

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

19th NOVEMBER 2015

REPORT OF THE CORPORATE DIRECTOR - RESOURCES

UPDATE ON NATIONAL FRAUD INITIATIVE 2014

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 (NFI) 2014.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 The report links to the improvement priority in relation to the Best Use of Our 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. 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 £26 million in Wales.
- 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 last submitted by the Council in October 2014 with the results being released in January 2015. Council Tax data is submitted separately and matches are released at different dates. Two reports were issued in 2014, in April and December.

3.7 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 following table highlights progress made so far by departments against each report group and the types of resolutions being achieved.

4.2 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.

Table One

Report Group	Total Matches	Total Recommended Matches	Processed	Percentage of Total Matches Processed	Outcomes / Example Resolution
Blue Badge Parking Permit	327	270	327	100.00%	Example resolution: Pass cancelled and system updated.
Concessionary Travel Pass	3,329	3,329	432	12.98%	Example resolution: Pass cancelled and system updated. See Ref 4.6.
Council Tax	2,096	2,096	432	20.61%	Work is ongoing. 118 represents the number closed on NFI. See 4.7 below for further details of the number actually worked on. Example resolution: Withdrawal of discount and instigation of recovery.
Creditors History	4,745	228	20	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%	Internal controls are robust enough to not warrant investigation of majority of NFI creditors matches. See Ref 4.3.
Housing Benefit Claimants	1,257	311	56	4.46%	Work is ongoing. See ref 4.5 Example resolution: removal or amendment of benefit.

Insurance Claimants	5	2	5	100.00%	No issues with any matches.
Payroll	115	2	112	97.39%	3 matches are left in progress. All others closed. No issues relating to potential fraud. Example resolution: confirm data is correct and confirm hours/contracts with other organisation. Amend data held if incorrect.
Payroll to Creditors	92	43	43	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	100.00%	No issues identified - all instances were reported to the Council between the data set being sent and the matches being released.

4.3 Creditor Matches

- 4.3.1 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.
- 4.3.2 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.
- 4.3.3 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.
- 4.3.4 The only NFI matches still reviewed by the Central Payments team are in relation to VAT, as AP Forensics does not have this capability.

4.4 Payroll to Creditor Matches

- 4.4.1 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. Whilst in itself this did not uncover any issues and all matches were deemed genuine, it did cause questions to be raised by one service area about the need for departments to maintain declarations of interest for their staff. Appropriate advice was provided.

4.5 Housing Benefit Matches

- 4.5.1 The current NFI exercise has identified 1,257 matches in relation to Housing Benefits, compared to 1,985 in the 2012 exercise.
- 4.5.2 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. Work did commence on this process when the matches were released in early 2015, however, the reviews ceased and other work was prioritised as a result of the Fraud Team's move to the DWP on 1 November 2015 as part of the Single Fraud Investigation Service. The Benefits and Financial Assessment Manager has retained one Fraud Investigator and work has now recommenced on reviewing the matches. As an Authority, we will still be responsible for any initial work / sift on the matches, and where the match shows a potential for

fraud activity, the case should be referred to the DWP (with the exception or CTR cases). However, DWP and LA representatives have agreed that it would help LAs if a national process could be developed to provide guidance on how to prioritise the sift and the criteria for identifying and referring those cases which could be suitable for a fraud investigation.

4.6 Concessionary Travel Passes

4.6.1 For a number of NFI cycles, large volumes of matches have been identified in relation to Concessionary Travel Passes. Resource implications and a change in personnel this year has meant that only a small number of the matches have been reviewed. Discussions are underway within the department with regard to resolving this issue. It should be noted that until current matches are worked through and the passes cancelled on the transportation system, they will continue to reappear on all future NFI reports.

4.6.2 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 Authority 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. Given the ongoing high number of matches, it is anticipated that Internal Audit will undertake further work in this area in the future.

4.7 Council Tax Matches

4.7.1 In 2014 two NFI reports were released (April and December) in relation to Council Tax data matches. Many of the entries on the December report will be duplicates of entries from the earlier report. An initial sift of the 1,077 matches on the latter report identified approximately 800 cases that needed further investigation. Letters were issued to all and in the majority of cases returned with no further action needed. In 195 cases the letters were not returned and the discount cancelled. A number of other cases remaining ongoing.

4.7.2 From the December 2014 report, £34,195 of incorrect discounts have been identified and stopped to date, of which £28,956 is deemed to be recoverable. The balance relates to accounts where the removal of the discount will result in a benefit recalculation as opposed to recovery action.

4.7.3 From the April 2014 report, £32,412 of incorrect discounts have been identified and stopped to date, of which £24,309 is deemed to be recoverable. Collectively this amounts to £53,265 of identified recoverable money. Information from the Senior Revenues Officer has indicated that once all information has been input onto the NFI website, the recoverable value could potentially rise to over £81,000. This equates to 1.28% of the £6.3 million Single Person Discount awarded in 2104/15.

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

None

6. Equality Impact Assessment

There are no equality implications.

7. Financial Implications.

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.

That Members give due consideration to the NFI update report.

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19th November 2015**

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Background documents

None