



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
27 SEPTEMBER 2007**

ITEM 9

Report of the Head of Audit and
Risk Management

NATIONAL FRAUD INITIATIVE

RECOMMENDATION

- 1.1 To note the progress made on the National Fraud Initiative 2006/7.
- 1.2 To note the requirement to provide Council Tax and Electoral Register data to the Audit Commission for the additional NFI exercise on single person discounts.

SUPPORTING INFORMATION

- 2.1 The National Fraud Initiative (NFI) is part of the statutory audit process for those public sector organizations that the Audit Commission provides an external audit. It is a data matching exercise that tackles a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998 and is currently run every two years.
- 2.2 Local government bodies are required to provide payroll, housing benefit claimants, housing rents, students eligible for a loan, pension payroll, creditors' payment history and standing data, as appropriate. These were the mandatory datasets for NFI 2006/07. No discretionary datasets were submitted. The data matching reports were made available in February 2007. These are held on a secure website where the outcome of each match reviewed can be recorded.
- 2.3 Appendix 2 shows the progress as at 18 September 2007 for each individual report. The information has been taken directly from the NFI website. Only reports where there is a data match for Derby City Council have been included. The Audit Commission has categorized each report as high quality (red), medium quality (green) and low quality (blue). The Audit Commission's advice is to review promptly all high quality reports. Most progress has been made on those matches involving housing benefits. A total of 1,303 matches have been processed, with a further 194 in progress. No frauds have been found as yet.

2.4 The table below gives a breakdown by dataset.

| Dataset | Matches | Processed | In Progress |
|-----------------|----------------|--------------|-------------|
| Housing Benefit | 2,023 | 1,187 | 152 |
| Payroll | 317 | 110 | 23 |
| Housing Rents | 64 | 1 | 2 |
| Rent Arrears | 9 | 0 | 0 |
| Right To Buy | 52 | 0 | 0 |
| Creditors | 123,195 | 5 | 17 |
| | | | |
| Total | 125,660 | 1,303 | 194 |

There are a number of reports where the review process has not been started. The Head of Audit and Risk Management is monitoring these. The main reason for lack of progress on some of these reports is insufficient resources to carry out the work during the peak holiday period. The review of creditors information was only started at the beginning of September. Reports 708 and 710 contain the majority of the matches and the target date for the completion of the work on these is 31 October 2007. This is the first time that creditors data has been included in the NFI. The Audit Commission accepts that the large number of matches uncovered has made it difficult for organisations to review and take action. Therefore it has recently provided a guide to handling these reports. This guidance will be followed for all creditor matches.

- 2.5 The Audit Commission will be extracting information from the web application to assess outcomes on 30 September 2007 and 15 January 2008. The exercise is ongoing, but we need to have completed the review of all reports and investigations by 15 January 2008.
- 2.6 The Audit Commission has been carrying out a NFI pilot data matching at a number of local authorities to detect fraudulently claimed council tax single person discounts (SPD). The Audit Commission has described the results as “spectacularly successful” with the first pilot site identifying savings of £1.4million and the next three on target to achieve average SPD savings of £500,000, with significant numbers of linked housing benefits cases to investigate.
- 2.7 These successes have prompted further data matching at 30 authorities and the development of a range of additional tests to cover issues such as second home discount, disregards and rising 18s. The full range of tests will be available by December 2007 and therefore the Audit Commission has extended the exercise to all principal local authorities. It proposes to collect all council tax data in October and electoral roll data during December with matches for investigation available on the NFI website in March 2008.

| | |
|--------------------------------------|--------------------------------------------------------------------------------------------------|
| For more information contact: | Richard Boneham, Head of Audit and Risk Management, 01332 255688 richard.boneham@derby.gov.uk |
| Background papers: | None |
| List of appendices: | Appendix 1 – Implications Appendix 2 – Summary of NFI Progress |

| |
|---------------------|
| IMPLICATIONS |
|---------------------|

Financial

1. To cover the additional cost of the data matching in 2007/08, the Audit Commission propose to specify a supplementary fee scale of £500 per authority.

Legal

2. The Audit Commission has designated the NFI to be part of the statutory external audit and authorities are legally obliged to provide the relevant data, which is required under section 6 of the Audit Commission Act 1998.

Personnel

3. If the volume of extra work generated from the additional data matching is large enough to affect the ability of staff required to investigate the matches to carry out their normal work, there may be a need to consider consequential staffing proposals as appropriate.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. None directly arising.

Appendix 2

| Report No. | Report Title | Total | Processed | In progress |
|--------------|----------------------------------------------------------------------------------------|-------|-----------|-------------|
| 1 (red) | Housing Benefit Claimants to Student Loans, high quality, within bodies | 91 | 66 | 23 |
| 2 (red) | Housing Benefit Claimants to Student Loans, high quality, between bodies | 29 | 28 | 1 |
| 13 (red) | Housing Benefit Claimants to Payroll, high quality, within bodies | 223 | 213 | 7 |
| 14 (red) | Housing Benefit Claimants to Payroll, high quality, between bodies | 91 | 85 | 1 |
| 14.1 (red) | Housing Benefit Claimants to Payroll Pensions, high quality, between bodies | 616 | 597 | 13 |
| 16 (green) | Housing Benefit Claimants to Payroll, medium quality, between bodies | 5 | 5 | 0 |
| 17 (blue) | Housing Benefit Claimants to Payroll, address quality, within bodies | 300 | 0 | 36 |
| 18 (blue) | Housing Benefit Claimants to Payroll, address quality, between bodies | 175 | 0 | 40 |
| 20 (red) | Housing Benefit Claimants to Asylum Seekers, high quality, between bodies | 12 | 0 | 0 |
| 21 (green) | Housing Benefit Claimants to Asylum Seekers, medium quality, between bodies | 16 | 16 | 0 |
| 24 (green) | Housing Benefit Claimants to UK Visas, medium quality, between bodies | 61 | 47 | 0 |
| 26 (red) | Housing Benefit Claimants to Housing Benefit Claimants, high quality, within bodies | 29 | 29 | 0 |
| 27 (red) | Housing Benefit Claimants to Housing Benefit Claimants, high quality, between bodies | 49 | 46 | 3 |
| 29 (green) | Housing Benefit Claimants to Housing Benefit Claimants, medium quality, between bodies | 6 | 6 | 0 |
| 30 (red) | Housing Benefit Claimants to Housing Rents, high quality, within bodies | 6 | 6 | 0 |
| 31 (red) | Housing Benefit Claimants to Housing Rents, high quality, between bodies | 2 | 2 | 0 |
| 32 (green) | Housing Benefit Claimants to Housing Rents, medium quality, within bodies | 40 | 40 | 0 |
| 33 (green) | Housing Benefit Claimants to Housing Rents, medium quality, between bodies | 7 | 0 | 0 |
| 37 (green) | Housing Benefit Claimants to Right to Buy, medium quality, between bodies | 3 | 0 | 0 |
| 45.4 (green) | Housing Benefit Claimants to Insurance Claimants, medium quality, between bodies | 1 | 0 | 0 |
| 45.6 (blue) | Housing Benefit Claimants to Insurance Claimants, address quality, between bodies | 2 | 0 | 0 |

| Report No. | Report Title | Total | Processed | In progress |
|-------------|------------------------------------------------------------------------------|-------|-----------|-------------|
| 46.6 (blue) | Housing Benefit Claimants to Market Traders, address quality, between bodies | 2 | 0 | 0 |
| 47.2 (red) | Housing Benefit Claimants to Taxi Drivers, high quality, between bodies | 1 | 1 | 0 |
| 47.6 (blue) | Housing Benefit Claimants to Taxi Drivers, address quality between bodies | 2 | 0 | 0 |
| 66 (red) | Payroll to Payroll, high quality, between bodies | 129 | 105 | 21 |
| 68 (green) | Payroll to Payroll, medium quality, between bodies | 2 | 0 | 2 |
| 69 (red) | Payroll to Asylum Seekers, high quality, between bodies | 2 | 0 | 2 |
| 72 (red) | Payroll to UK Visas, high quality, between bodies | 3 | 0 | 3 |
| 73 (green) | Payroll to UK Visas, medium quality, between bodies | 32 | 0 | 0 |
| 75 (red) | Payroll to Housing Benefit Claimants, high quality, between bodies | 14 | 0 | 0 |
| 76 (blue) | Payroll to Housing Benefit Claimants, medium quality, between bodies | 1 | 0 | 0 |
| 78 (blue) | Payroll to Payroll Pensions, high quality, between bodies | 86 | 0 | 0 |
| 83 (blue) | Payroll to NI Number Check, within bodies | 49 | 0 | 0 |
| 102 (green) | Housing rents to Housing Rents, medium quality, within bodies | 1 | 1 | 0 |
| 103 (green) | Housing Rents to Housing Rents, medium quality, between bodies | 4 | 0 | 0 |
| 104 (red) | Housing Rents to Asylum Seekers, high quality, between bodies | 10 | 0 | 0 |
| 105 (green) | Housing Rents to Asylum Seekers, medium quality, between bodies | 6 | 0 | 0 |
| 108 (green) | Housing Rents to UK Visas, medium quality, between bodies | 25 | 0 | 0 |
| 111 (red) | Housing Rents to Housing Benefit Claimants, high quality, between bodies | 8 | 0 | 0 |
| 113 (green) | Housing Rents to Housing Benefits Claimants, medium quality, between bodies | 9 | 0 | 0 |
| 117 (green) | Housing Rents to Right to Buy, medium quality, between bodies | 1 | 0 | 0 |
| 127 (green) | Rent Arrears to Payroll, medium quality, within bodies | 1 | 0 | 0 |
| 132 (green) | Rent Arrears to Housing Benefit Claimants, medium quality, between bodies | 6 | 0 | 0 |
| 134 (green) | Rent Arrears to Housing Rents, | 2 | 0 | 0 |

| Report No. | Report Title | Total | Processed | In progress |
|-------------|-------------------------------------------------------------------------------|-------|-----------|-------------|
| | medium quality, between bodies | | | |
| 144 (green) | Right to Buy to UK Visas, medium quality, between bodies | 2 | 0 | 0 |
| 156 (red) | Right to Buy to Housing Benefit Claimants, high quality, within bodies | 50 | 0 | 0 |
| 700 (red) | Duplicate creditors by creditor reference | 4032 | 0 | 0 |
| 701 (red) | Duplicate creditors by creditor name | 4915 | 0 | 0 |
| 702 (red) | Duplicate creditors by address detail | 5959 | 0 | 0 |
| 703 (red) | Duplicate creditors by bank account number | 1450 | 0 | 0 |
| 704 (red) | Invalid VAT Registration Number | 497 | 5 | 17 |
| 707 (red) | Duplicate records by invoice reference, invoice amount and creditor reference | 505 | 0 | 0 |
| 708 (red) | Duplicate records by invoice amount and creditor reference | 47673 | 0 | 0 |
| 709 (red) | VAT overpaid | 1373 | 0 | 0 |
| 710 (red) | Payment date precedes invoice date | 55426 | 0 | 0 |
| 711 (red) | Invoice value is less than £1 | 1365 | 0 | 0 |