



Committee and date

Audit Committee

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Item No

5

Public

NATIONAL FRAUD INITIATIVE (NFI) 2008/2009

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Summary

This report provides details of the outcomes arising from the National Fraud Initiative Audit 2008/09 for Shropshire County Council. A further report will be produced on the outcomes arising from the former District/Borough matches at the November 2009 Audit Committee.

Recommendations

- A. Members are asked to note the content of this report and how the work undertaken contributes to the Council's strong Counter Fraud and Corruption culture.

Report

1. As Members will recall the National Fraud Initiative is the Audit Commission's data matching exercise which was introduced, in 1996 and is run every two years. A copy of the Audit Commission's National Fraud Initiative 2006/07 Summary, published in May 2008, provides some further background to the work carried out and is attached as **Appendix A** for information.
2. The financial recovery from this exercise has been limited from Shropshire Council's perspective, one deceased pensioner was identified with an overpayment of £1424 which is currently being recovered; two other matches are currently being investigated. In both cases the pension had already been suspended and once formally confirmed, the possible overpayments totalling £257 will be recovered. Other matches in respect of duplicate payments had in the main already been identified by Internal Audit as part of regular audit work and the Payments Manager is currently recovering any overpaid

amounts and addressing any weaknesses in procedures. Other matches have not revealed any financial impact but have resulted in our records being updated e.g. for deceased Blue Badge holders to prevent future invalid issues and housekeeping reports in respect of creditor data e.g. duplicate supplier accounts.

3. As part of the NFI commitment, we are required to respond to other participating bodies requests for further information to assist their enquiries. We have provided information for investigations to Telford and Wrekin Housing Benefit Section, Shropshire PCT and several other local authorities.
4. Notwithstanding the lack of substantial results, the exercise is a positive and integral part of this Authority's commitment to the detection and prevention of fraud and successfully illustrates the benefit of joined-up working and co-operation between the organisations involved. The low level of positive matches provides us with the added assurance that our records are accurate and up to date with negligible evidence of any detected irregularity at the time of the data downloads.
5. Further details of the significant matches identified and examined together with associated results are detailed below:

<u>Area Investigated</u>	<u>Outcome of Investigation</u>
<p><u>Deceased Pensioner Matches</u></p> <p>The report identified 127 apparent deceased pensioners who were still recorded as current pensioners at the time of the download</p>	<p>The matches were investigated and, due to timing differences, there were only 3 pensioners for whom we had not either already taken steps to update our records or recover any overpayment, as appropriate.</p> <p>This resulted in likely overpayments of £1681, of which £1424 is currently being recovered with the balance subject to confirmation of date of death.</p>

<u>Area Investigated</u>	<u>Outcome of Investigation</u>
<p><u>Payroll Pensions to Payroll</u></p> <p>This report seeks to highlight pensioners who are re-employed in pensionable service, who have not notified the Authority (as the pension paying body), and which might result in their pension being subject to abatement i.e. reduction to reflect current earnings.</p>	<p>The rules on abatement have changed since June 2006, abatement only applies to Compensatory Added Years. As a result, based on their current earnings, there were no abatements necessary. Where appropriate, individual employee records have been marked to monitor the position should their earnings increase in the future.</p>
<p><u>Payroll to Payroll</u></p> <p>This report identified employees with two payroll reference numbers i.e. two posts either within Shropshire or between bodies, which might highlight potential employment fraud.</p>	<p>Our investigations to date have not highlighted any irregularities as the employing authority, although as noted above, we have supplied information to Shropshire PCT and other Local Authorities.</p>
<p><u>Parking Permits i.e. Blue Badges to DWP deceased persons</u></p>	<p>This identified potentially 479 matches of which 83 were confirmed as deceased of which we had not been notified. The records were updated to prevent future re issues. In the absence of a nationally agreed policy, we are currently reviewing our procedures/systems to identify deceased Blue Badge holders as soon as possible and a means of ensuring the return of Blue Badges e.g. using the Registrar service.</p>
<p><u>Private Residential Care Home Residents to Benefits Agency Deceased Persons</u></p>	<p>The matches highlighted were checked to the Care First System; there were no instances where we had not been notified of the death or if appropriate, any significant differences in the recorded date of death. Within the results provided two mismatches were identified which have been reported back to the Audit Commission.</p>

<u>Area Investigated</u>	<u>Outcome of Investigation</u>
<u>Creditor Reports</u>	Creditor reports on possible duplicate payments, invalid VAT registration numbers and duplicate supplier accounts were sample checked and referred to the appropriate systems manager for review. From the sample testing, there were no significant errors identified. We already examine these areas e.g. using IDEA to identify duplicate payments as part of our routine creditor systems audit.
<u>Insurance</u>	This was a new report. This match involves matching insurance claimant details held by local authorities to identify serial claimants, either between or within local authorities. There were 9 matches and these are currently being investigated by the Council's insurers. Initial feedback from the insurers appears to indicate that they generally appear to be duplicate records and not necessarily fraud.
<u>Other reports</u>	Other reports such as employees without a visa were investigated and cleared as appropriate.

Summary

6. The results of the data matching investigations have been reported to the Audit Commission via a suite of on line reports. The Audit Commission, as part of their annual audit of accounts work, will be reviewing the work Internal Audit have undertaken to ensure that it has been carried out properly and that all data matches have been thoroughly investigated.
7. Further downloads are due in the next few months in respect of Housing Rents, Council Tax and Register of Electors data. The outcomes of these will be reported to Committee in due course.
8. Whilst as an Authority we have not found substantial savings from our work, it does provide assurance to the Council that our systems of internal control are working and frauds and irregularities are at a very low level. Where we

have identified any issues with our processes, steps have been taken to improve systems of control and make any recovery. It is important that we have worked with and provided information to others in their pursuit of detecting fraud and irregularity in line with our Counter Fraud and Corruption Strategy and our commitment to the Audit Commission in the NFI process. The joining up and working together significantly improves the detection of fraud and corruption across the public sector.

9. Data will be provided to the Audit Commission for Shropshire Council in October 2010 with information being received in February 2011 for checking by Internal Audit. However, as previously indicated, we have now also taken responsibility for investigating and providing information on the 2009 data of the Districts/Boroughs and a report will be brought to Committee on the outcomes of this work in November 2009.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights act 1998

Environmental Appraisal

N/A

Risk Management Appraisal

A failure to investigate the NFI matches efficiently and effectively could lead to frauds not being identified promptly.

Community / Consultations Appraisal

N/A

Cabinet Member

Local Member

Appendices

Appendix A – Copy of Audit Commissions National Fraud Initiative 2006/07 published in May 2008.