken with the Scottish Government and seven Scottish councils in order to help identify businesses inappropriately claiming Small Business Bonus Scheme (SBBS) relief. The SBBS assists small businesses in Scotland to pay their rates.

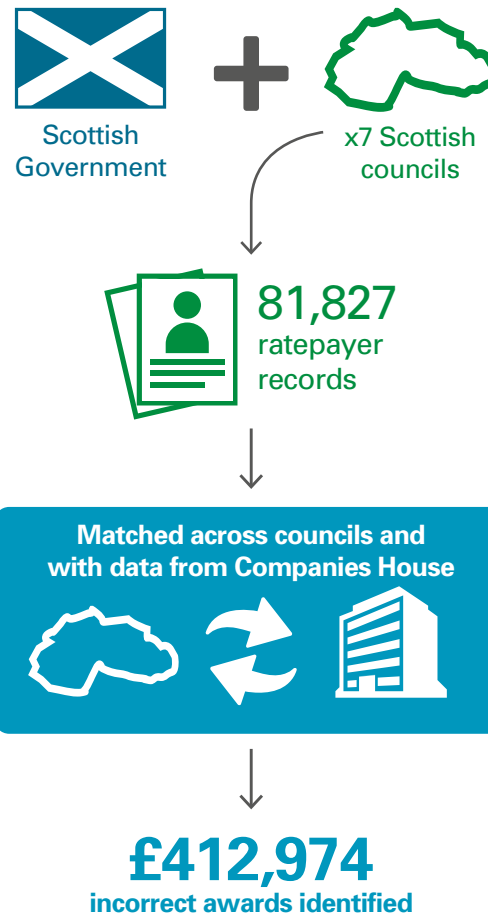
The seven participating councils provided 81,827 ratepayer records which were matched across councils and with data from Companies House in order to identify SBBS fraud. The pilot identified £412,974 in incorrect awards being identified.

If similar levels of incorrect awards were identified across all Scottish councils, the extrapolated value could be in the region of £1.9 million.

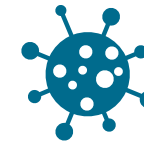
Some system weaknesses were also identified, and recommendations have been issued for improvements where appropriate.

Due to the success of this pilot, the Scottish Government is considering a national roll-out of this data matching exercise across all Scottish councils.

Small Business Bonus Scheme fraud



Future developments



The Covid-19 pandemic and the resulting emergency support packages have led to a greater risk of fraud.

Audit Scotland has been working with the Cabinet Office to identify, develop and promote data matching facilities to help address some of this increased fraud risk. Work will continue in this area into the 2020/21 NFI exercise.



The 2020/21 NFI is due to start in late summer 2020. Data sets have been reviewed following a period of consultation with participants.



Audit Scotland continues to work with the Cabinet Office in developing new ways to prevent and detect fraud. This includes piloting new data matching in respect of NHS patient prescription exemptions.



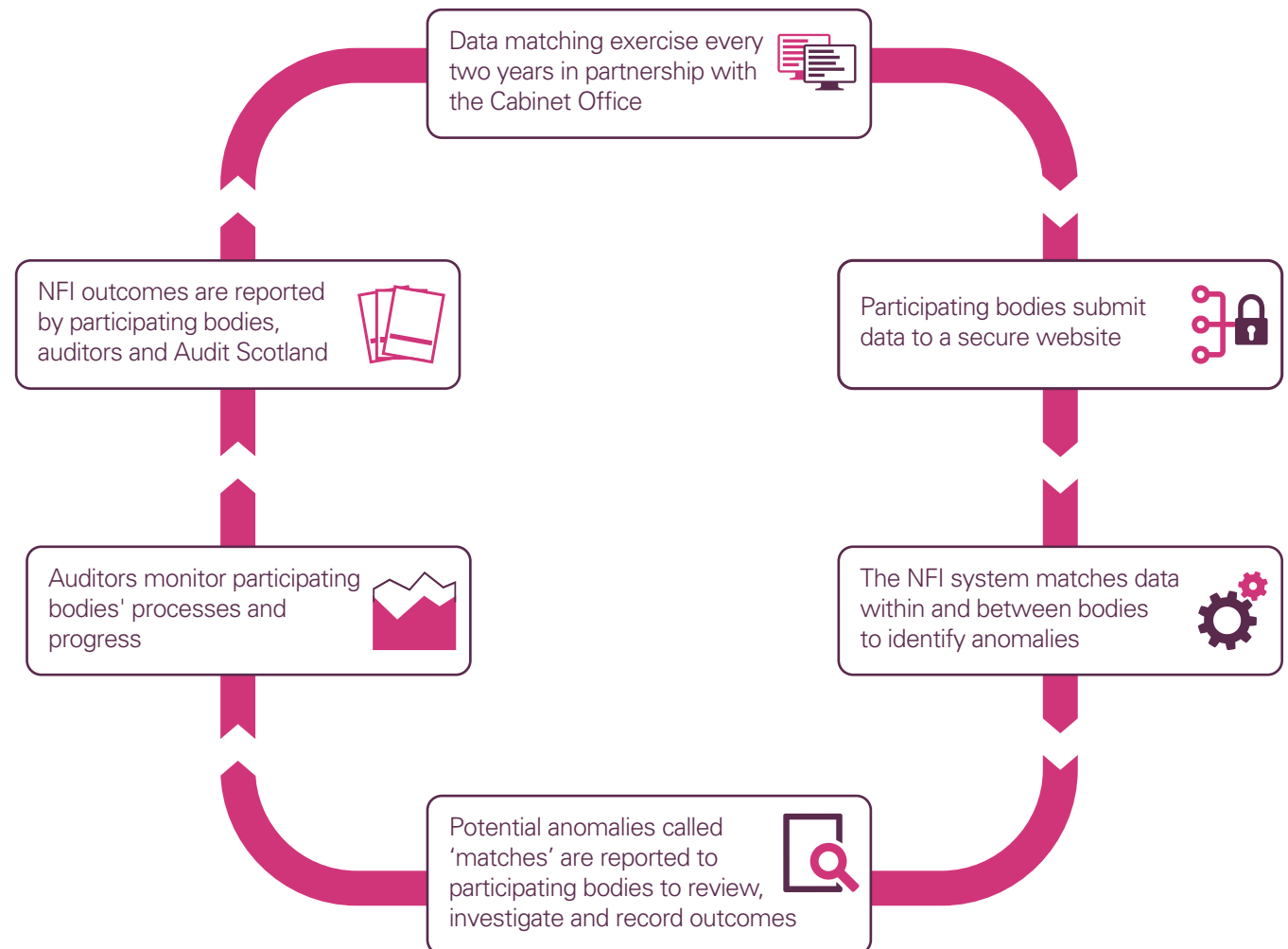
Audit Scotland continues to work with the Scottish Government in promoting and enhancing participation in the NFI across Scotland.

Appendix 1. Background to the NFI

The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Cabinet Office oversees it and Audit Scotland leads the exercise in Scotland, working with a range of Scottish public bodies and external auditors. The NFI takes place every second year.

The NFI enables public bodies to use computer data matching techniques to detect fraud and error.

We carry out the NFI process under powers in The Criminal Justice and Licensing (Scotland) Act 2010. It is important for all parties involved that this exercise is properly controlled and data handled in accordance with the law. The Audit Scotland [Code of Data Matching Practice](#)  includes a summary of the key legislation and controls governing the NFI data matching exercise.



Appendix 2. Estimation bases

The figures used in this report for fraud, overpayments and errors include outcomes already delivered (actual amounts participants have recorded) and estimates. Estimates are included where it is reasonable to assume that incidents of fraud, overpayments and errors would have continued undetected without NFI data matching.

Details of estimate calculations used in the report are shown below.

Data match	Basis of calculation of estimated outcomes
Council tax single person discount	Annual value of the discount cancelled multiplied by two years.
Housing	£93,000 per property recovered, based on average four-year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
Housing benefit	Weekly benefit reduction multiplied by 21 weeks.
Pensions	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Payroll	£5,000 for each employee who is dismissed or resigns as a result of NFI matching, or £10,000 for each resignation or dismissal for employees who have no right to work in the UK.
Council tax reduction scheme	Weekly change in council tax discount multiplied by 21 weeks.
Housing waiting lists	£3,240 for each case based on the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property.
Residential care homes	Weekly cost of residential care multiplied by 14 weeks.
Social care/personal budgets	Monthly social care payment multiplied by three months. Monthly reduction in personal budget payment multiplied by three months.
Blue badges	Number of badge holders confirmed as having died multiplied by £575 to reflect lost parking and congestion charge revenue.
Other immigration	£50,000 for someone removed from the UK.

National Fraud Initiative 2018/19

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along with a podcast summary at:

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