

**NATIONAL FRAUD INITIATIVE**  
**(Report by the Audit & Risk Manager)**

**1. Purpose**

- 1.1 To inform the Panel about:
- the National Fraud Initiative (NFI)
  - the work undertaken on resulting, potentially fraudulent, matches provided by the Audit Commission.

**2. Background**

- 2.1 The NFI is a data matching exercise run by the Audit Commission every two years that aims to detect instances of fraud and over/under payment. It involves comparing the Council's own systems with each other and with the records held by other public bodies.
- 2.2 The Audit Commission conducts the survey under the statutory powers given to it under the Serious Crime Act 2007. All mandatory participants (which includes the Council) must provide data and failure to provide data without reasonable reason is a criminal offence.
- 2.3 The last full data extraction took place in October 2008, and included the electoral register, payroll, council tax, housing benefit, creditors, hackney carriage and personal alcohol licence holders, concessionary travel passes, market traders and insurance claimants. The Audit Commission have also recently been sent the current electoral register and council tax data. Data is transferred through a secure website.
- 2.4 Two reports are received back from the Audit Commission; 'recommended' matches and "other" matches.

**3. Data Protection**

- 3.1 The use of personal data for NFI purposes is covered by the Data Protection Act and as such the Council is required to explain to individuals that their data may be used for the prevention and detection of fraud. Appropriate 'Fair Processing Notices' are included on application forms, letters and bills. Further information is provided on the Council's website.

## 4. Results

- 4.1 The Audit Commission summarises the data matches into categories. Annex A lists these categories and the data records that are compared.
- 4.2 The 2008 exercise identified a total of 2,330 matches. 364 of these were 'recommended' matches, and have been subject to full investigation. Details of the broad categories into which they fall and the results to date are detailed in Annex B.
- 4.3 Investigation of the matches are undertaken by the Benefit Fraud, Council Tax and Internal Audit teams with overview by the Internal Audit & Risk Manager. The Council's external auditors consider the work undertaken on NFI as part of its evaluation of the Council's arrangements to prevent and detect fraud and the annual Use of Resources assessment.
- 4.4 All 'recommended' matches are fully reviewed. Of the "other" matches 51% relate to Housing Benefit claims and 40% to Council Tax. All these "other" matches are also reviewed except for the Housing Benefit ones, where resources only allow a sample check. This time the sample is 17% and it will be reviewed in the light of the final results from the investigations.
- 4.5 98% of the 1,507 chosen reviews have been completed. The items identified related to 18 data errors where duplicate supplier records were included in the payments database slightly increasing the likelihood of duplicate payments being made. The 22 cases of fraud or where recovery was required amount to about £57k and are detailed in the table below.

### Data match report

### Outcome

Housing benefit claimant to payroll pensions

1 error. Overpayment of HB.  
Receipt of pension not disclosed.

1 fraud. Undisclosed pension and bank accounts.

Duplicate records by invoice amount and creditor reference

1 error. Duplicate payment recovered.

Council Tax to Electoral Register

19 frauds. Single person discount claims.

- 4.6 The NFI therefore serves two purposes:
- it is part of the control system in that it identifies items that would have otherwise been difficult to cost-effectively identify
  - it is part of the governance system in that it demonstrates the low level of data errors and frauds and recovery items that have not already been identified by our systems.
- 4.7 The Panel should therefore recognise the level of assurance that the NFI exercise brings to the Corporate Governance of the authority.
- 5. Recommendation**
- 5.1 It is recommended that the Panel note the work that has been undertaken with respect to the 2008 NFI exercise.

## **ACCESS TO INFORMATION ACT 1985**

None

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## Annex A

<b>Categories</b>	<b>Matched data records</b>
<b>Housing Benefits to</b>	Student Loans Payroll Payroll Pensions Housing Benefit Claimants (other authorities) Housing Rents Housing Right to Buy Insurance Claimants Market Traders Taxi Drivers Personal alcohol licences
<b>Payroll to</b>	Payroll (other authorities) UK Visas
<b>Concessionary Travel Passes to DWP deceased</b>	
<b>Creditors</b>	Duplicate creditors by Creditor name Creditor address Bank account number Amount and creditor reference number VAT overpaid
<b>Procurement</b>	Payroll to Companies House (Directors) Payroll to Companies House (Companies)
<b>Council Tax to</b>	Electoral Register Rising 18's from Electoral Register

## Data Match Results : February 2010

	Reported Matches		No Review	Reviewed but no errors/fraud	Under Investigation	Error Identified	Fraud or Recovery Identified
	Recommended	Others					
Housing Benefits	68			65	1		2
		994	823	149	22		
Payroll	1			1			
		67		67			
Concessionary Travel Passes	295			295			
Creditors		114		95		18	1
Procurement		10		10			
Council Tax		781		762			19
Totals	364	1,966	823	1,444	23	18	22