

Item: 15

Policy and Resources Committee: 25 September 2018.

National Audit Report: The National Fraud Initiative in Scotland.

Report by Head of Finance.

1. Purpose of Report

To present the national audit report “The National Fraud Initiative in Scotland”, prepared by Audit Scotland.

2. Recommendations

The Committee is invited to note:

2.1.

The national audit report, The National Fraud Initiative in Scotland, issued in July 2018 by Audit Scotland, attached as Appendix 1 to this report.

2.2.

The key messages contained within the national audit report, a summary of which is detailed in section 5 of this report.

3. Introduction

3.1.

Audit Scotland requires that the Council participates in the National Fraud Initiative which is a data matching exercise to assist in the prevention and detection of fraud.

3.2.

This data matching involves comparing computer records held by one body against other computer records held by the same or another body. The data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it indicates that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

4. Background

4.1.

Audit Scotland has identified the target audience for its national audit report as being primarily for councillors and senior council officers as a source of information and to support them in their complex and demanding roles.

4.2.

The National Fraud Initiative is a counter-fraud exercise carried out across the United Kingdom public sector which aims to prevent and detect fraud.

4.3.

Data matching is an effective and efficient way to identify areas for further investigation by connecting discrepancies between different data sets.

4.4.

The success of the National Fraud Initiative comes primarily from the public servants who investigate the data matches and the external auditors who review their arrangements.

5. Key Messages

The messages highlighted in the national audit report, attached as Appendix 1 to this report, are as follows:

5.1.

Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population. Public spending systems are complex and mistakes can happen. Some people also seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

5.2.

Fraud does not recognise organisational or geographic boundaries. Sharing data allows organisations to match data held in different systems in their own organisation and held in other organisations. Audit Scotland, working closely with public bodies, auditors and the Cabinet Office, has completed a major data sharing and matching exercise. The National Fraud Initiative exercises contribute to the security and transparency of public sector finances. It helps confirm that services are provided to the correct people and reduces fraud and error.

5.3.

The outcomes from the National Fraud Initiative include amounts for fraud and error detected and an estimate for those future losses that have been prevented. Since the National Fraud Initiative in Scotland was last reported on in June 2016, outcomes valued at £18.6 million have been recorded. The cumulative outcomes from the National Fraud Initiative in Scotland since 2006 are reported at £129.2 million. These outcomes represent a significant return to the public sector at a time when Scotland's public finances continue to be under pressure. Across the United Kingdom, the cumulative total of National Fraud Initiative outcomes is reported at £1.69 billion.

5.4.

Data sharing enables matches to be made between bodies and across national borders. Data submitted by Scottish bodies for the 2016 to 2017 National Fraud Initiative exercise helped other organisations to identify outcomes of £1.1 million.

5.5.

Most organisations take advantage of the opportunities provided by the National Fraud Initiative. But some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.

6. Next Steps

6.1.

There is no specific mention of Orkney Islands Council in the national audit report, with the local outcomes of the National Fraud Initiative 2016 to 2017 reported to this Committee in June 2018.

6.2.

The 2018 to 2019 National Fraud Initiative is due to start in autumn 2018 and will review which bodies should be asked to submit data.

6.3.

Audit Scotland will continue to work with participants in the National Fraud Initiative to develop new ways to prevent and detect fraud and consider data matching across additional data sets.

7. Financial Implications

Services have directed resources towards investigation of matches identified in the National Fraud Initiative reports. There has been no requirement for additional staff resources, however completion of the whole exercise involves a considerable number of staff hours.

8. Legal Aspects

The 2016 to 2017 National Fraud Initiative exercise was carried out under powers contained in Section 26A of the Public Finance and Accountability (Scotland) Act 2000, as amended, which provides that Audit Scotland may carry out data matching exercises or arrange for these to be carried out on its behalf.

9. Contact Officers

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@orkney.gov.uk

Paul Kemp, Strategic Finance Manager, extension 2127, Email paul.kemp@orkney.gov.uk

10. Appendix

Appendix 1: Audit Scotland national audit report, The National Fraud Initiative in Scotland.