



<u>Committee and Date</u> Audit Committee 27 <sup>th</sup> March 2014 10.00 am
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<u>Item</u> <b>6</b> <u>Public</u>
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## NATIONAL FRAUD INITIATIVE (NFI) 2012/13

**Responsible Officer** Ceri Pilawski  
e-mail: [ceri.pilawski@shropshire.gov.uk](mailto:ceri.pilawski@shropshire.gov.uk) Tel: 01743 252027

### 1 Summary

This report provides details of the outcomes to date arising from the Audit Commission's National Fraud Initiative (NFI) data matching exercise 2012/13. The results of the exercise are reported to and monitored by the Audit Commission using their secure NFI website.

Our active participation in 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 fraud and corruption across the public sector and is a cornerstone of the Fighting Fraud Locally Strategy<sup>1</sup>.

The estimated financial savings from the 2012/13 exercise is currently identified as £101,929.43. The largest part of which relates to Housing Benefit matches of £90,052.74; investigations are on-going and may reveal more.

NFI data matching currently operates over a two year cycle, but is moving towards more real-time and near real-time fraud prevention activity. The Authority took part in a pilot for the new flexible batch and real-time services and has recently submitted the live data for council tax and electors real time matching. The outcomes of this, together with further updates on the 2012/13 exercise will be reported to Audit Committee in due course.

### 2 Recommendations

Members are asked to consider and endorse with appropriate comment, the content of this report and how the work contributes to the Council's counter fraud and corruption culture.

## REPORT

### 3 Risk Assessment and Opportunities Appraisal

- 3.1 Participation in this exercise remains a positive and integral part of this Council'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 risk of such fraud or errors going undetected.

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<sup>1</sup> Fighting Fraud Locally Strategy – reported to Audit Committee June 2012

- 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 improve the internal control environment and help prevent future fraud or error. The participation in NFI is an integral part of the Fighting Fraud Locally Strategy.
- 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 seven days has been included in the 2013/14 Audit Plan to complete the current work; this includes providing the information for council tax and the electoral register and responding to other bodies' queries. In 2012/13, a total of 37 days was spent on providing information, ensuring compliance with the Code of Data Matching and investigating the matches. Matches continue to be investigated by the relevant teams in Housing Benefits; Passenger Transport; Pensions; Payroll; Blue Badge Service; Housing Landlord Services; Revenues; Licensing and Payments. This continues to enable 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 £101,929.43 have been identified to date and progress on recovery is on-going. The largest part of the funds to be recovered relates to Housing Benefit matches of £90,052.74.

#### **5 Background**

- 5.1 The Audit Commission has run the National Fraud Initiative (NFI) since 1996, an exercise that matches electronic data held within and between public and private sector bodies to prevent and detect fraud.
- 5.2 Local authorities are required by law to participate in the NFI by providing a range of datasets to the Audit Commission for matching. The main NFI data matching is undertaken every two years, the results of these matches is fed into a national report at the end of each cycle.
- 5.3 It should be noted that the NFI will continue following the abolition of the Audit Commission. The Local Audit and Accountability Bill 2013-14 makes provision for the future arrangements for the NFI. The bill transfers the Commission's current data-matching powers to the Secretary of State, who will delegate their operational management to the Cabinet Office's Efficiency and Reform Group when the Audit Commission closes in 2015.
- 5.4 The council's arrangements for the prevention and detection of fraud are a core element of good corporate governance. The value to the council of the NFI, in addition to the identification and recovery of both fraud and error, is in its role as a deterrent for fraud and as a measure of assurance that adequate system controls are in place to prevent and detect fraud or loss.

- 5.5 Matches in relation to deceased pensioners have identified savings of £11,876.69. Other matches have not revealed any financial impact but have resulted in records being updated, such as in respect of previously unknown deceased Blue Badge holders.
- 5.6 As part of the NFI commitment, the Council is required to respond to other participating bodies' requests for further information, this can be done through the NFI secure website. To date we have provided information on investigations for Telford and Wrekin, 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>Area Investigated</b>	<b>Outcome of Investigation</b>
Deceased pensioner matches	This identified a total of 191 possible deceased pensioners. All matches were investigated. Six deceased pensioners were identified and savings of £11,876.69 are being recovered from the next of kin or executors.
Blue badges to deceased persons	This report identified 509 potential matches, although there were some data quality issues. 194 records have been updated to record the date of death; ten deaths had already been notified to the Council between the data being submitted and the results being published.
Concessionary bus fares to deceased persons	These reports identified 932 matches. The Concessionary Travel team confirmed that all passes had been marked as cancelled, however the applicant record had not been marked as deceased. This has resulted in additional training for Customer Service Centre staff.
Residential care home residents to deceased persons	The reports identified 135 matches; all were already known to the Council or there was a small timing difference, with the exception of four cases which were mismatches.
Housing benefits – various matches	<p>There were a large number of matches and cases with a value of £807 are still under investigation.</p> <p>A total of £89,245 overpayments have so far been confirmed. The overpayments are made up as follows:-</p> <p>Student loans - £2,025  NHS employees - £17,038  Local Government employees - £22,689  Local Government pensioners - £9,995  Taxi drivers - £10,543  Central Government pensioners - £ 22,348</p>

Area Investigated	Outcome of Investigation
	Housing Benefits - £158 Housing Associations - £4,449  Of the above: 14 cases were found to be fraudulent, 36 overpayments were due to customer error and 32 overpayments were due to official error.
Creditor reports	Creditor reports on possible duplicate payments, VAT errors and duplicate supplier accounts were provided. Work is continuing on these.
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 fraud. There were a small number of matches due to timing issues or mismatches. There are a small number of cases outstanding where we have requested additional information from the matched body.
Other Reports	Other reports such as deceased parking permit holders and possible duplicate insurance claims have been investigated and where appropriate records have been updated accordingly. No frauds or savings have been identified from these reports.

- 5.8 The Authority took part in a pilot for the new flexible batch and real-time services and has recently submitted the live data for council tax and electors real time matching. The outcomes of this, together with further updates on the 2012/13 exercise will be reported to Audit Committee in due course.

<p><b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b></p> <p>National Fraud Initiative checklist for members, Audit Committee, September 2012</p> <p>Results of National Fraud Initiative NFI 2010/11, Audit Committee, September 2012</p>
<p><b>Cabinet Member (Portfolio Holder)</b></p> <p>Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee</p>
<p><b>Local Member</b></p> <p>All</p>
<p><b>Appendices</b></p> <p>None</p>