



Corporate Investigation Team

Fraud Statistics
Annual Report 2015/2016

Brian Muldoon
Corporate Investigation Team
March 2016

1.0 Background

- 1.1 Following consultations with senior management the Council created a Corporate Investigation Team (CIT) in 2015 and on 15 September 2015 the Finance, Policy and Resources committee approved a Policy and Strategic Response to Fraud, Bribery and Corruption. This has been a transitional year for the CIT, establishing working practices and prioritising on a reactive basis. In 2016 the CIT was transferred to the Accounting team. A business plan is under development that will set out plans for 2016/17 and introduce a more structured approach to work planning. In addition, this transfer will allow resource to be managed more effectively with additional contingency resource being sought from the Accounting team where required.
- 1.2 Part of the Policy and Strategic Response was a requirement to provide a report on all allegations of fraud, bribery and corruption. This report contains the activity for 2015/16.
- 1.3 The CIT is responsible for leading the authority's response to preventing, detecting and investigating fraud, bribery and corruption. This responsibility covers all areas of corporate fraud including that initiated by staff, Members, customers, and contractors. They oversee managing proactive, reactive and intelligence led investigations. They are responsible for promoting an anti-fraud culture by introducing new corporate counter fraud practices and working with services to reduce the Council's exposure to fraud.
- 1.4 The Council is self-regulating in respect of its counter fraud activities. Where fraud has occurred it is important stop the fraud as soon as possible and look at whether weak controls have been exploited. In addition to investigating the fraud, the CIT liaise closely with service managers and make recommendations to improve internal controls in consultation with internal audit.
- 1.5 In June 2015 the Scottish Government produced a paper "Protecting Public Resources in Scotland – The strategic approach to fighting fraud and error". This paper endorses the need for a multi-agency approach across public sector agencies and set out five key objectives; Awareness, Prevention, Teamwork, Investigation and Enforcement. The CIT is working towards this

approach, and as part of the approval of the policy the council is working towards achieving the good practice measures contained in the National Fraud Authority Self-Assessment Checklist.

1.6 In addition to the response to referred fraud activity, the CIT have been proactive in developing their role. New ideas that have been implemented include:

- A new website
- Developing a response to cyber fraud
- Building relationships with external partners and other local authorities to share best practice
- A fraud awareness OIL course
- A training plan for team leaders on conducting investigations
- A contribution to the E Induction programme
- An Investigators Code of Practice
- The concept of a post investigation report giving wider recommendations for services and audit
- Building relationships with the new internal audit team
- Building on the new line management in the Accounting service by sharing knowledge with staff involved in banking, controls and the Finance Partners

Other ideas still under development include:

- Building a database of fraud prevention information linked to master data management
- Rolling out the fraud policy more fully with events for staff
- Strengthening the approach to National Fraud Initiative information and other high risk fraud areas
- Further building links to partners

The team also have sessions where they discuss new ideas for the future as well as reflecting on progress of their core tasks.

1.6 In 2015 the CIT took on responsibility for preparing the National Fraud Initiative response. A recent NFI Auditor Questionnaire for 2014/15 has indicated that there are a number of areas of concern. These are being addressed and are the subject of Appendix 2.

1.7 It is proposed to strengthen further the response to fraud, a business plan under development. Following consultation with service managers this is anticipated to be presented for approval to the next meeting of the Audit, Risk and Scrutiny Committee. It is further proposed to present 6 monthly on fraud activity, with particular emphasis on National Fraud Initiative activity.

2.0 Referrals of Fraud, Bribery and Corruption

2.1 Allegations of fraud, which are received by CIT are recorded and then reviewed by the CIT manager. There are a number of avenues available to report suspicions:

- The online *report it* facility, which allows for anonymous reporting
- In person to a member of the team
- By e-mail to fraudadmin@aberdeencity.gov.uk
- By phone on 01224 523526
- By reporting the allegation to a line manager
- By writing to us at Corporate Investigation Team, Corporate Governance, Hub 6, Level 1 South, Marischal College, Broad Street, Aberdeen AB10 1AB

Referrals are also received from

- Other local authorities and government departments,
- The National Fraud Initiative
- Pro active operations.

2.2 Every allegation of fraud is reviewed and a decision made on whether it is suitable for further investigation. Where allegations fail to meet the required criteria they will be forwarded on to the relevant service or external organisation for them to follow up as appropriate.

2.3 Although responsibility for investigation of housing benefit fraud transferred to the Single Fraud Investigation Service we still receive referrals from members of the public. Managing DWP referrals is resource intensive however we will continue to offer this service until 31 December 2016.

- 2.4 The collection and reporting of fraud statistics will assist in the management of fraud by identifying patterns and trends of fraudulent behaviour. By undertaking this analysis it will allow us to concentrate resources in high risk areas. This can only happen if all instances of fraud or abuse of council resources are reported and collated at a central point. Further work will be undertaken during the coming year to promote the Council's zero tolerance policy to fraud and to help ensure all allegations are reported in the prescribed manner.
- 2.5 As this is the first report there is insufficient data to perform an in-depth analysis or investment return calculation at this time. We are currently working in developing a wider data matching program and the information in this report will be used as a baseline.
- 2.6 More research is now being undertaken than ever before into managing fraud. Many recognisable organisations, such as CIPFA and PWC regularly produce reports into fraud issues that are reviewed by the CIT. The most widely held view is that organisations must actively demonstrate that they have measures in place to address fraud, bribery and corruption across the organisation. This report demonstrates that the Council are monitoring and recording incidents in some situations but not all.
- 2.7 As the Council introduces more anti-fraud measures additional data will be captured and reported in future reports.
- 2.8 In consultation with the Head of Finance, CIT will produce a key findings report for major investigations and will issue these to the Head of Legal and to the Chief Auditor. Where the loss of public money exceeds £5,000 a report will be made available to the external auditor.
- 2.9 As part of our performance management a monthly summary report will be submitted to the Head of Finance.

3.0 Analysis of Results

- 3.1 Appendix A provides data relating to internal investigations undertaken by CIT in respect of Council staff. For ease of reporting investigations have been defined as follows:

Minor: Where there has been one possible breach of Council Policy and where it is concluded following a review that it is not necessary to investigate at the major level.

Major: Where more than two possible breaches of Council Policy have taken place or an allegation which may require a significant amount of time to investigate. Each investigation is allocated an operational name. These investigations involve considerable resource and will involve interviewing all relevant witnesses, this may then lead to further elements of investigatory work, evidence gathering, write up and report collation. The major investigations undertaken to date have taken a minimum of 100 working days.

Misconduct: An investigation relating to an allegation of staff misconduct. Very complex misconduct investigations are now referred to the CIT. These investigations involve considerable resource and will involve interviewing all relevant witnesses.

As we continue to develop we will be able to further refine the criteria.

- 3.3 Appendix B provides data on the number of referrals relating to fraud against Council Services. The volume of referrals made is encouraging as it demonstrates that both staff and members of the public are aware that the Council has a dedicated reporting facility.
- 3.4 Appendix C provides an analysis on where the referrals against Council Services originated from.
- 3.5 Appendix D provides data on the outcome of referrals. These figures show that the majority of referrals are being sent to DWP as they are allegations relating to Housing Benefit. It is expected that this figure will fall as we will no longer provide this service from 31 December 2016. No action required allegations are where there has either been insufficient information or where we have forwarded the referrals onto another section. It was not possible to

undertake investigations in 40 cases due to resourcing and the major investigations that were undertaken/ongoing. 35 cases are currently pending evaluation.

- 3.6 Appendix E provides data on investigations undertaken by the Blue Badge Fraud Investigator. The projected saving for blue badge fraud, based on the figure at section 4.2 is £20,500.

4.0 Investment Return

- 4.1 It is important to demonstrate that the Council's anti fraud activities have a financial saving. The methodology for calculating this saving is still under development and will be presented more fully in future reports..

- 4.2 The National Fraud Initiative provides a calculation method for estimated outcomes.

Blue Badge: Number of badges confirmed as deceased multiple by £500 to reflect lost parking fees.

Residential Care Homes: £7000 per case based on the average weekly cost of residential care multiplied by 13

Tenancy Fraud: £93,000 per property recovered based on average three year fraudulent tenancy. This sum includes temporary accommodation for genuine applicant; legal costs to recover property; re-let costs; and rent lost during the void between tenancies.

Right to Buy: £52,000 per application withdrawn to reflect average value of discount.

- 4.3 It is difficult to place a financial return on staff misconduct investigations unless the matter under investigation relates to a monetary amount

Example:

- A member of staff who is investigated for abusing the flexible working system or claiming overtime can have a direct cost attributed to it.

- A member of staff who is investigated for breaching the Data Protection Act cannot have a financial loss attributed.

National organisations are developing the approach to benchmarking and assessing the benefit from more complex fraud and this research will be reviewed by the team for application in Aberdeen City Council.

Appendix A

Internal Investigations undertaken by CIT

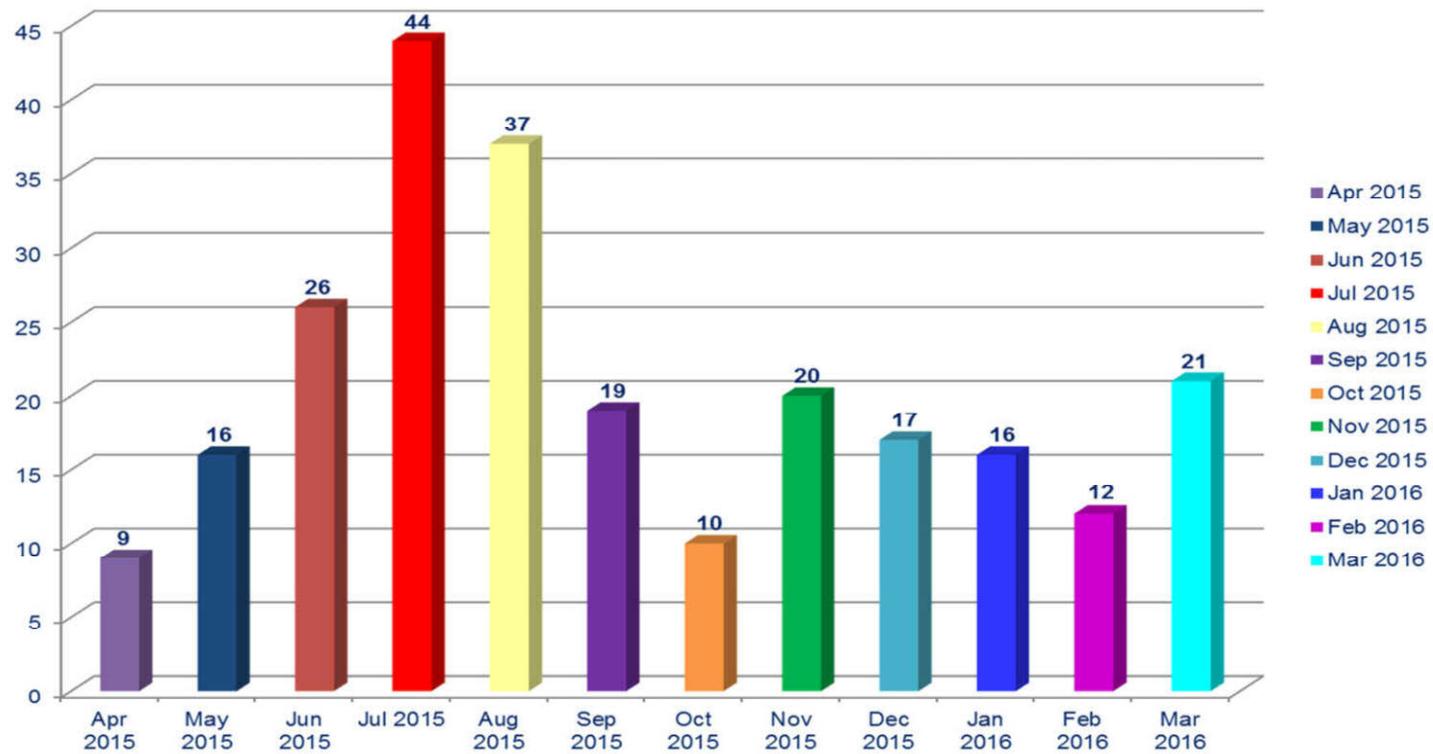
Type	Allegation	Opened	Closed	Ongoing	Outcome
Major	3	3	1	2	Closed case resulted in a staff misconduct investigation
Minor	1	1	1		£100 recovered due to administrative error by private company.
Staff misconduct	2	2	2	0	(1). Officer resigned. As a result of the enquiry several other areas of concern were brought to the attention of the Service. Information will be passed to Internal Audit to follow up. A recommendation was also made that an additional misconduct investigation be undertaken (2). Officer received a written warning at disciplinary hearing

The misconduct enquiries could have been classed as fraud referrals when the allegation was made. No evidence was found during the investigation that officers personally benefited from their actions hence the enquiries were managed under the Managing Discipline policy

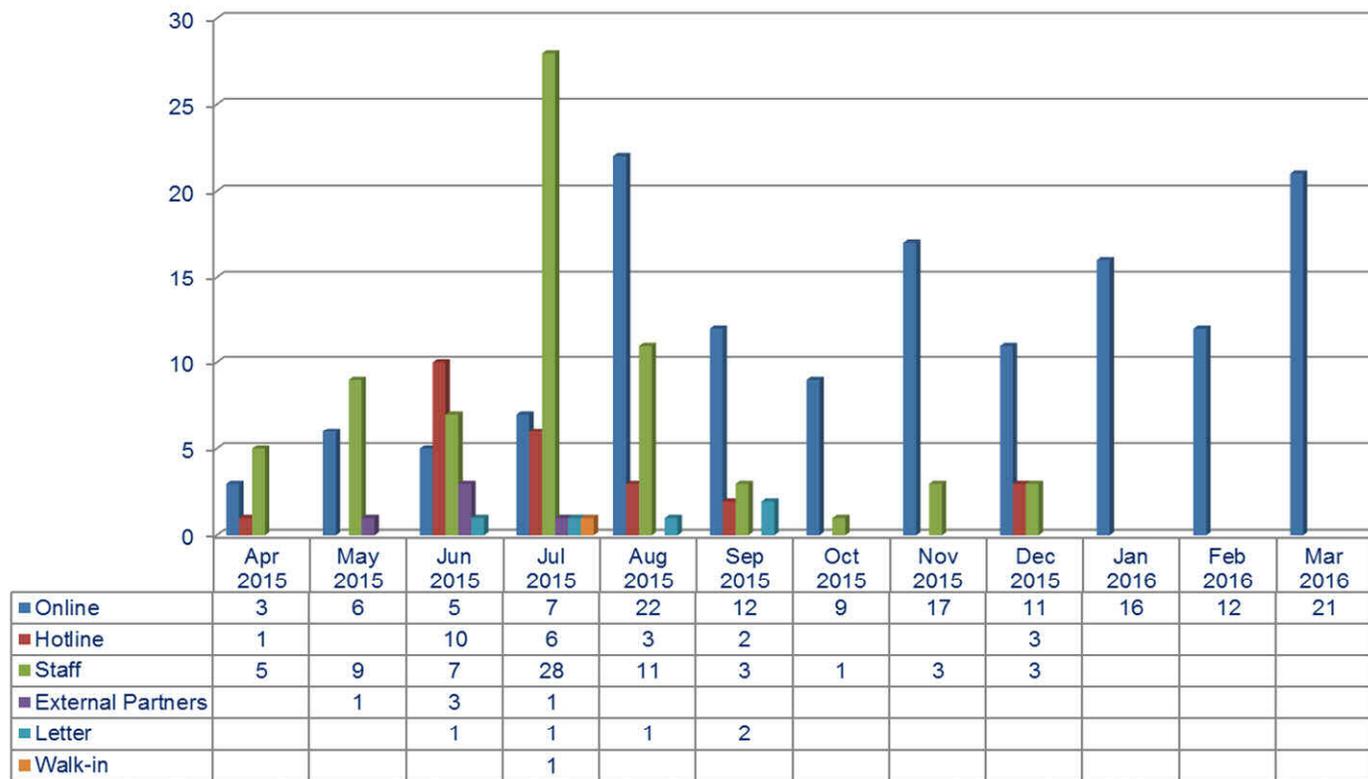
Not included in the list, but for information, is one case of alleged bribery which was referred to Police Scotland. The allegation related to a member of staff from another public organisation contacting at least one Aberdeen City Council’s service user offering to alter a house valuation for a fee.

Appendix B

Cumulative Referrals received by CIT

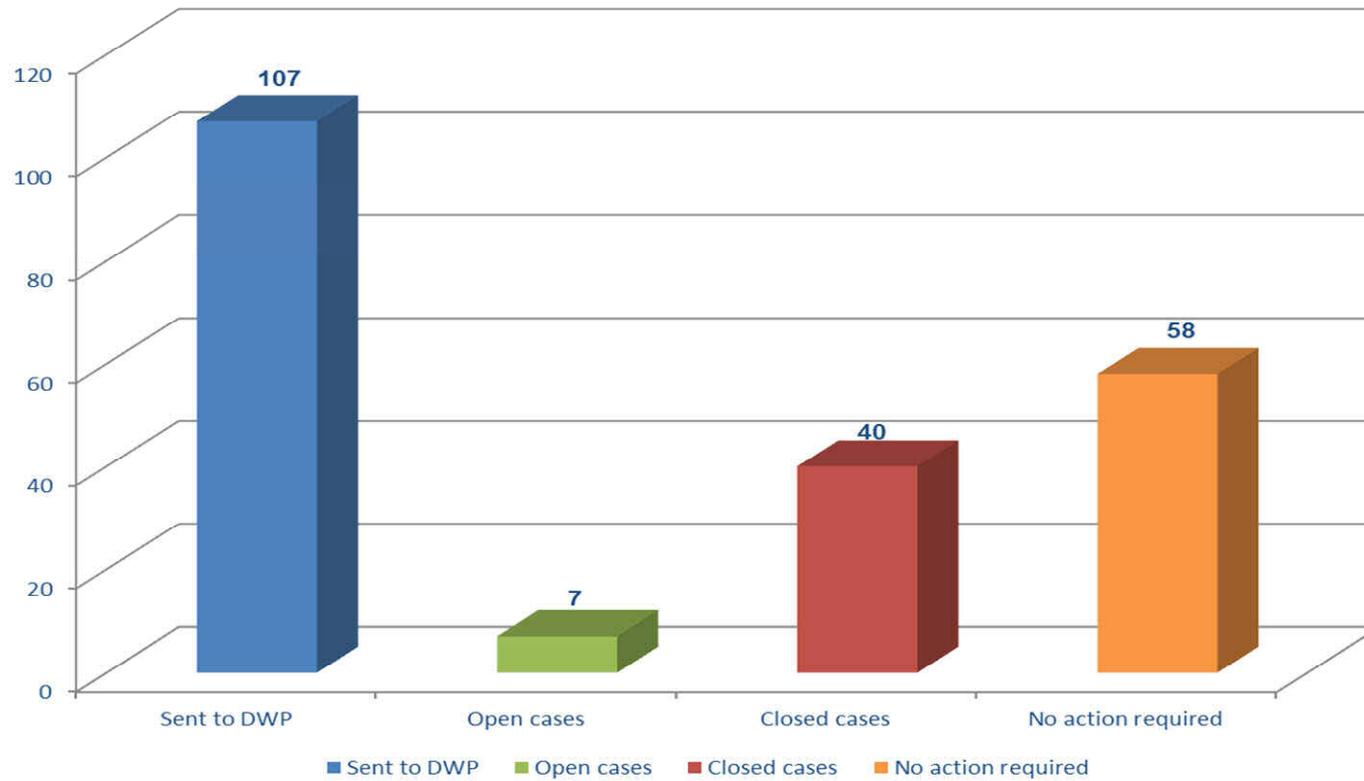


Appendix C
Source of referrals



Appendix D

Outcome of referrals relating to fraud against the Council



Appendix E

Investigations undertaken by blue badge investigator

Type	Allegation	Opened	Closed/ No action	Ongoing	Warning issued and/or badges confiscated	Referred to Procurator Fiscal
Expired Badge	20	20	5	1	14	
Fake Badge	2	2	1		1	
Appear to be healthy	8		8			
Parking Misuse	2	2			2	
Parking Space Misuse	4	3	1	2		
Sale of parking Permit	1	1	1			
3 rd Party Misuse	68	65	25	10	24	6



Corporate Investigation Team

National Fraud Initiative – moving forward

Brian Muldoon
Corporate Investigation Manager
March 2016

1.0 Background

1.1 Following consultations with senior management the Council created a Corporate Investigation Team (CIT) in 2015 and on 15 September 2015 the Finance, Policy and Resources committee approved a Policy and Strategic Response to Fraud, Bribery and Corruption. This has been a transitional year for the CIT, establishing working practices and prioritising on a reactive basis. In 2016 the CIT was transferred to the Accounting team. A business plan is under development that will set out plans for 2016/17 and introduce a more structured approach to work planning. In addition, this transfer will allow resource to be managed more effectively with additional contingency resource being sought from the Accounting team where required.

1.2 The National Fraud Initiative is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. It has been run every two years since 1996 and, to date, has been used to identify fraud and overpayments totalling £1.17 billion. Participating bodies submit data to the Cabinet Office who undertake the matches. The aim of the initiative is to ensure that, while upholding and protecting citizens' rights in relation to their personal data at all times, the NFI continues to serve the public interest by:

(a). safeguarding public money against losses from fraud or misappropriation

and

(b). making an effective contribution to the wider fight against fraud and, potentially, other crime.

The purpose of NFI data matching is to identify inconsistencies that may indicate fraud. Where a match is found, it indicates that there may be an inconsistency that requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out by the participant.

1.3 A response from Audit Scotland to the National Fraud Initiative (NFI) questionnaire was received in February 2016. NFI is an initiative primarily focussed on using data matches between different sets of customer and staff information to identify potentially fraudulent activity. This is shown in Appendix 3 to the main report. This raises a number of significant issues that need to be urgently addressed including:

- Reporting of NFI progress
- Reviewing and closing off matches
- Making improvements to the approach to NFI
- Engagement with the process

In respect of the red risks, the CIT proposes to address these with the following timeline:

<p>1) Has the body reported internally or externally on NFI progress and outcomes e.g. to senior management/ elected members/ audit committees/ employees?</p>	<p>Further to this report, the progress and outcomes will be reported on a 6 monthly basis to Audit, Risk and Scrutiny Committee.</p> <p>Significant outcomes will also be reported to senior management and relevant staff.</p>
<p>2 a) Has the body recorded on the NFI system the results of its investigations and closed off the NFI reports appropriately?</p> <p>b) If not can the reasons why this is the case be provided?</p>	<p>The progress and outcomes will be Subject to the recommendation of a co-ordinated approach and alignment of resources in the team, this work will be prioritised so that significant progress will have been made in a 6 month period.</p>
<p>4 b) Please provide any examples of good practice or improvements to internal controls that that body has made as a result of this NFI exercise?</p>	<p>It is anticipated that the recommendations in Section 3 of Appendix 2 will be examples of good practice, such as a co-ordinated approach, access to cross cutting datasets, the Application Checker, and consultation with services to align this work with the wider work of the fraud team.</p>

<p>5. Overall, how do you rate your audited body's engagement with the NFI exercise (planning, progress, resources and response to outcomes)?</p>	<p>Following implementation of the recommendations in Section 3 of Appendix 2 including planning through the Fraud Business Plan, reallocation of resources internally and through support of the accounting team and pro-active response, it is anticipated that the level of engagement with NFI will significantly improve over the next 6 months.</p>
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1.4 Operational responsibility of the National Fraud Initiative transferred to the Corporate Investigation Manager in 2015. As the latest set of data matches had been received in January 2015, the transfer of duties did not allow for a full evaluation of current working practices to take place. When arrangements for the transfer were put in place no allowance was made that the Manager would have been involved in undertaking several major investigations. In retrospect the timing of the transfer could have been delayed until nearer the next match in 2017.

1.5 The Council has historically delegated the responsibility to services to review data matches within their own area, however this approach is no longer considered to be the best use of resources and has contributed to the adverse comments from Audit Scotland. The specialist knowledge required to review matches and take action is now felt to reside within the CIT since its establishment and it is proposed that a more structured approach be implemented. The developments in data management being proposed as part of the wider development of CIT would also enable this work to be more effectively carried out centrally.

1.6 The Council has a zero tolerance approach to fraud and the NFI is a significant source of information. It is therefore important that we review our current working practices to ensure we are doing as much as possible to stop fraud entering the system.

2.0 NFI activity in 2015 and 2016 - Review of Matches.

2.1 From January 2015 to April 2015 the Corporate Investigation Manager was involved in arranging for the migration of housing benefit fraud investigations

to the Department for Work and Pensions. During this period active monitoring of NFI was limited to reviewing the progress of matches. After April 2015 the team were involved in several misconduct investigations and with a member of the team leaving it was not possible to allocate a dedicated resource to the NFI. Regular meetings, however, did take place with the Revenues and Benefits managers as they had received the highest volume of matches.

- 2.2 The Corporate Investigation Team undertook the data matches relating to ACC employees.
- 2.3 In June 2015 the community safety service appointed an investigator to undertake blue badge investigation. From June until November he undertook his training with the corporate investigation team. During this period some work was undertaken on the blue badge NFI fraud referrals, however before this was completed the officer was recalled back to the community safety team.
- 2.4 Two meetings were held with Audit Scotland to review progress on the Council's management of the NFI. Following the June 2015 Audit, a new system of monitoring was put in place by the investigation manager. As stated above due to other high priority work and resourcing issues it was not possible to devote as much time as was required.
- 2.5 In some services it was not possible to allocate appropriate resources to manage the volume of matches received.
- 2.6 Periodically throughout the year NFI publishes updates to data such as mortality and immigration but as we have been unable to timeously manage the current workload, no further action has been taken on this.

3.0 Proposals for review of working practices

- 3.1 While there has been some positive progress we need to put in place measures to ensure that we manage future NFI matches appropriately.

- 3.2 Following discussions with the Head of Finance, it is proposed to transfer responsibility for reviewing and investigating the matches from services (except pensions and housing benefit) to the Corporate Investigation Team.
- 3.3 This transfer of work will allow the CIT manager to be directly responsible for the allocation of matches and be able to allocate appropriate resources. This will ensure that the Council is able to action the data matches in a structured manner. i.e, high priority cases first as well as allowing us to monitor fraudulent trends. The capability to undertake the matches is there within the CIT, the difficulty has been in 2015 finding sufficient resource and structuring work plans to manage the workload. With the additional member of staff in place, the CIT business plan and flexibility to use Accounting resource when required, it is proposed that a new focus can get the NFI work to the standard expected by the organisation in the next year in the most effective way. The CIT manager would wish to also reserve the option of going back to services to make available additional resource to help with the matching process for matches in their service area where there is a high volume.
- 3.4 To progress authorisation for CIT to have access to all relevant databases and systems required for reviewing the NFI data. This will enable a co-ordinated approach and be aligned with Master Data Management principles.
- 3.5 Participation in the NFI allows us to find irregularities however this is a reactive approach and does not allow us to stop potential frauds from entering the system at the outset. Application Checker is new function, available through the NFI website which is designed to be a fraud prevention tool. It allows us to interrogate data held by other organisations and is designed to identify inconsistencies and prevent potential fraud before an application for a council service is approved. Any matches returned should provide enough information to establish whether the inconsistency needs further investigation; and, if so request further information from individuals to evaluate their application against the inconsistency.
- 3.6 In line with Audit Scotland's recommendation a six monthly update report on NFI activity will be presented to Audit, Risk and Scrutiny committee. This is felt to be particularly important to allow Members to monitor progress and ensure that the backlog and improvements are made. It is proposed to consult with services on the detailed approach and develop a work plan for

the transfer of activity and renewed focus that will be reported to the committee in September.



Aberdeen City Council

2015/16 Audit

National Fraud Initiative

Prepared for Members of Aberdeen City Council's
Audit, Risk and Scrutiny Committee

April 2016

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Introduction

1. This report is intended to give our observations on the council's level of preparedness for responding to the 2014/15 National Fraud Initiative (NFI) data matching exercise and its progress in investigating these matches.
2. NFI is intended to help the participating bodies to identify possible cases for fraud, and detect and correct any consequential under or overpayments. If data processing notices are used to full effect, they can further act as a means of deterring fraud.
3. One hundred and twenty seven bodies participated in the fifth exercise in 2012/13 including councils, health boards, police and fire authorities, the Scottish Government, the Scottish Public Pensions Agency (SPPA) and the Student Awards Agency for Scotland (SAAS).

Background

4. Computerised data matching systems compare data submitted by each of these bodies to detect areas of possible fraudulent activity (e.g. comparing student loans to housing benefit claimants to identify anyone who may have fraudulently neglected to declare their student status when applying for housing benefit).
5. Across the UK, the cumulative outcomes from the NFI exercise now exceed £1.17 billion. Within Scotland, cumulative outcomes are around £94 million with the 2012/13 exercise alone identifying £16 million.
6. It is expected that outcomes from the NFI exercise should decrease as time goes on, indeed outcomes in 2012/13 were down 19% on those identified in 2010/11. Approximately a third of the value of outcomes identified in the 2012/13 exercise were as a consequence of the follow up of matches identified in the 2010/11 exercise. If the 2010/11 data had been appropriately reviewed, any outcomes in 2012/13 should only have been ongoing for the previous 2 years. Furthermore, any internal control weaknesses identified during an NFI exercise would be expected to be promptly reviewed and strengthened.

2014/15 NFI Exercise

7. The 2014/15 NFI exercise commenced in October 2014 when participating bodies were required to submit their datasets to the encrypted NFI website. Once the Audit Commission completed the data matching exercise, output was available on a secure website to the relevant bodies for consideration and investigation from January 2015.
8. Around a year after the matches are available, Audit Scotland publishes a national report setting out progress made by the different bodies in reviewing matches and the overall messages from running the initiative. In order to inform the content of the 2016 report, local auditors were asked to complete two questionnaires and provide conclusions in a number of areas using a traffic light assessment. The first questionnaire was submitted in June 2015 and the second in February 2016. In both cases, we concluded that the council had made unsatisfactory progress in dealing with the data matches.

Main Report

Key Contact and Responsibilities

9. The NFI exercise requires each participating body to have a key contact who will have the following responsibilities:
 - fulfilling data protection requirements – they should be in direct communication with their organisation’s data protection officer or equivalent
 - ensuring that the data formats guidance and data specifications are followed
 - nominating appropriate users to upload data submissions, investigate the matches and act as the point of contact for other bodies about a match (preferred dataset contact)
 - coordinating and monitoring the overall exercise
 - ensuring that outcomes from the investigation of matches are recorded on the web application promptly and accurately.
10. The key contact for the 2014/15 exercise changed in February 2015 from the Financial Services Manager to the Corporate Investigation Manager. In June 2015, the Corporate Investigation Manager was nominated as the key contact. We felt this was an appropriate officer for the role as he has a number of years' experience in investigating benefit fraud and due to his new role in the council, we felt there would be sufficient time and authority to carry out the necessary work. With hindsight, it was unfortunate that the key contact changed at the time a new investigation team was being

established. The team was focused on setting up new arrangements within the council leaving insufficient time to deal with the NFI.

Dataset Submission

11. Mandatory data requirements from councils for 2014/15 included the following information:-
 - Housing - benefits, housing tenants, right to buy
 - Payroll and pensions
 - Blue badges
 - Private supported care home patients
 - Personal budget direct payments
 - Trade Creditors
 - Council Tax
 - Electoral Register.
12. The council chose not to submit two mandatory datasets from the above list, creditor payments and personal budget direct payments. The creditor payments database was not deemed to be necessary as the accounts payable section already use duplicate payment software on a daily basis. Personal budget direct payments were however omitted from the mandatory datasets submitted due to an oversight by the council.
13. Each year there is an option for participating bodies to submit risk based datasets along with their mandatory ones. Bodies are encouraged to take up the opportunity of these additional matches

as they provide an opportunity to identify further cases of potential fraud and error. The only optional risk based dataset selected by Aberdeen for the 2014/15 exercise was insurance claimants.

14. In 2013/14, the NFI provided councils with the opportunity to review matches between council tax single person discounts and the electoral register. Due to a delay in considering these matches, the council paid for the data matching exercise to be re-run using updated information. This was subsequently undertaken in the latter part of 2015.

Initial progress in investigating matches

15. Matched data was available to participating bodies on 29 January 2015. Data is sorted on the NFI secure website into:
 - recommended matches - those deemed to be most high risk
 - non-recommended matches.
16. It is up to participating bodies to devise their own strategies for investigating matches although it is expected that priority is placed initially upon recommended matches.
17. Data matches are sorted into reports as per the date that has been compared e.g. payroll to payroll within bodies or housing benefit claimants to pension payroll between bodies. Once work has started on investigating data matches, the report status is shown as 'open'.
18. The NFI website gives information to the user showing what data has led to matches having occurred to aid investigation. A 'comments' box is available to record investigation strategies and

outcomes and can be used to contact other participating bodies where linked cases are involved.

19. At June 2015, Aberdeen City Council had a total of 3,999 matches with 1,186 of them listed as priority recommended matches.
20. Updates of the database over the latter part of 2015 and early 2016 revised these numbers to 4,173 total matches and 1,193 recommended matches respectively.
21. A summary of the matches identified and those examined at June 2015 and February 2016 is provided in Table 1. Overall, only 21% of the recommended matches had been reviewed by February 2016.

Table 1 NFI Match Results – Number at February 2015 and June 2015

Category	Total Matches		Total processed and as % of total Matches		Total recommended Matches		Recommended Matches processed and as % of total recommended		Unopened reports with recommended Matches and as % of all reports with recommended Matches	
	February 2016	June 2015	February 2016	June 2015	February 2016	June 2015	February 2016	June 2015	February 2016	June 2015
Housing Benefit	2,227	2,133	627 (28.2%)	49 (2.3%)	379	373	191 (50.4%)	49 (13.1%)	7 (26.9%)	22 (88.0%)
Pensions	677	674	150 (22.2%)	150 (22.3%)	185	184	24 (13.0%)	0 (0%)	2 (66.7%)	2 (66.7%)
Payroll	55	55	32 (58.2%)	1 (1.8%)	2	2	2 (100%)	1 (50%)		
Housing Tenants	488	412	82 (16.8%)	1 (0.2%)	35	35	4 (11.4%)	1 (2.9%)	4 (66.7%)	5 (83.3%)
Right to Buy	418	417	1 (0.2%)	1 (0.2%)	368	368	1 (0.3%)	1 (0.3%)	4 (80%)	4 (80%)
Blue Badges	189	189			177	177			2 (100%)	2 (100%)
Residents Parking Permits	26	26			17	17			2 (100%)	2 (100%)
Private Residential Care Homes	87	87	28 (32.2%)		27	27	27 (100%)	0 (0%)		1 (100%)
Personal Licences	1	1								
Insurance Claimants	5	5			3	3			1 (100%)	1 (100%)
Total	4,173	3,999	920 (22.0%)	202 (5.1%)	1,193	1,186	249 (20.9%)	52 (4.4%)	22 (46.8%)	39 (84.8%)

Source: NFI 2014/15 Database

22. At the time of our second review in February 2016, we noted the following points:
- the Corporate Investigation Manager advised us that he was aware of at least 2 areas, blue badges and private residential care homes, where work had been carried out but the database was not up to date.
 - pensions to payroll match reports had not been reviewed by the Pensions section as they were considered redundant due to pensions no longer being abated on re-employment. While not considered unreasonable, no global comment had been recorded on the database to this effect and the relevant reports had not been closed.
23. In respect of housing benefit, Table 1 shows significant progress in dealing with recommended matches between June 2015 and February 2016 with the numbers processed increasing from 13% to 50%. Overall however, only 21% of all recommended matches were dealt with by February 2016 and there were still a high number of reports with recommended matches (22 in total representing 47%) which had not been opened at all.

Recommendation 1

24. Work on Council Tax Single Person Discounts was much more successful. Once the council obtained revised data matches, work was quickly progressed with the result that 63.2% of matches had been reviewed (3,200 out of 5,060). From this 973 errors were identified which equated to £405,759 in financial terms and for which the council has issued revised council tax bills.

25. Table 2 summarises the errors identified from the exercises. The majority of these are potentially recoverable by the council.

Table 2: NFI Errors - June 2015 and February 2016

	Feb 2016 Number / (£)	June 2015 Number / (£)
Main Exercise	52 £80,235	1 £5,949
Council Tax to Electoral Register	973 £405,759	n/a

Source: NFI 2014/15 and Flexible Matching Databases

Management Commitment

26. In both questionnaires, we reported that progress in reviewing matches from the main NFI database was slow. In February 2016, we also highlighted that the key contact, the Corporate Investigation Manager, may not have sufficient authority over colleagues in services to ensure that matches are reviewed promptly. We therefore concluded that the process would benefit from senior management support to increase awareness of the initiative and promote their expectations from services in terms of commitment in dealing with the data matches.

Recommendation 1

27. The previous national NFI report was published by Audit Scotland in June 2014 and provided a self-appraisal checklist for audit committees, key contacts and services to use in monitoring councils' arrangements for planning and responding to the NFI. In respect of the 2015 exercise in Aberdeen, there were no progress reports to either the management team or the Audit, Risk and Scrutiny Committee (ARSC).
28. The Corporate Investigation Manager discussed progress with the Revenues and Benefits Manager and Benefits Processing Manager during the year to highlight results in relation to housing benefit. In addition, there were more general discussions on the process when he met with his line manager.
29. In order to get the best results from the data matching exercise, priority matches should be examined promptly. We have generally found that regular progress reporting increases the impact of the initiative. A successful NFI:
 - provides those charged with governance with assurance over the effectiveness of a council's fraud policies when assessing the content of the annual governance statement
 - acts a deterrent to fraud
 - raises staff awareness of the importance of internal controls.

Recommendation 2

Appendix 1: Action Plan

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
1/23 and 26	<p>Progress with review of the matches in the main NFI database has been slow. Following our second review of progress with the exercise in February 2016, we concluded that while the key contact, the Corporate Investigation Manager, liaises with service departments carrying out the match reviews, he may not have sufficient authority to ensure that matches are promptly dealt with.</p> <p>Risk: Errors are not identified timeously and monies are lost.</p> <p>Recommendation: Senior management raise the profile on NFI activity and set out their expectations from services in terms of the commitment and priority to be given to dealing with matches.</p>	<p>The report and recommendations to Audit, Risk and Scrutiny Committee set out a new approach to undertaking matches.</p> <p>The Corporate Investigation Manager and officers understand the importance of reprioritising this work.</p> <p>With the approval of the measures set out in the report, there is confidence that at the 6 month review period, considerable progress will be made in terms of the priority and progress on matches.</p> <p>In the longer term it is desirable to set up systems that enable earlier identification of matches through the council's own systems and this is being discussed with the Head of IT and Transformation.</p>	Corporate Investigation Manager	September 2016

No/para	Issue/Risk/Recommendation	Management action/response	Responsible officer	Target date
2/29	<p>There was no formal reporting of progress with the NFI exercise, either to ARSC or to management teams in respect of the 2015 exercise.</p> <p><i>Risk: Those charged with governance are not provided with the assurances on internal controls that could be provided by an effective NFI exercise.</i></p> <p>Recommendation: Progress reports should be provided throughout the period of the NFI.</p>	<p>A Fraud Report has been prepared for the first time covering 2015/16 and is included on the April agenda for ARSC. This report is prepared by the Corporate Investigation Team within Finance and provides a summary of fraud investigations carried out during the year including any lessons learnt. It is anticipated that in future this report will also include any breaches of the Bribery Act which may arise.</p> <p>This makes reference to the progress on NFI alongside the report from Audit Scotland. As at September 2016 a further update on progress on NFI will be prepared that should give a higher level of assurance on this work.</p>	Corporate Investigation Manager	September 2016

NFI Auditor Questionnaire 2014/15 (February 2016 - auditors for participating bodies only).

Background

1. In June 2015, auditors were asked to complete and submit a questionnaire in regard to their audited bodies' engagement with the NFI 2014/15 exercise at that point in time. Auditors should now follow up their June findings and complete the following questionnaire and return it to Owen Smith at osmith@audit-scotland.gov.uk by **29th February 2016**.
2. Auditors should consult the 2015/16 [Audit Planning Guidance](#) to confirm which audited bodies are participating in the current NFI exercise. Auditors may also refer to the [Instructions for Participants](#) and read the [published NFI report](#) which provides further background and information on the exercise, including a self-appraisal checklist and tips on how to work more efficiently in investigating matches (both designed to assist audited bodies in managing workloads and maximising the impact of this work).
3. Council auditors completed an earlier questionnaire on the council tax to electoral register matches (to identify wrongful claims for single person discount) - any further developments in this work since the June questionnaire should be reported on this questionnaire (question 6).

Outputs

4. The results from both questionnaires will inform the next NFI report to be published in June 2016. The NFI report is presented to the Parliamentary Audit Committee and the Accounts Commission. The local auditor contribution on the effectiveness of NFI arrangements is therefore very important. Accurate and timely feedback from auditors will also enable follow up action to be taken at relevant bodies.
5. The NFI matches can also be an important source of audit evidence for auditors undertaking their risk assessments of internal control systems for 2015/16. A large number of recommended matches in key NFI reports may indicate weak or ineffective internal controls. If an audited body is not actively investigating these, local auditors need to judge and document what this means for their overall assessment for these systems.
6. Auditors should report on the results of their NFI review work in their 2015/16 annual audit reports as part of their consideration of audited bodies' arrangements for the prevention and detection of fraud. The NFI is an important tool to help auditors conclude on their view on this area but the NFI exercises are not a substitute for wider fraud audit work necessary to support their view.
7. Please remember that the NFI is a relatively simple concept:
 - Bodies submit data as required by the Instructions
 - Data is processed with other data from participating bodies
 - Matches are made and graded to indicate any that are high priority

Methodology

- Bodies risk assess returned matches and investigate
- Bodies take appropriate action on conclusion of investigation
- Bodies record results in the NFI system
- Auditors review arrangements

The outcomes from this NFI exercise will be reported based on what has been recorded in the NFI system as at the 31 March 2016. It is therefore very important that the participating bodies record their outcomes in the system before this date to ensure that accurate outcomes are reported for this exercise.

Methodology

8. A traffic light system is included against each question for the auditor to conclude whether arrangements are:
 - **satisfactory** (green),
 - **mostly adequate** but areas for improvement (amber) or
 - **unsatisfactory** where improvement is required as a priority (red).
9. The 'response' section of the questionnaire must provide commentary and/or evidence to support conclusions. Feel free to attach or supply relevant supporting evidence. Responses should be discussed with relevant staff at audited bodies to confirm the factual accuracy of information provided and should reflect the auditor's views on participating bodies' arrangements (discussed with and reviewed by senior audit manager).
10. Where bodies have taken part in other data-matching exercises outwith the NFI (e.g. through a private provider) please report this to us and, where possible, the costs involved. (Note that the cost of NFI participation is included in the audit fee).
11. If you have any queries when carrying out this work, please get in touch with the Audit Scotland NFI team as follows:
 - Owen Smith, Senior Manager, osmith@audit-scotland.gov.uk 0131 625 1914
 - John Gilchrist, Manager, jgilchrist@audit-scotland.gov.uk 0131 625 1659

NFI Questionnaire (2)

NFI Questionnaire (2)

Name of auditor who completed the questionnaire:

Name of manager who reviewed this questionnaire:

Date completed:

Question	Response	Conclusion (green/amber/ red or n/a)
<p>1) Has the body reported internally or externally on NFI progress and outcomes e.g. to senior management/ elected members/ audit committees/ employees?</p> <p><i>Support for the NFI by those charged with governance - as part of corporate policies for preventing and detecting fraud and error – is indicative of good practice. Publishing NFI outcomes acts as a deterrent to fraud and raises staff awareness of the importance of internal controls.</i></p>	<p>No reporting, either internal or external, or at any level, in the year to date.</p>	Red
<p>2 a) Has the body recorded on the NFI system the results of its investigations and closed off the NFI reports appropriately?</p> <p>b) If not can the reasons why this is the case be provided?</p> <p><i>It is important that the results of investigations carried out by bodies are recorded on the system to enable accurate reporting of this NFI exercise.</i></p> <p><i>It is also important the reports are closed off when investigations are complete.</i></p> <p><i>The NFI web app has a help tab where the NFI guidance is contained. This includes a</i></p>	<p>a) Partially. Only 9 reports have been closed to date, the majority of which have less than 20 matches.</p> <p>As 16/02/16, 920 matches had been processed out of a total of 4,173. Of those processed, 249 were recommended matches, compared with a total of 1,193 (21.1%). The focus of these matches has been on those which are high quality forming 93.2% and 82.3% of all and recommended matches processed respectively.</p> <p>The majority of the results of match investigations are recorded on the databases. However, from speaking to the Investigations Manager he was aware of at least 2 areas, blue badges (reports 170-172) and private residential care homes</p>	Red

NFI Questionnaire (2)

Question	Response	Conclusion (green/amber/ red or n/a)
<p><i>section on 'recording outcomes'.</i></p>	<p>(report 173), where work had been carried out but the database was not fully up to date.</p> <p>We are also aware that Pensions to Payroll match reports, reports 54, 55 and 78 (containing a total of 527 matches) have not been reviewed by the Pensions section as they are considered redundant due to pensions no longer being abated on re-employment. This is not considered unreasonable. No global comment has however been recorded on the database to this effect or the reports closed.</p> <p>b) Although the Investigations Manager is the key contact for NFI and liaises with the service departments carrying out the matches, he ultimately does not have sufficient authority over service staff to ensure the matches are reviewed. The exercise would benefit from greater commitment from Senior Manager level in future exercise to ensure matches are reviewed timeously after they have been received.</p>	Red
<p>3 a) Has your audited body taken appropriate action in cases where fraud is alleged?</p> <p>b) Where frauds or errors have been identified are they recovering funds effectively?</p> <p><i>This may include disciplinary action, penalties/cautions or reporting to the procurator fiscal. For NHS bodies this</i></p>	<p>a) n/a - All the errors identified to date are in respect of benefit cases. The Revenues and Benefits Manager and Benefit Processing Manager made a decision not to defer potential frauds to the DWP unless considered very serious. No cases have fallen into this category to date.</p> <p>b) Overpayments are being raised in respect of errors identified and pursued through the normal overpayment recovery</p>	<p>n/a</p> <p>Green</p>

NFI Questionnaire (2)

Question	Response	Conclusion (green/amber/ red or n/a)
<p><i>should involve the expertise of the NHS Scotland Counter-Fraud Service.</i></p> <p><i>Overpayments should be recovered where appropriate. If a body is not recovering recoverable overpayments their reasons should be provided.</i></p>	<p>process. Of £80,235 errors identified, £80,227 are being recovered. The non-recoverable amount is a single case and is due to the amount being less than £10.</p>	
<p>4. a) Please provide details of any significant or interesting cases arising from the NFI exercise e.g. fraud and/or large overpayments.</p> <p>b) Please provide any examples of good practice or improvements to internal controls that that body has made as a result of this NFI exercise?</p> <p><i>We are always looking to report interesting cases and examples of good practice that come from the NFI exercises.</i></p> <p><i>Participating bodies should be using the results of NFI to improve internal controls.</i></p>	<p>a) The 2 most significant cases are:-</p> <ul style="list-style-type: none"> • £9,293 overpayment resulting from HB to Student Loans match (report no. 2) where the claimant was found to have not been an eligible student across periods in 2 financial year. • £5,949 overpayment resulting from HB to payroll match (report no. 13) - amendments to earnings and tax credits resulted in overpayment. <p>No interesting cases have however been identified.</p> <p>b) No examples of improvements made to date.</p>	<p>n/a</p> <p>Red</p>
<p>5. Overall, how do you rate your audited body's engagement with the NFI exercise (planning, progress, resources and response to outcomes)?</p> <p><i>Note that the auditor's view on this should be reflected in the Annual Auditor Report where the Code of Audit Practice requires a view to be expressed in relation the audited body's arrangements for the prevention and</i></p>	<p>Planning</p> <p>As noted in the initial questionnaire return (June 2015), the data submission for the exercise was largely on time, but little progress had been made with matches, although there were some mitigating circumstances e.g.</p> <ul style="list-style-type: none"> - change of key contact - involvement of key contact in transfer of 	<p>Red</p>

NFI Questionnaire (2)

Question	Response	Conclusion (green/amber/ red or n/a)
<p><i>detection of fraud. NFI participation is part of an organisation's overall strategy for protecting against fraud and error. It is not, however, a substitute for these wider arrangements</i></p>	<p>benefit fraud responsibility to SIFIS</p> <p>Progress</p> <p>Progress has been made since, with 968 matches now having been processed compared with 202 as at 17/06/15. However, this still only amounts to 22% of all matches.</p> <p>In addition, progress with recommended matches has been poor, with only 249 (21.2% of the total recommended) compared with the June 2015 position of 191 (16.1% of total recommended).</p> <p>On a more positive note, the majority of focus has been on high quality matches. We also commented on slow progress in review of matches in our review of the 2012/13 NFI exercise.</p> <p>Resources</p> <p>As noted at 2b), the Investigations Manager does not have sufficient authority over service staff with regard to review of the matches. This and the limited progress on the review of matches noted above has resulted in an insufficient level of resources being devoted to the exercise.</p> <p>Response to Outcomes</p> <p>Response to errors identified, as noted at 3. and 6. above considered to be satisfactory. Improvements as a result of errors identified have still to be considered.</p>	<p>Red</p> <p>Red</p> <p>Amber</p>
<p>6. Please provide any other comments or observations on this NFI exercise.</p>	<p>After the initial match data was deemed too out of date to review, the council paid</p>	<p>Green</p>

NFI Questionnaire (2)

Question	Response	Conclusion (green/amber/ red or n/a)
<p>E.g.</p> <p><i>The Assistant Auditor General wrote to certain bodies in October 2015 raising concerns on their engagement and participation in this NFI exercise. Relevant auditors were copied in. We would expect to see an update on the concerns raised in these letters here where applicable.</i></p> <p><i>Update on CTAX/SPD 2013/14 exercise (councils only).</i></p>	<p>to have a new single person discount to electoral register match exercise to done in 2015. Of the resultant two reports, one identified 4,797 matches. As at 16/02/16, of the 3,200 matches which had been reviewed, 973 errors were identified amounted to £405,759 in financial terms. The largest single error is £7,115, which relates to cancellation of a single person discount.</p> <p>The council plan to raise bills to collect the additional council tax resulting from the errors.</p> <p>The 2nd report (rising 18s) which has 263 matches has not been reviewed to date. This is not considered unreasonable given review of the first report is ongoing.</p>	