



Committee and Date

Audit Committee  
20 September 2011  
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Item No

**15**  
Public

## NATIONAL FRAUD INITIATIVE (NFI) 2010/11

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### 1 Summary

This report provides details of the outcomes to date arising from the National Fraud Initiative 2010/11 exercise and an update on the 2008/09 exercise in respect of Council Tax Single Person discount investigations. The results of the exercise are reported to and monitored by the Audit Commission using their secure NFI website.

Further data downloads are due shortly in respect of Council Tax and the Electoral Register. The outcomes of this, together with further updates on the 2010/11 exercise will be reported to Audit Committee in due course.

The savings from this exercise have increased from previous years with the new data sets previously submitted by the former District Councils. This exercise remains a positive and integral part of this Authority's commitment to the detection and prevention of fraud. The sharing of data and working together significantly improves the detection of error, fraud and corruption across the public sector.

The estimated financial savings from the 2010/11 exercise is currently identified as £51,347. The largest part of which relates to Housing Benefit matches of £36,618 and investigations are on-going and may reveal more. In addition, single person discount savings of £201,899 have been identified following the 2008/9 Single Persons Discounts NFI exercise.

### 2 Recommendations

Members are asked to note the content of this report and how the work contributes to the Council's counter fraud and corruption culture, with or without comment.

## REPORT

### 3 Risk Assessment and Opportunities Appraisal

- 3.1 Participation in this exercise remains 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 national sharing of data allows a number of organisations to effectively identify areas of potential fraud or error, reducing the future risks of such fraud or errors going undetected.
- 3.2 The provision of data for the purposes of NFI is a requirement of the Audit Commission Act 1998 and the output is used by the Audit Commission to help them assess the arrangements that the Council has in place to prevent and detect fraud in accordance with the Code of Audit Practice. The subsequent investigation of the NFI matches ensures that where appropriate any monies lost as a result of identified frauds or errors are identified and recovered and any weaknesses in procedures are addressed to help prevent future fraud or error and improve the internal control environment.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

### 4 Financial Implications

- 4.1 A total of 20 days has been included in the 2011/12 Audit Plan to complete the current work, this includes providing the information for the exercise and investigating matches on the resulting data and responding to other bodies queries. In 2010/11, a total of 43 days was spent on providing information, ensuring compliance with the Code of Data Matching and investigating the matches. Time in the Internal Audit Plan has been reduced to reflect increased direct involvement in the process from teams in Housing Benefits; Passenger Transport; Pensions; Payroll; Blue Badge Service; Housing Landlord Services; Revenues; Licensing and Payments, all of whom have investigated matches. This enables areas to learn directly from any control weaknesses and informs the refinement of their systems to prevent the potential for reoccurrences.
- 4.2 Total savings of £51,347 have been identified to date, progress on recovery is shown in the following table:

Table 1 – Progress on NFI savings recovery

	£
Recovered	18,279
Active recovery in progress	29,194
Potentially unrecoverable	<u>3,874</u>
Total Potential savings	<u>51,347</u>

- 4.3 In addition, following the 2008/9 Single Persons Discounts NFI exercise savings of £201,899 have been identified and are being recovered.

## 5 Background

- 5.1 Members will recall the National Fraud Initiative is the Audit Commission's data matching exercise; it was introduced in 1996 and is run every two years.
- 5.2 The 2010/11 exercise was the first time that the Council had participated as a Unitary Authority and as a result a number of new reports have been received and have or are being investigated, these include matches for Housing Benefits and Housing Tenancies.
- 5.3 The prospective financial savings from the 2010/11 exercise is identified as £51,347 to date. The largest part of the funds to be recovered relates to Housing Benefit matches of £36,618 and investigations are on-going in respect of recovery work and identifying additional frauds and errors.
- 5.4 Other matches have not revealed any financial impact but have resulted in records being updated, such as in respect of unknown deceased Concessionary Bus Pass holders. The update prevents future invalid issues and any fraudulent use of the bus pass by electronically marking the pass invalid.
- 5.5 It was pleasing to note that our systems for identifying deceased Blue Badge holders have greatly benefited from local initiatives that include:
- letters to the estate of badge holders seeking the return of the badge;
  - the way information is recorded on CareFirst;
    - closer working relationships between teams including Customer Services, staff at Face2Face Points and Parking Enforcement;
    - the enhanced role of Registrars in prompting and collecting the return of Blue Badges and Concessionary Bus Passes.
- 5.6 As part of the NFI commitment, we are required to respond to other participating bodies' requests for further information and the current website has a function to respond directly through the secure website. To date we have provided information on investigations for Telford and Wrekin Benefit Section, Shropshire PCT, a number of other Local Authorities and Registered Social Landlords.
- 5.7 Further details of the significant matches identified and examined, together with associated results are detailed below:

<b><u>Area Investigated</u></b>	<b><u>Outcome of Investigation</u></b>
Deceased Pensioner Matches  There were two reports identifying 179 apparent deceased pensioners who were still recorded as current pensioners at the time of the download.	All matches were investigated. Seven deceased pensioners were identified, of which four had not been previously identified and for which, we are currently attempting to identify the next of kin or executors to recover overpayments

<b><u>Area Investigated</u></b>	<b><u>Outcome of Investigation</u></b>
	<p>amounting to £3,874.</p> <p>For the remaining matches, total overpayments of £3,256 are being recovered.</p>
Blue Badges to Deceased Persons	These reports identified 491 matches although there were some data quality issues. In all valid matches, the death was already known and where appropriate the return of the badge had been requested.
Concessionary Bus Fares to Deceased Persons	These reports identified 982 matches. Where appropriate the records have been checked and marked accordingly. No fraudulent issues have been identified.
Residential Care Home Residents to Deceased Persons	The reports identified 98 matches, of which all were already known or there was a small timing difference, with the exception of two cases which were mismatches.
Housing/Council Tax Benefits – Various Matches	<p>There were a large number of matches and some are still under investigation.</p> <p>A total of £36,618 overpayments have so far been identified to date, of which £29,194 is being recovered. The overpayments are made up as follows:-</p> <p>Student loans - £11,746  NHS employees - £ 1,118  Local Govt employees - £19,173  Local Govt pensioners - £ 182  Taxi drivers - £1,460  Central Govt pensioners - £ 2,939</p> <p>Of the above: seven cases were found to be fraudulent, 28 overpayments were due to customer error and 13 overpayments were due to official error. The remainder require "no action" or are "already known" and appropriate action is in place.</p>
Creditor Reports	Creditor reports on possible duplicate payments, invalid VAT registration numbers and duplicate supplier accounts were provided. Audit Services has investigated

<u>Area Investigated</u>	<u>Outcome of Investigation</u>
	potential duplicate payments and to date three duplicate payments amounting to £7,354 have been identified and recovered, other duplicates had already been identified and recovered. Additional reports which identified housekeeping issues have been referred to the appropriate systems manager for review.
Housing Tenants	These are new reports that match housing tenant records to tenancy records or to other local authorities or registered social landlords records, to identify possible housing tenancy frauds. There were a small number of matches due to timing issues or mismatches, and one match for which an amended tenancy agreement was signed by the remaining occupant.
Other Reports	Other reports such as apparently deceased parking permit holders and possible duplicate insurance claims have been investigated and where appropriate records have been updated accordingly. No savings have been identified from these reports.

- 5.8 In addition, following on from the 2008/9 Single Persons Discounts NFI exercise, officers continue to investigate former District matches on potential invalid awards. Council Tax and Electoral Register data was compared and matches were identified where more than one person was registered for Register of Electors purposes at the one address. Discount review letters were sent out to all matches identified providing benefit savings of £201,899 in respect of 635 cases identified to date. New data will be submitted in October and December 2011 with results being released in March 2012.

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

National Fraud Initiative NFI 2008/09, Audit Committee, 17th September 2009

**Cabinet Member (Portfolio Holder)**

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

**Local Member**

All

**Appendices**

None