

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

24 NOVEMBER 2016

REPORT OF THE HEAD OF FINANCE

UPDATE ON NATIONAL FRAUD INITIATIVE

1. Purpose of Report.

- 1.1 To present to Members for review and consideration a status report on the progress made to date on the National Fraud Initiative.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 The report links to the improvement priority in relation to the Smarter Use of Resources.

3. Background.

- 3.1 The National Fraud Initiative (NFI) is a data matching exercise that helps to detect and prevent fraud and overpayments across the UK. Forty-three Welsh public sector bodies take part in the exercise, including local authorities, NHS bodies, police authorities, fire authorities, and Welsh Government. The Public Audit (Wales) Act 2004 gives the Auditor General for Wales the power to request data from organisations and undertake the data matching exercises.
- 3.2 The NFI has been run every 2 years since 1996, and to date, has been used to identify fraud and overpayments totaling over £30 million in Wales. The 2014-15 NFI resulted in the detection and prevention of overpayments worth £4.4 million.
- 3.3 Since the abolition of the Audit Commission in March 2015, the NFI has become part of the Cabinet Office, but is coordinated in Wales by the Wales Audit Office in collaboration with equivalent bodies in England, Scotland and Northern Ireland.
- 3.4 Participating organisations submit data to the NFI where it is matched against other data sets using specific criteria. The submitted information is wide ranging and includes data sets relating to housing benefits, council tax, payroll, creditors, licensing, disabled blue badges, concessionary travel, insurance claims, care homes and personal budgets.
- 3.5 Reports containing potential matches are then released to each organisation to investigate. It is important to note that where a match is found it is not in itself evidence of a fraud and may be an error or an inconsistency that requires further investigation. Historically, the NFI exercise has been conducted biennially although the Council Tax matching (run separately), has recently been changed to an annual process.
- 3.6 Data was submitted by the Council in October 2014 with the results being released in January 2015. Council Tax data is submitted separately and annually with

matches often being released the same day. The last Council Tax matches were released in December 2015.

- 3.7 For the 2016-17 exercise, data sets were extracted, checked and uploaded to the NFI secure website during October 2016 with the results expected to be released in January 2017. The Council Tax data will be submitted in December 2016 with the results being released the same day due to it only being matched to other internal data.
- 3.8 Internal Audit acts as the Key Contact and provides access to the reports on the NFI website to the relevant Council departments who are asked to investigate the matches and update the NFI website accordingly.

4. Current situation / proposal.

- 4.1 The NFI data matching exercise is an ongoing one, and the data represents the status as at a specific point in time. For departments with matches that remain open, the NFI website is continually being updated either on an individual match basis or on a whole report basis where work has been undertaken offline.
- 4.2 Committee Members were provided with an update report in November 2015 of the progress made by departments of the results that were released in January 2015. The table attached in Appendix A provides a further update of those results and the progress made so far by departments against each report group and the types of resolutions being achieved. The exception is Council Tax matches, which relate to the latest Council Tax matches released in December 2015.
- 4.3 In some reports certain matches will be highlighted as being stronger and the NFI recommend these are given priority. However, the NFI advise that each organisation prioritises the order in which matches are investigated depending on the resources available.
- 4.4 Creditor Matches
 - 4.4.1 Members will note that only a small number of the total matches in relation to Creditors Standing Data and Creditors History have been reviewed and investigated. Such matches include creditors who have been set up on the system more than once, or repeat value payments to the same supplier. In many instances both these scenarios will be genuine, for example if they are a standard supplier (SUP), plus also registered under the Construction Industry Tax Scheme (CIS), in receipt of a Grant (GRA), etc., or in receipt of repeat value payments on a monthly or quarterly basis.
 - 4.4.2 Since 2010 the Central Payments team has invested in AP Forensics software that proactively matches creditor standing data and payment data on a daily basis. This allows duplicate suppliers to be removed and payments to be stopped and reviewed prior to the creditor actually being paid.
 - 4.4.3 In recent years, Internal Audit has undertaken specific reviews of the AP Forensics system and deemed the matching exercises it performs to be superior to those undertaken as part of the NFI. Furthermore it is worth noting that the daily checks performed are proactive as opposed to the NFI ones which relate to a historical point in time. In April 2015 the Corporate Director - Resources gave approval for

the NFI matches specifically in relation to creditors to no longer be investigated, as reported matches will have already been identified, investigated and where necessary corrected via the internally generated matches.

4.4.4 The only NFI matches still reviewed by the Central Payments team are in relation to VAT, as AP Forensics does not have this capability.

4.5 Payroll to Creditor Matches

4.5.1 As part of the 2015/16 Internal Audit plan, it was agreed that as a one off exercise, Internal Audit would review the recommended Payroll to Creditor matches. This did not uncover any issues and all matches were deemed genuine, however advice was provided to one service area about the need for departments to maintain declarations of interest for their staff.

4.5.2 As future Payroll to Creditor matches are released, a decision will need to be made regarding responsibility for reviewing these matches, as this is not a resource that Internal Audit can continually provide. Wherever that responsibility lies, appropriate access to systems and training and awareness will need to be undertaken in order for the potential risk of fraud and inappropriate action to be properly identified.

4.6 Housing Benefit Matches

4.6.1 The current NFI exercise has identified 1,425 matches in relation to Housing Benefits, compared to 1,985 in the 2012 exercise.

4.6.2 In previous years the matches generated with links to Housing Benefits have been reviewed, investigated and appropriate follow up action taken by the Housing Benefit Fraud Investigation Team. From 1st November 2015 the fraud team moved to the DWP as part of the Single Fraud Investigation Service. One Fraud Investigator has been retained within the Council and over the last year work recommenced on reviewing the matches, with 100% of the matches now investigated.

4.6.3 As a result of reviewing the matches, £34,870.92 worth of overpayments have been identified, of which £34,592.66 is being recovered. Included in these figures are 8 cases of confirmed fraud amounting to £20,310.42. Aside from attempting to recover the amount claimed fraudulently, no further action was taken in 7 of the cases and an administration penalty was imposed in the final case.

4.7 Concessionary Travel Passes

4.7.1 For a number of NFI cycles, large volumes of matches have been identified in relation to Concessionary Travel Passes. In the previous NFI update to Audit Committee (November 2015), it was noted that only a small number of matches had been dealt with due to resource implications and changes in personnel. However, over the past few months, significant progress has been made with nearly 85% of matches resolved. It should be noted that the concessionary travel data was submitted again in October 2016 so the 15% of matches that have not been processed will reappear on the next release, planned for January 2017.

4.7.2 The purpose of these matches is to appropriately cancel the Concessionary Travel Passes of individuals that appear on the DWP deceased list, for whom the Council

has not already been notified. Whilst there is a compensating control in that all passes contain a photo of the pass owner, this control is only as good as the check the driver performs when a passenger gets on the bus. The ultimate control is the deactivation of the pass thus preventing it swiping when attempting to be used on a bus.

4.7.3 As a result of the low investigation rate in previous years and at the request of the then Corporate Director Resources, an Audit review was undertaken in this area in late 2015/16. It was confirmed that as a result of the concessionary pass holders not being investigated promptly, this had resulted in continued use of cards for periods of time after the card holder had been reported as deceased.

4.8 Council Tax Matches

4.8.1 As mentioned in 3.6, Council Tax data is sent to the NFI annually, once the electoral register is updated each December. Matching is completed automatically and results often returned the same day. The last exercise from December 2015 resulted in 661 matches being released with 643 having been closed. The financial outcomes total is £66,724.04 of which £42,318.20 is being recovered. The difference is made up of incorrect discounts where no recovery is necessary, for example, where the balance is made up by the Council Tax Reduction Scheme.

5. **Effect upon Policy Framework & Procedure Rules.**

5.1 None

6. **Equality Impact Assessment**

6.1 There are no equality implications.

7. **Financial Implications.**

7.1 None as a direct consequence of this report. However, there are resource implications involved in preparation and submission of data and working through the resultant matches. Any resource implications in relation to recovery actions are met within current budgets. In return savings may be identified or money may be recovered.

8. **Recommendation.**

8.1 That Members give due consideration to the NFI update report.

Randal Hemingway
Head of Finance
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Contact Officer: Helen Smith
Chief Internal Auditor

Telephone: 01656 754901

E-mail: helen.smith@bridgend.gov.uk

Postal Address **Bridgend and Vale Internal Audit Shared Service**
Innovation Centre
Bridgend Science Park
Bridgend
CF31 3NA

Background documents

None

Appendix A

Report Group	Total Matches	Total Recommended Matches	Total Processed	% of Recommended Matches Processed	% of Total Matches Processed	Outcomes / Example Resolution
Blue Badge Parking Permit	327	270	327	100%	100.00%	Example resolution: Pass cancelled and system updated.
Concessionary Travel Pass	3,329	3,329	2812	84.46%	84.46%	Example resolution: Pass cancelled and system updated. See Ref 4.6.
Council Tax	661	661	649	98.18%	98.18%	Example resolution: Withdrawal of discount and instigation of recovery. Total outcomes: £67,583.02 of which £43,177.18 is being recovered. See Ref 4.7.
Creditors History	4,745	228	20	8.77%	0.42%	Internal controls are robust enough to not warrant investigation of majority of creditors NFI matches. See Ref 4.3.
Creditors Standing	630	0	0	0.00%	0.00%	Internal controls are robust enough to not warrant investigation of majority of NFI creditor matches. See Ref 4.3.
Housing Benefit Claimants	1,425	362	1425	100%	100%	Example resolution: removal or amendment of benefit. Total Outcomes: £34,870.92 of which £34,592.66 is being recovered. Number of Frauds: 8. See ref 4.5.

Report Group	Total Matches	Total Recommended Matches	Total Processed	% of Recommended Matches Processed	% of Total Matches Processed	Outcomes / Example Resolution
Insurance Claimants	5	2	5	100%	100.00%	No issues with any matches.
Payroll	207	45	158	100%	76.33%	Example resolution: confirm data is correct and confirm hours/contracts with other organisations. Amend data held if incorrect. All key reports and recommended matches are complete.
Payroll to Creditors	92	43	43	100%	46.74%	For payroll to creditors, all recommended matches were investigated by Internal Audit. See ref 4.4
Private Residential Care Homes	42	8	42	100%	100.00%	No issues identified - all instances were reported to the Council between the data set being sent and the matches being released.
Total	11463	4948	5481	85.11%	47.84%	(It should be noted that the % of total matches processed is low due to the fact that the Creditor History and Creditor Standing matches are not reviewed).