HUNTINGDONSHIRE DISTRICT COUNCIL

Title: National Fraud Initiative

Meeting/Date: Corporate Governance Panel – 29 January 2014

Executive Portfolio: Resources: Councillor J A Gray

Report by: Internal Audit Manager

Ward(s) affected: All Wards

Executive Summary

This report informs the Panel about the National Fraud Initiative (NFI) of 2012 and the work undertaken on resolving potentially fraudulent matches provided by the Audit Commission.

A statutory national data matching exercise is carried out every two years. The Council's output from the exercise consisted of 1,929 matches that potentially highlighted fraud or error in the payments we were making. Investigation of 355 of the matches has identified two housing benefit claim errors, with a value of slightly less than £1,000.
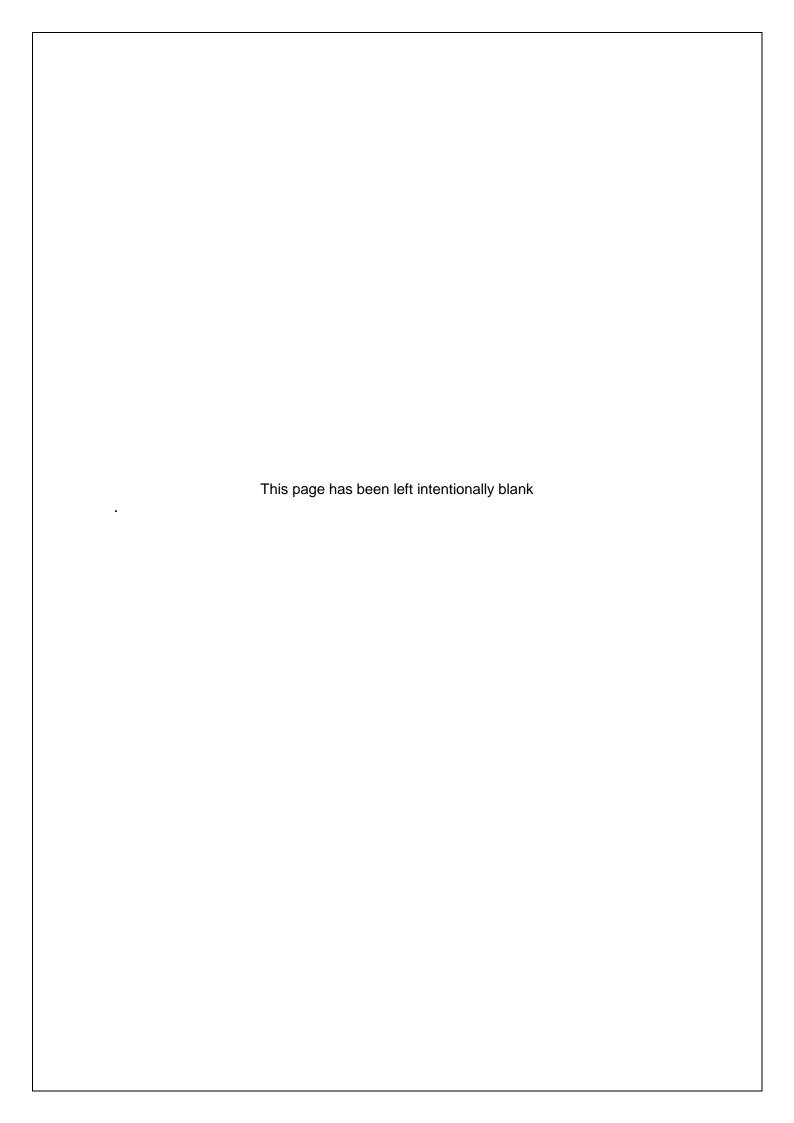
Financial implications

There are no financial implications arising from the report

Legal implications

There are no financial implications arising from the report.

Recommendation

It is recommended that the Panel note the work that has been undertaken with respect to the 2012 NFI exercise.

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1. BACKGROUND TO THE REPORT

1.1 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 records with the records held by other public bodies.

1.2 The Audit Commission conducts the data matching exercise under the statutory powers given to it under Part 2A of the Audit Commission Act 1998 which are themselves derived from the Serious Crime Act 2007. All mandatory participants (which include the council) must provide data and failure to provide data without reasonable reason is a criminal offence.

1.3 The last substantial data extraction took place in October 2012 and included payroll, housing benefit, creditor payments and standing data, hackney carriage and personal alcohol licence holders, concessionary travel passes and market traders. Matches for investigation in respect of these datasets were provided to the Council in February 2012.

1.4 Council tax and electoral role data is due to be submitted to the Audit Commission in February 2014 with outcomes expected to be released on potential fraudulent single person discount claims during March 2014.

1.5 With the abolition of the Audit Commission, the Government has decided to transfer responsibility for the management and operation of the NFI to the Cabinet Office, where it will form part of the Efficiency and Reform Group.

2. DATA PROTECTION

2.1 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.

2.2 All data that is submitted to the Audit Commission has to be submitted via a secure website that requires files to be encrypted and password protected.

3. RESULTS

3.1 The Audit Commission matches the data in numerous ways and summarises the data into a number of categories. Appendix 1 details those categories.

3.2 The 2012 exercise identified a total of 1,929 (2,991 in 2010) matches. of which 262 of these were 'recommended' matches (1,150 in 2010).

The reduction in the number of matches appears to be due to the County Council taking on the responsibility for the management of concessionary travel passes. In 2010 over 1,000 matches were received in this category.

3.3 The 262 recommended matches fell into three categories as detailed in the table below. Delays to completing the investigations into three housing benefit claims is due to information not yet having been received from another public sector body. The 31 creditor matches that are outstanding have not been investigated as they all fall within the category of vat overpayment. These

payments have been made to bailiff companies. The vat charged in respect of these invoices is correct.

	Total	Investigated	Fraud/Error
Housing Benefit	160	157	1 - £827.66
Payroll	4	4	None
Creditors	39	8	None

3.4   Once the recommended matches had been investigated a total of 1,667 matches remained. 186 of these matches were investigated.

	Total	Investigated	%age	Fraud/Error
Housing Benefit	1034	103	10%	1 - £163.84
Payroll	41	38	92%	None
Creditors	592	45	7%	None

3.5   A number of the NFI reports aren't particularly sensitive or sophisticated in the way that data is matched. Experience has shown that even when reviewing all matches the number of successful outcomes is low . For that reason an initial review of the non recommended matches is undertaken to identify any that appear to be worthy of investigation.

A risk based approach is then taken to identify matches for further review. For example - NFI report 14.1, Housing Benefit Claimants to Payroll, high quality, between bodies - lists 569 potential matches, 9 of which are recommended matches. Of the remain 560 matches a filter was applied to exclude those matches which had passported benefits applying (Income Support, Job Seekers Allowance income based, Pension Credit or Guarantee Credit, Employment Support Allowance) or were in receipt of the Council Tax second adult rebate. This filter returned three matches, all were reviewed.

3.6   Investigation of the matches are undertaken by both the Corporate Fraud and the Internal Audit teams with an overview by the Internal Audit & Risk Manager. The Council's external auditors also review the progress made in evaluating the matches.

3.7   Whilst records have not been maintained of the total value of fraud/error identified from all the NFI exercises undertaken, the 2012 review has identified the least amount of fraud or error. This would suggest that that internal control systems are working as intended.

Year	Total Matches	Total Reviewed	No. & value (£) of fraud/error identified	
2012	1929	355	2	991
2010	1990[1]	649	13	41,739
2008	2330	2267	40	57,000 [2]

[1] *excludes concessionary travel passes*
[2] *includes fraud value only.*

3.8   Whilst reviewing and investigating the matches provided by the NFI is time consuming, the low level of successful matches provides assurance to the Council that current control arrangements are working effectively. The Panel

should therefore recognise the level of assurance that the NFI exercise brings to the corporate governance of the authority.

4.   LIST OF APPENDICES INCLUDED

Appendix 1 – Categories of matched data

Background Papers
NFI data matches

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Categories of NFI Matched Data

Categories	Matched data records
Housing Benefits to	Student Loans
	Payroll
	Pensions
	UK Visas
	Housing Benefit Claimants (other authorities)
	Housing Tenants
	Housing Right to Buy
	Market Traders
	Taxi Drivers
	Personal alcohol licences
	Disclosure of Death Registration information
Payroll to	Payroll (other authorities)
	UK Visas
	Creditors
	Nat Insurance number check
Creditors	Duplicate creditors/records by
	Creditor name
	Creditor address
	Bank account number
	Reference, amount and creditor number
	Amount and creditor number
	VAT overpaid