# NATIONAL FRAUD INITIATIVE - UPDATE

**SUMMARY**

1.1     To present to Committee an update on progress relating to the National Fraud Initiative.

**RECOMMENDATION**

2.1     To note the activity undertaken and the future plans relating to the National Fraud Initiative exercise, and to comment accordingly.

**REASONS FOR RECOMMENDATION**

3.1     The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment, including anti-fraud activities.

**SUPPORTING INFORMATION**

4.1     **National Fraud Initiative 2010-11**

4.1.1     The National Fraud Initiative is an exercise carried out by the Audit Commission. Every two years a range of data extracts are submitted, through a secure weblink to the Commission. A series of data matching exercises are then carried out and where matches are found, these are released to the relevant local authorities for investigation. These could be either between data sets submitted by the same authority, or between data sets submitted by different authorities. The matches are available for a period of two years, after which the exercise begins again. After investigating the results, the matches are annotated and the NFI uses this information to produce a report giving a national overview of results, trends and areas of concern. In alternate years, the exercise is carried out using Council Tax and Electoral Roll data, so that there is always an NFI exercise ongoing.

4.1.2     Work has continued on the 2010/11 matching reports which were released in late January 2011. Although the matches are still available for update, the Audit Commission have taken a snapshot view of the matches completed as at the end of March 2012, and has produced their annual report on the basis of these results.

4.1.3  The Audit Commission have acknowledged that it is not always practical to check every match produced, so this cycle they have flagged some cases as high priority where they require a response. They are also monitoring activity to ensure that regular progress is made.

4.1.4  A further 172 matches were released during 2011/12 making the total number of matches produced 12,263. Among these 12,263 matches, the Audit Commission flagged 1,961 cases where a response was deemed mandatory and these matches will be monitored to ensure that an appropriate response is supplied.  To date, we have cleared 3,054 matches. The majority of matches (7,006) are in respect of creditors records and include potential duplicate payments, duplicate creditors, different creditors with the same address and a number of permutations of a similar nature. There are a high number of these matches because suppliers to schools and suppliers to the Council are each entered on the system separately so there is an artificially enhanced level of duplication. The next highest number of matches relate to Housing Benefit cases (2962) and these are being resolved with the assistance of colleagues at the Department of Work and Pensions.  To date £58,865.81 has been identified for recovery. This represents four instances of fraud valued at £25,940.52, three instances of claimant error valued at £17,128.87 and two cases valued at £15,796.42 where investigation is still ongoing. These amounts represent benefit payments over an extended period.

4.1.5  The matches fall into the following categories:

| Match relates to: | Number of matches | Number of mandatory responses required | Number of mandatory matches still outstanding |
|---|---|---|---|
| Creditors | 7006 | 0 | 0 |
| Housing Benefits | 2962 | 572 | 446 |
| Blue Badges | 531 | 468 | 0 |
| Payroll | 294 | 18 | 0 |
| Housing tenants | 105 | 45 | 0 |
| Right to buy | 45 | 28 | 0 |
| Concessionary Travel | 634 | 678 | 0 |
| Private Care homes | 74 | 23 | 0 |
| Residents parking | 2 | 2 | 0 |
| Insurance claims | 12 | 3 | 0 |
| Mixed data | 519 | 169 | 0 |

4.1.6    Two further sets of matches were released in February 2012. These matched the Council Tax records against the Electoral Roll. The first report highlighted cases where the number of residents on the Electoral Roll indicated that the single person discount on the Council Tax records may no longer be valid. This produced 1869 matches reported. The second report highlighted cases where the Electoral Roll held a record for a young person approaching their 18th birthday, which again may require the Single person discount removing from the Council tax record. This report produced 410 matches.

4.2    **The Annual NFI report**

4.2.1    The Biennial NFI report was published on 16 May 2012. Since the May 2010 report, the NFI has identified £275 million of fraud, overpayments and errors across the UK. The main categories of fraud in England have been

- Pension fraud and overpayments - £98 million

- Council Tax single person discount - £50 million

- Housing benefit fraud and overpayments - £31 million

4.2.2    The report also lists significant results within England such as

- 164 employees dismissed or asked to resign because they did not have the right to work in the UK

- 235 properties recovered for social housing

- 321 false tenancy applications removed from waiting lists (this is from a pilot run in London only)

- 731 prosecutions

- 31,937 blue badges and 51,548 travel passes cancelled.

4.2.3    NFI reports that the effectiveness of the exercise could be improved if all departments of central government participated, and all housing associations. The report does take steps to "name and shame" authorities where, it is believed, insufficient attention has been paid to the exercise.

4.2.4    The Audit Commission has also produced a Members Briefing. A copy of this has been provided to each member of the Committee. This document includes a checklist for members which is reproduced at Appendix 2. The Head of Governance and Assurance will work with Members in identifying the actions required in response to this checklist.

4.3    **The future of NFI**

4.3.1    Despite the abolition of the Audit Commission, the NFI will continue and will be transferred to a new organisation.

4.3.2   A real-time service was launched in September 2011, allowing subscribing authorities to match personal details as part of a pre-employment checking regime. The NFI intends to extend this service further and sees it as a significant step forward towards a change in emphasis from fraud detection to prevention.

4.3.3   The NFI is now pressing government to extend its data matching exercises to areas outside the fraud arena, in particular the recovery of debt and arrears. This would be done under Section 32H of the Audit Commission Act 1998.

4.4     **NFI – the next cycle**

4.4.1   The next cycle of data extracts are due to be submitted in October 2012. In preparation for this, those services whose data is required have been reminded, and a link provided to the Audit Commission website so that the file specifications can be checked by those services who submit data in advance of the due date.

| OTHER OPTIONS CONSIDERED |
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5.1     N/A

**This report has been approved by the following officers:**

| | |
| --- | --- |
| **Legal officer** | n/a |
| **Financial officer** | n/a |
| **Human Resources officer** | n/a |
| **Service Director(s)** | n/a |
| **Other(s)** | n/a |

| | |
| --- | --- |
| **For more information contact:** | Richard Boneham, Head of Audit and Risk Management, 01332 643280 richard.boneham@derby.gov.uk |
| **Background papers:** | None |
| **List of appendices:** | Appendix 1 – Implications<br>Appendix 2 – members checklist |

| IMPLICATIONS |
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## Financial and Value for Money

1.1     None directly arising.

## Legal

2.1     None directly arising.

## Personnel

3.1     None directly arising.

## Equalities Impact

4.1     None directly arising.

## Health and Safety

5.1     None directly arising.

## Environmental Sustainability

6.1     None directly arising.

## Asset Management

7.1     None directly arising.

## Risk Management

8.1     Internal Audit provides the Council with objective assurance on whether the risk of fraud is being managed appropriately.

## Corporate objectives and priorities for change

9.1     Internal Audit contributes through its review work on the major corporate risks to the Council achieving corporate objectives and priorities. This is achieved by the review of key corporate governance issues including fraud.

**Members' checklist**

| Question | Response/ Action required |
|---|---|
| **The NFI in our council** | |
| ▪ What is the role/post of the senior responsible officer accountable for the NFI in our council? | |
| ▪ Do we have a lead elected member for counter-fraud activity, including the NFI? | |
| ▪ What role does our audit committee play? | |
| ▪ How are other elected members or non-executive members kept informed of the NFI? | |
| ▪ What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI? | |
| ▪ Who decides and monitors this approach? | |
| ▪ How is the NFI reflected in the governance training and development provided for officers and board/elected members? | |
| **Maximising results** | |
| ▪ What resources do we invest in the NFI? | |
| ▪ What were our outcomes from the most recent NFI? | |
| ▪ Are we ensuring we maximise the benefits of the NFI – for example, following up data matches promptly, recovering funds and prosecuting where possible? | |
| ▪ What assurances have we drawn about the effectiveness of internal controls and the risks faced by the organisation? | |
| ▪ What changes have we made as a result? | |
| ▪ Do those responsible for the NFI in the council feel they get appropriate support from other managers in the council when investigating matches? | |
| **Broadening our council's engagement with the NFI** | |
| ▪ Are we taking advantage of the opportunity to suggest and participate in NFI pilot data matching? | |
| ▪ Have we considered how we could use the new flexible batch and real-time matching services? | |
| **Data Security** | |
| ▪ What is our strategy/policy for data security? | |
| ▪ Is there any specific reference to the NFI data security in the strategy | |
| **The NFI fit with wider counter-fraud policies** | |
| ▪ How does the NFI influence the focus of our counter-fraud work? | |
| ▪ Does our counter-fraud policy include reference to the council's participation in the NFI? | |
| ▪ Do we publicise the outcomes from the NFI? | |
| ▪ How does the NFI influence how and what we communicate to the public about our approach to counter-fraud? | |
| ▪ Are the outcomes from the NFI used to inform our wider decision making – for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy? | |