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**Appendix A**

**Bridgend County Borough Council**

**National Fraud Initiative  
Review**

**31 May 2006**

KPMG

31 May 2006

*This report contains 7 Pages*

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## 1 Introduction

The National Fraud Initiative (NFI) is part of the statutory audit process for the local government sector. In total 1,500 organisations supply almost 3,500 sets of data in areas such as housing benefit and payroll. The NFI then cross-matches this data to identify inaccuracies or potential fraud, and sends any matches back on a CD-ROM for each organisation to investigate.

Since it was launched in 1996, the NFI has identified more than £290 million in savings for the audited bodies taking part.

In Wales, Local Authorities have also achieved significant savings as a direct result of the initiative.

Our role is to review Bridgend County Borough Council's systems for dealing with NFI.

Bridgend County Borough Council are required to submit 'interim or final savings returns' to the Audit Commission's National Fraud Initiative (NFI) three times a year.

Over the past year, Bridgend has submitted one nil return. This is inconsistent with other Local Authorities in Wales, some of whom have identified a significant amount of housing benefit overpayments, thus leading to savings for the Authorities as well as a number of prosecutions.

This resulted in an element of concern over whether Bridgend was performing the correct amount of work in relation to the NFI and identifying all potential overpayments.

We reviewed the procedures followed by Bridgend in connection with the NFI to identify any potential weaknesses in their related systems.

Following our review, we consider that Bridgend County Borough Council are taking appropriate steps to ensure that data matches identified under the NFI are being investigated and followed up. We identified no material weaknesses or deficiencies in Bridgend's NFI systems.

Our report is designed to include useful recommendations that may help improve performance and avoid weaknesses that could lead to material loss or misstatement. It is the obligation of the Chief Executive and his staff to take the actions needed to remedy those weaknesses and should they fail to do so we shall not be held responsible if loss or misstatement occurs as a result. It is the Council's responsibility to ensure that an appropriate control environment is in operation.

To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management of the Council. Except to the extent necessary for the purposes of the work, this information has not been independently verified.

## **2 NFI procedures at Bridgend County Borough Council**

The NFI is co-ordinated by the Internal Audit department within Bridgend County Borough Council. Internal audit receive the CD-ROM and are responsible for reviewing the potential matches identified.

All potential matches involving housing benefit overpayments are sent to the housing benefit manager, who reviews the data and investigates the reason for the match. Following on from this, if any potential overpayments are identified, these are passed to the fraud department, which is dedicated to investigating potential cases of fraudulent housing benefit claims.

Any matches relating to payroll details within the Council are sent to the payroll department for further investigation.

Regular meetings are held between Internal Audit, Housing Benefit, Fraud and Payroll representatives to monitor progress on the NFI data matches and decide on any additional actions which may be required.

Internal audit are responsible for collating any overpayment data for inclusion in the NFI returns.

### 3 Review of key NFI matches

To ensure the procedures detailed above were being adhered to, a number of key data matches were sent to KPMG by the Wales Audit Office. We then visited the housing benefit and fraud department managers to review how they had dealt with each case.

The key questions asked of the managers in respect of each of the matches were:

- Have they looked at the match?
- What have they done to investigate it?
- Have they completed their work?
- What was the conclusion?

In all cases the match had been reviewed by the Housing Benefits or fraud manager. Where this review uncovered a legitimate explanation for the match, (for example, where guaranteed pension credits were being received, thereby automatically entitling the claimant to housing benefit), this had been documented and no further action taken.

Where a potential fraudulent claim had been identified, or where additional work was felt to be required, an investigation had been opened by the fraud department. This had occurred in 10 of the 49 matches discussed with the Authority. We reviewed the investigation files for each of these relevant key matches for evidence of work performed.

For the 10 files reviewed, there was evidence of work performed in all cases. Findings and outcomes varied, as shown below:

<b>File</b>	<b>Outcome</b>
1	Fraud identified, customer repaying
2	Sent to legal department for prosecution
3 & 10	Investigations ongoing
4	DWP error identified, no further action
5	Explanation for match found, no fraud
6-9	Overpayments identified, however no intent can be proved, no further action

## 4 Notable practice & barriers to success

Following our review, we consider that Bridgend County Borough Council are taking appropriate steps to ensure that data matches identified under the NFI are being investigated and followed up.

The Authority missed the first reporting deadline, thereby causing a nil return figure to be included in the Wales Audit Office 'Update on the National Fraud Initiative' report.

However, the last two NFI returns submitted show identified housing benefit overpayments of £4,395 and £9,905, at 30 September and 31 December respectively, indicating that the work performed by Bridgend is now proving successful and that progress has been made.

Various discussions have been held with Bridgend staff involved in the NFI process, however, they are unable to identify why such a low level of overpayments compared with other Authorities have been found to date, other than the fact that the Housing Benefit department "runs efficiently". This was supported by a recent external inspection of the department by the Benefit Frauds Inspectorate.

In addition, staff believe that the Authority follows the anti-fraud guidance in a disciplined manner, thus identifying a higher proportion of potential frauds at an early stage and reducing the fraud risk at source. We have not tested these procedures as part of this exercise.

When asked about potential barriers to achieving more success, Bridgend Council staff most commonly stated failure by the Department of Work and Pensions (DWP) to follow up cases in a timely manner, or lack of response from the DWP.

We identified no material weaknesses or deficiencies in Bridgend's NFI systems.

## 5 **Acknowledgements**

Acknowledgement is made to the following personnel who contributed to this report:

Nyall Meredith – Head of internal audit

Kay Lucas – Internal audit

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Sally Jackson – Head of fraud department

Janice Jenkins – Housing benefit manager