Committee and Date	Item
Audit Committee 26 November 2015 09:30 am	 Exempt

National Fraud Initiative (NFI) 2014/15 Update

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1.   Summary

This report provides an update on the outcomes of the 2014/15 National Fraud Initiative (NFI). The results of the exercise are reported to and monitored by the Cabinet Office (previously the Audit Commission) using their secure NFI website.

In addition to the data already submitted in 2014, data relating to Council Tax and the Register of Electors will, for the first time, be submitted in December 2015. This information will be used to generate details of potential single person discount fraud.

Participation in this exercise remains mandatory and is an integral part of the Council's commitment to the detection and prevention of fraud. The sharing of data and working with other public bodies improves the detection of fraud and corruption across the public sector.

The 2014/15 exercise has so far identified financial savings of £5,096.53, with progress on recovery on-going. This has reduced significantly compared to the 2012/13 exercise due to the transfer of housing benefits fraud investigators to the Single Fraud Investigation Services (SIFIS).

The main NFI exercise operates over a two year cycle.

2.   Recommendations

The Committee is asked to consider and endorse, with appropriate comment, the contents of the NFI Update report.

REPORT

3.   Risk Assessment and Opportunities Appraisal

3.1   The National Fraud Initiative remains a positive and integral part of the Council's commitment to the detection and prevention of fraud and successfully illustrates the benefits that joined up working and co-operation between organisations can

produce. The sharing of data nationally allows a number of organisations to identify effectively areas of potential fraud or error, reducing the future risk of such fraud or errors going undetected.

3.2 The provision of data for the purposes of NFI is required under Part 6 of the Local Audit and Accountability Act 2014 (previously the Audit Commission Act 1998). The Cabinet Office (previously the Audit Commission) uses the output to help them assess the arrangements that the Council has in place to prevent and detect fraud. Internal Audit use the output to help predict the likelihood of fraud occurring, and to evaluate the Council's effectiveness in managing it. This is done in accordance with the Public Sector Internal Audit Standards. The subsequent investigation of the NFI matches ensures that any monies lost as a result of identified frauds or errors are identified, allowing weaknesses in procedures to be addressed thus improving the overall internal control environment. This process helps prevent future fraud or error.

3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.

3.4 There are no direct environmental, equalities, climate change or consultation consequences of this proposal.

4. Financial Implications

4.1 To date, a total of 17 days have been spent in the 2015/16 audit plan investigating the matches. Additional time will be spent in 2015/16 providing data for Council Tax and Register of Electors to identify potential single person discount fraud. This compares to 2014/15, in which a total of 16 days were spent providing the data, ensuring compliance with the Code of Data Matching Practice and investigating the matches.

4.2 Participation in the exercise is mandatory and the fees for the 2014/15 exercise were £3,650.

4.3 The 2014/15 exercise has identified savings of £5,096.53 to date, and progress on recovery is on-going.

5 Background

5.1 The National Fraud Initiative (NFI) is an exercise to detect and prevent potential fraud by examining electronic data shared between public and private sector bodies. Introduced in 1996 by the Audit Commission, responsibility has now transferred to the Cabinet Office. This will allow the NFI to continue to develop in line with Government activities to save taxpayers' money through addressing fraud or error, and improving debt recovery.

5.2 The NFI matches data from 1,300 public sector and 77 private sector organisations. It flags up inconsistencies in the information that may indicate a fraud, an error, or an overpayment may have taken place, signalling the need for review and potential investigation.

6 **Report**

6.1 The mandatory data sets required for the 2014/15 NFI exercise were:
- Payroll
- Pensions
- Trade creditors
- Housing
- Insurance
- Private supported care home patients
- Transport passes and permits
- Blue badges
- Licenses
- Personal budgets for social care

6.2 Some matches identified do not have any financial implications but *do* result in records being updated. . Discovering deceased concessionary bus pass holders is an example of this. The update allows the pass record to be marked invalid thus preventing further fraudulent use or re-issue.

6.3 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. Shropshire has provided information on investigations for a number of other Local Authorities and public bodies.

6.4 In addition to the data already submitted in 2014 the Council are required to submit Council Tax and the Register of Electors data in December 2015. This data will be used to generate details of potential single person discount fraud in a real time report. This data will be passed to the Revenues and Benefits Service Manager for review.

6.5 Further details of the significant matches identified and examined, together with associated results, are detailed below:

Area Investigated	Outcome of Investigation
Housing Benefits	The Benefits Service has 2,098 matches in total, 507 of which were recommended for review. The service has taken the decision to not review all 507 recommended matches as there are other controls in place which provide more relevant recent data to capture any potential discrepancies in these areas. Further details can be found in section 7 of this report.
Deceased Pensioner Matches	This identified 69 potentially deceased pensioners. All matches were investigated by the Pensions team which identified 12 cases where the death had not been reported to the Council. This identified £4,196.53 overpayments which are

Area Investigated	Outcome of Investigation
	currently in the process of being recovered from the next of kin or executors.
Deferred Deceased Pensioner Matches	This report identified 91 potential matches. Records were updated where appropriate. As deferred payments are not yet being paid, no fraud has occurred.
Payroll	Various reports relating to payroll matches with other bodies, pensions and creditors were received. Review of the matches did not identify any fraud or errors.
Blue Badges to Deceased Persons	This report identified 308 potential matches. Many of these were the result of timing differences between the data being submitted and the matches being returned. 151 records were updated to reflect the death. This does not necessarily indicate fraudulent activity however, as the family may have disposed of the badge but omitted to notify the Council of the death.
Concessionary Bus Fares to Deceased Persons	This report identified 624 potential matches. The matches were investigated by the Highway and Transportation team who confirmed that they were already aware of the matches which were due to timing issues. The cards have been hot-listed, which means they can no longer be used.
Residential Care Home Residents to Deceased Persons	This report identified 65 potential matches. The matches were investigated by Social Care who confirmed that they were already aware of the matches and they had occurred due to timing issues between the data being submitted in October 2014 and the matches being returned in January 2015.
Creditor Reports	Creditor reports on possible duplicate payments, invalid VAT registration numbers and duplicate supplier accounts were provided. The reports were referred to the Payments Team Manager for review. No further work was undertaken however as additional control measures within the service have been applied. An historical duplicate payment match was identified in the reports with a value of

Area Investigated	Outcome of Investigation
	£900. This is currently in the process of being recovered from the creditor.
Housing Tenants	These reports match housing tenancy records within the council and other local authorities. No tenancy fraud was identified. A number of mismatches resulted in the updating of tenant information to improve data quality.
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. No frauds or savings have been identified from these reports.

7   Housing Benefit Additional Controls

In addition to the NFI, Housing Benefits Service uses a number of other controls to detect, manage and minimise the risk of fraudulent claims and errors in benefit applications.

7.1   **Real Time Information**
Employers and pension providers are now required to provide Her Majesty's Revenue and Customs (HMRC) with income details immediately after a payment is made. HMRC has a new system for collecting this information known as Real Time Information (RTI). The Department for Work and Pensions (DWP) matches local authority benefits information with HMRC earnings and non-state pensions information to identify cases of under or non-declaration. Since September 2014, the DWP has been sending local authorities monthly mismatch reports to investigate. Benefits have found that the RTI data provides a higher quality and timelier solution than the existing data sources being used to identify fraud and error across DWP systems. As a result, discrepancies dating back to 2012 have been identified.

7.2   **Housing Benefit Matching Service**
Benefits also participate in a national data matching program called the Housing Benefit Matching Service (HBMS). This is a mandatory function for all local authorities in order to help prevent and detect fraud and is administered by the DWP. The scheme allows the local authority to identify discrepancies between its housing and council tax records against those held by the DWP, such as income support, job seekers allowance, incapacity benefit, pension credits, etc. This information may also be supplied to credit reference agencies and any subsequent investigations could possibly include checks on undeclared cohabitees. The Council receives monthly HBMS discrepancy reports.

7.3 **Fraud and Error Reduction Incentive Scheme**
The Fraud and Error Reduction Incentive Scheme (FERIS) was introduced in November 2014 and made funding available to local authorities to reduce fraud and error in housing benefit caseloads. The Council's Benefits Service successfully secured funding to review all high risk claims. To date the service has reviewed working age caseload assessed against earned income and will be looking to review all of the Council's pensioner cases with occupational pensions during the next quarter. It is believed that this initiative will continue into 2016/2017.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Accounts and Audit Regulations 2015 Local Audit and Accountability Act 2014 Public Sector Internal Audit Standards (PSIAS)
Cabinet Member (Portfolio Holder) Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee.
Local Member - N/A
Appendices - None