

Bridgend County Borough Council - Audit Committee

21st March 2007

Report of the Chief Internal Auditor – National Fraud Initiative 2006

PURPOSE OF REPORT

1. To update members on the National Fraud Initiative (NFI) 2006 and the work currently underway in assessing its output.

BACKGROUND

2. The National Fraud Initiative (NFI) is the Audit Commission's data matching exercise that is designed to help participating bodies detect erroneous and fraudulent payments from the public purse. Initiated in 1996, it is normally run biennially. Participants in the scheme include Local Authorities, Fire Services, Pension Authorities the NHS, Housing Associations, the Student Loans Company and various Central Government departments. Data matched include; Housing Benefits, Payroll, Housing Rents and Student Loans. NFI 2006 includes Creditor data for the first time.
3. Results from previous NFI exercises have been patchy. The verification framework in Housing Benefit Fraud section has tended to weed out the dubious claimant at source. NFI has however proved useful in helping to identify frauds across boundaries: non-declaration of pensions by persons in receipt of Housing and/or Council Tax benefits for example or persons claiming benefit from one Authority while engaged in employment with another.

CURRENT EXERCISE

4. NFI 2006 is based data extracts taken mid year 2006-07. Extracts from all the participating organisations have been compared and analysed by the Audit Commission and a series of reports provided to the participants for that may warrant further investigation.
5. Not all the reports produced matches relevant to us but 35 different reports did although the quality of these matches varies considerably.
6. The current NFI benefits from a web-enabled application which is simple to use and negates the need for generating paper: both for processing the data and for making return to the Audit Commission.
7. A meeting has been held with the officers who will be involved in the process and an action plan has been agreed. Computer Audit has already carried out initial training and preliminary data sifting is currently being undertaken to identify and remove many of the false positives. Files will then be set up in the first instance of the cases most likely to yield results.

INITIAL FINDINGS

8. In the case of Housing Benefits, Payroll and Student Loans, the number matches is of a manageable quantity and officers are in a position to start investigating the priority matches.
9. However the Creditor data will have to be severely pruned if it is to produce workable results. Part of the problem is an attempt to achieve a 'one size fits all' framework. Different Authorities have different ways of processing creditor payment. Different criteria are applied to data. Factoring has not been taken into account nor recurring payments. In some cases significant issues have been found in the quality of the data.
10. That said it is the first time this data has been included and the Audit Commission are receptive to suggestions for future developments. Once the Creditor data is rationalised we will be in better position to judge the quality of the matches and plan the next stage of the process.
11. In total creditor matches amount to nearly 42,000 cases but initial analysis suggests the very few of these will warrant further investigation and the likelihood of fraud or significant error being discovered is low.
12. Several of the Creditor reports even if they do not lead to the discovery of significant error or fraud will provide a useful challenge to our existing processes.
13. Of the 35 reports relevant to us 5 have already been investigated and without any evidence of fraud or significant error being discovered.
14. We are required to periodically report progress to the Audit Commission of our progress with the first progress report being due in May. It is my intention to update members further at that time.

RECOMMENDATION

15. That members note the report.

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Background documents:

None publicly accessible.

