



Audit Committee
15 June 2010

**Report from the Director of
Finance and Corporate Resources**

For Information

Wards affected:
ALL

National Fraud Initiative

1. Summary

- 1.1. This report provides details of the Audit Commission's National Fraud Initiative (NFI) and summarises the council's work in relation to the 2008/09 exercise.

2. Recommendations

- 2.1. The Audit Committee note the content of the report.

3. Detail

- 3.1. Since 1996 the Audit Commission has used its statutory powers to obtain data from local authorities and, more recently, other public and some private sector organisations. It has matched data within and between organisations in order to identify potential fraud. The exercise is run every two years and, since inception, has grown in size in terms of the data sets obtained and the organisations who take part.
- 3.2. The origins of this exercise began in 1994 with a London pilot, sponsored by the Society of London Treasurers, which matched housing benefit (HB) to student award data to identify students who were fraudulently claiming HB. The exercise identified £300,000 of fraud and provided proof of concept for a national data matching exercise.
- 3.3. The latest exercise draws on data collected mostly in October 2008 but also in 2009 and includes the following matches:
- Pensions payments checked to records of deceased people.
 - Housing benefit payments to payroll records across and within organisations.
 - Payroll records to failed asylum seeker and expired visa records.
 - Blue badge & other adult social care records to records of deceased people.

- Housing benefit payments to housing tenancy records.
- Council tax records to electoral register.
- Payroll records to other payroll records.

3.4. The majority of results from the exercise were received in February 2009 with other matches received later in the year. The council received some 31,500 although 17,700 of these relate to creditor matches designed to find duplicate creditor names and duplicate payments. This volume of matches is mainly caused by having devolved data for creditors split across a number of departments rather than having a single payments system. The matches are unlikely to relate to irregularity or fraud. The remaining 13,800 matches were split across some 130 different reports within the following categories:

Match	Number matches
Housing Benefit to various	6,964
Payroll and Pensions to various	868
Housing Rent to various	207
Blue Badge / Travel Concessions to deceased	1,044
Residential Care to Deceased	61
Insurance Claimants to various	117
Temporary Accommodation to various	694
Payroll to companies house	248
Council Tax SPD to Electoral Register	3,665
Total	13,868

3.5. The Audit and Investigations Team are responsible for handling the output of the National Fraud Initiative. This is done within existing resources. It is clearly impossible to investigate every match and the Audit Commission supply some recommended priority areas. The Audit and Investigation Team also undertake their own filtering to weed out spurious matches and those unlikely to produce an outcome. This vetting is based on previous experience and also involves some sample checking of each report to establish the quality of the data match. Where serious fraud is suspected the team commence an investigation. Alternatively, matches are passed to other parts of the organisation to deal with as an administrative function.

3.6. After filtering the various reports, the Audit and Investigations Unit checked just over 600 matches. Of these 446 have been cleared as requiring no further action, 82 are the subject of further checks/enquiries and 59 have been included in the unit's caseload. 21 investigations have been concluded as either fraud (8) or overpayment/error (13). More than 150 enquiries were received from and over 200 enquiries made to, other organisations participating in the exercise. Of the matches checked 300 related to Housing Benefit and 50 to staff employed by the Council.

- 3.7. In addition to significant additions made to the Authority's Council Tax base, as discussed in paragraph 3.9 below, overpayments due to fraud and error of £115,000 have been identified from matches investigated. The majority of this sum relates to Housing Benefit and it is anticipated the figure will rise considerably once investigations are completed. Of the investigations where an overpayment has been calculated, two relate to the failure to declare a Private Pension and the overpayments total £50,000.
- 3.8. With regard to matches concerning employees, 39 required no further action, 10 are the subject of further enquiries/checks, 3 have concluded with the member of staff resigning, (one of which led to an investigation of another member of staff who also resigned).
- 3.9. Significant success has been achieved in relation to the Single Parent Discount (SPD) to Electoral Register Match. The data match compared SPD claimants with information submitted for electoral registration purposes to identify those in receipt of SPD who were shown as having other adults present in the household. The council received some 3,600 matches, representing almost 10% of all SPD claimants. These matches were received in June 2009.
- 3.10. In order to deal with this volume of matches the Audit and Investigation Team piloted two separate approaches before recommending how the remaining matches should be dealt with by Revenues and Benefits. A sample of high banded properties with long SPD periods were selected for visits, with lower banded properties targeted for mail enquiries. The intention was to investigate a sample of cases to prosecution standard where there was significant and deliberate fraud, with other minor cases being dealt with by way of recovery.
- 3.11. The first phase of the exercise generated some £180,000 in cancelled SPD and showed that whilst unannounced visits were more effective than letters, the costs were higher, involving two staff. The exercise was passed to the Revenues and Benefits Service in January 2010 who have continued to deal with the matches by letter. In total, some £830,000 in additional council tax debit has been raised for years up to and including 2009/10. Some £385,000 related to 2009/10 debit and this increased tax base will roll forward into future years. In excess of £230,000 has already been recovered. Two cases are with the council's legal service for prosecution.
- 3.12. The Audit and Investigation Team also checked whether any employees were on the SPD list. Members will be aware that employees who wilfully avoid paying their council tax or commit fraud against the council are in breach of the council's Code of Conduct for Employees. A total of 100 staff were identified within the matches and of these 18 had their SPD removed. Following more detailed investigations into those earning in excess of £25,000 six SPDs were cancelled and there was one dismissal, one resignation, one suspension (other matters having come to light), one is still under review and for two it was determined disciplinary action was not necessary.

- 3.13. The Audit Commission's own report¹ on the NFI 2008 exercise makes eight recommendations for Local Government. Briefly these are:
- (i) Data is submitted on time
 - (ii) Authorities prioritise and follow up matches
 - (iii) Promote awareness of the NFI among Senior managers of all departments
 - (iv) Engage elected members more effectively
 - (v) Ensure that the NFI is integral to Corporate Anti fraud measures
 - (vi) Improve expertise on immigration fraud
 - (vii) Recover previous years discounts on the Single person Discount matches
 - (viii) Improve communications between departments on Deceased Persons
- 3.14. The majority of these recommendations are already met by the council. This report seeks to partly address point iv. A briefing for members has also been produced by the commission and is available on their website².

4. Financial Implications

- 4.1. The work undertaken on the Single Person Discount has had a significant positive benefit on the Council's financial position. This is set out in the body of the report.

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Background Papers

1. Audit Commission (2010). *The National Fraud Initiative 2008/09. National Report, May 2010*. Retrieved on 1st June 2010 from: http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/10_0084_NationalFraudInitiative_Report_WEB2.pdf
2. Audit Commission (2010). *The National Fraud Initiative 2008/09. Member's Briefing, May 2010*. Retrieved on 27th May 2010 from http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/nfi0809members_briefing.pdf

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