

TO: STANDARDS COMMITTEE – 14 June 2006

SUBJECT: NATIONAL FRAUD INITIATIVE 2004/05

FROM: FINANCE

1. PURPOSE OF REPORT

To advise Members of:

- the outcome from the National Fraud Initiative 2004/05 in accordance with the Committee's 2005/6 Work Programme;
- the timetable and key changes notified for the National Fraud Initiative 2006/07.

2. BACKGROUND

The National Fraud Initiative (NFI) is a national inter-organisational data matching exercise undertaken by the Audit Commission every two years as part of the statutory audit of all public bodies under its remit. The NFI is mainly concerned with tracking benefit fraud, although fraud and irregularities regarding employment, social housing tenancies, occupational pensions and student loans are also targeted.

To comply with its obligations under NFI, Warwick District Council has to:

- extract and supply data to the Audit Commission;
- review and, where appropriate, investigate output referred back from the data matching processes and report outcome statistics to the Audit Commission.

To comply with law and best practice in handling and sharing personal information, the process is governed by a Code of Data Matching Practice published by the Audit Commission.

The referred output is received in the form of reports summarising and detailing all matches of Warwick District Council data with any of the approximately 1,300 other participating bodies. These reports are pre-classified by the Audit Commission into three levels of priority (high, medium and low) based on the reliability of the matches contained. Some matches do not require direct action but are reported for reference in case of requests for information from corresponding bodies for specific matches (e.g. occupational pensions).

A member of the Council's Internal Audit team oversees compliance with NFI requirements as designated 'Key Contact'. Benefit-related matches are assigned to the Fraud Investigations Team for examination while the Key Contact follows up all other matches directly.

All matches designated high and medium risk were followed up, along with selected low-risk items where appropriate. The Key Contact reported the overall results to the Strategic Director (Community Resources) in October 2005. An updated version of this report is annexed as Appendix 1.

The results are also summarised in the Annual Audit and Inspection Letter being reported to Executive on 12th June 2006 (Item 8). The relevant extract is annexed as Appendix 2.

The Audit Commission has recently published its national report on NFI 2004/05 directly attributing the detection of fraud and overpayments totaling £111 million to the project. Of this, Housing and Council Tax Benefit fraud accounts for £22 million. A copy of associated press release is annexed as Appendix 3.

2.1. **Local Results of NFI 2004/05**

The results specific to Warwick District Council are summarised below.

Housing and Council Tax Benefits

Of approximately 8000 benefit claimants in total, 358 appeared in the match reports from which 7 cases of previously undetected overpayments were revealed accounting for the £19,000 potential return reported in the Audit Commission's Letter (Appendix 2).

Employees/Members

Out of 880 employee/Member records submitted, there were 58 payroll matches mostly showing simultaneous employment at two audited bodies (or holding Member office at one and employment at another). These were investigated on a sample basis focusing on those showing significant amounts of cumulative gross pay. None revealed any employment or payroll-related irregularities requiring further action.

Housing Tenants

Due to historical factors, the dates of birth of 45 per cent of the 5,714 current tenants in the data submission could not be furnished as required under the Audit Commission specification. As a result, only 14 of the 154 tenant matches referred had the added authority of full or partial date of birth match.

The remainder, matching purely on surname and forename and thus classified low risk, were examined on a sample basis. The only reportable issues arising related to 4 joint tenancies where one of the tenants in each case appeared to have moved permanently to another residence but failed to inform the Council. These have been passed to Housing Services for further investigation.

Former Tenants' Arrears

Former tenants are included in the NFI specification for the first time. Those cases with than £1,000 arrears are now required to be submitted with the housing rents data. From 45 records submitted, 9 matches were referred from which 2 previously untraced former tenants were definitely identified and referred to Housing Services. For one of them, the arrears (totaling £2,656.56 including benefit overpayment and Court costs) still had to be written off. In the other case, recovery of the arrears of £1,422.57 is progressing.

Right to Buy

As with former tenants, Right to Buy cases have been brought into NFI for the first time as part of the housing rents data requirements. Of the 3,246 cases in the data submission (completed and in progress), there were 611 matches referred.

However, 95 per cent of the cases examined proved to be false matches that had resulted from errors in the original data extraction and the absence of date of birth values in 76 per cent of the submitted records. Ultimately, one case showed sale of the property within the discount forfeiture period and the applicable amount of discount was confirmed to have been recovered. No other irregularities were revealed.

2.2 **NFI 2006/07 – The next round**

The deadline for submission of data for the next round has been notified and, based on this, the key timetable dates can be projected as follows:

Submission of data by the Council	October 2006
Receipt of match output from Audit Commission	February 2007
Review of work by Auditors	October 2007
Final savings return to Audit Commission	(by) December 2007
National report from Audit Commission	May 2008

Following previous pilot exercises, the Audit Commission has introduced for the next round an Anti-Corruption Module which expands the scope of data required to include the Council's creditors and associated payment histories. Preparations are under way to meet this requirement.

The Council will also have the option, currently being considered, to include data on licensed taxi drivers and liability claims against the Council.

3. **POLICY AND BUDGET FRAMEWORK**

Participation in NFI is mandatory for local authorities under the Audit Commission Act 1998. Failure to do so will almost certainly result in an adverse audit opinion on the Council's affairs and its standing under Comprehensive Performance Assessment would be impaired. Participation is also recognised as a means to deter, prevent and detect fraud and corruption in accordance with the Anti Fraud and Corruption Policy and Strategy.

The Housing and Council Tax Benefit Anti-Fraud Policy refers to NFI as part of a wider commitment to exploit data matching to prevent and detect benefit fraud.

Costs in respect of participation in NFI are met from existing budgets.

4. **RECOMMENDATIONS**

That the Committee notes the outcome from the Council's participation in the National Fraud Initiative 2004/5 and known developments for National Fraud Initiative 2006/7.

Ian Wilson, Senior Internal Auditor
(Designated Key Contact for NFI)

BACKGROUND PAPERS

NFI 2004/5 data extractions, quality checks

NFI 2004/5 referrals

Key Contact's working papers, reports, correspondence and official returns

Fraud Investigations case working papers

Audit Commission NFI publications (www.audit-commission.gov.uk/nfi)

Areas in District Affected: All

Key Decision: No

Included in Forward Plan: No

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