



**Audit Committee**  
24 November 2014

**Report from the Chief Finance  
Officer**

For Information

Wards Affected: ALL

**National Fraud Initiative – Outcomes and Information for  
Elected Members and Decision Makers 2012/13**

**1. Summary**

- 1.1. This report provides an analysis of the Audit Commission publication, “National Fraud Initiative - Outcomes and Information for Elected Members and Decision Makers 2012/13”<sup>1</sup>. This shows a comparison of results between the council and the CIPFA nearest neighbour councils.

**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 across London and provided proof of concept for a national data matching exercise.
- 3.3. The last main matching exercise was undertaken in October 2012 with most results being received in February 2013. The council tax match to electoral roll was undertaken in December 2013 and results issued in February 2014.
- 3.4. The Audit Committee received an update on the National Fraud Initiative at its meeting on 26th June 2014<sup>2</sup> following the publication of the Audit Commission’s, “National Fraud Initiative: National Report June 2014”<sup>3</sup> (<http://www.audit-commission.gov.uk/wp-content/uploads/2008/05/NFI-national-report-FINAL-11-June-2014.pdf>). This provided an overview of the results nationally. The commission have now produced an information

pack for members. This compares the council's results with those of the CIPFA nearest neighbour group of councils, see appendix 1.

- 3.5. The data is taken directly from the web based NFI system which allows councils to record results against each match. Therefore, the reported results are dependent upon individual councils entering data accurately onto the on-line system.
- 3.6. In broad terms the document shows that the council has processed far fewer matches than its nearest neighbours, the average being 19% or 3824 cases with the council "progressing or processing" 3% or 490 cases (see page 7 of appendix 1). The council recorded outcomes (identified fraud or overpayment) of just under £300,000 which was average for the group although the amount recovered (excluding council tax) was much lower than the average. The amount of additional council tax debt raised was higher than average although much lower than the highest recording council. The following paragraphs set out the council's approach to the NFI and potential explanations for the comparative performance figures.
- 3.7. As with any analysis at a point in time, the results can be skewed by lack of attention to specific fraud risks or under/over achievement in previous years. By way of example, the 2008/09 NFI exercise resulted in some £800,000 of additional debit being added to the council tax for Brent in 2009/10 and this may explain the lower results two years later. It is possible that the authority identifying in excess of £500,000 for the 2012 exercise had not dealt with the earlier match effectively. It is also the case that all matches in 2010/11 were passed to Capita to deal with as a mail shot exercise and results were only recorded where feedback from Capita was received.
- 3.8. In the first tranche of matches (excluding SPD) the council received some 16,000 matches across 10 areas and some 100 different reports. Of these, the Audit Commission identified 5,000 recommended matches (indicates a level of confidence in the match, higher than other matches as set out below):

<b>Match</b>	<b>Number of Matches</b>	<b>Recommended</b>
Housing Benefit to various	7,745	1,627
Payroll and Pensions to various	465	148
Housing Rent to various	410	104
Blue Badge / Travel Concessions to deceased	2,129	2,092
Residential Care to Deceased	46	5
Residential parking permits to deceased	445	437
Insurance Claimants to various	123	22
Other	6	6
Duplicate creditors, duplicate records and VAT overpaid	4,729	542
<b>Total</b>	<b>16,098</b>	<b>4,983</b>

- 3.9. The council received a further 2,400 matches in relation to single person discount claims with others registered at a property for electoral roll purposes. These were passed to Capita to deal with and results were recorded when reported back through the Revenues Client Team. The total increase in debit for this match was £385,000 as opposed to the £130,000 shown in the report. The difference is due to the data not being captured on the on-line system.
- 3.10. The NFI has been running for many years and the approach taken within A&I has been to

focus upon those matches which yield the best results. Given the level of resources within the team and the reactive workload (outside of NFI), it is not feasible to investigate all 5,000 recommended matches. A number of matches are passed to other teams for verification including Blue Badge to deceased records and residential care to deceased.

- 3.11. After filtering the various reports, the Audit and Investigations Unit checked just over 570 matches. Of these 14 resulted in an outcome, including one dismissal and 2 warnings for staff. There are 20 cases still in progress.
- 3.12. The results reported within the Audit Commission figures are slightly understated due to either non-recording or timing issues. Total outcomes recorded to date are £349,000 as set out below:

<b>Data Match</b>	<b>Number cases</b>	<b>Value of overpayment</b>
Pension payments continuing after death	6	£8,000
Staff working with no right to work	5	*£236,000
Payments to care homes continuing after death	3	£26,000
Duplicate Creditor Payments	1	£12,000
Housing Benefit	3	£67,000
<b>Total</b>	<b>14</b>	<b>£349,000</b>

*(\*The Audit Commission value the overpayment as the total salary earned by the employee with no right to work)*

- 3.13. Within the attached document, the Audit Commission pose a number of questions for members to consider. These are set out below for ease of reference. Officer comments are set out against each question and members are invited to consider these further at the meeting.
- 3.14. Q. What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?  
*The Audit Committee receives updates on progress against the NFI. The Head of Audit and Investigation oversees delivery of the NFI. Head of A&I and senior staff within the A&I team consider how best to prioritise matches having regard to the resources available with the broad policy established by the Council's Anti-Fraud and Bribery Policy.*
- 3.15. Q. Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?  
*The council is achieving a relatively high level of return whilst undertaking fewer investigations than other councils in the comparator group. Prosecutions take a number of years from inception to conclusion and would not necessarily feature, as yet, in results. The majority of "fraud" identified by value relates to illegal working where there is no opportunity to recover funds. The team and other parts of the council could always do more but are constrained by resources.*
- 3.16. Q. What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?  
*Given the relatively low numbers of cases identified, the output does not indicate a*

*systemic control problem. Where values are high, for example in illegal working, the council has already taken significant measures to address the issue through proactive exercises on a service by service basis and HR have recently reviewed all staff identification and right to work.*

- 3.17. Q. Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Service?

*The council has been proactive in suggesting additional matches to the NFI, such as payroll against SPD match to identify employees who were not paying council tax.*

- 3.18. Q. How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?

*The NFI is one of many referral streams utilised by A&I which highlight areas of risk.*

#### **4. Financial Implications**

- 4.1. None

#### **5. Legal Implications**

- 5.1. None

#### **6. Diversity Implications**

- 6.1. None

#### **7. Background Papers**

1. Audit Commission – National Fraud Initiative Information for Elected Members and Decision Makers 2012/13
2. Report from the Chief Finance Officer - Final Internal Audit Progress Report 2013/14, Audit Committee 26/6/14
3. Audit Commission – National Fraud Initiative: National Report June 2014

#### **8. Contact Officer Details**

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