



AUDIT COMMITTEE - 14TH SEPTEMBER 2016

SUBJECT: 2014/15 NATIONAL FRAUD INITIATIVE UPDATE

REPORT BY: INTERNAL AUDIT MANAGER

1. PURPOSE OF REPORT

- 1.1 To inform members of the Audit Committee of the work carried out by Internal Audit staff on the 2014/15 National Fraud Initiative (NFI).

2. SUMMARY

- 2.1 The results of the 2014/15 NFI exercise have recently been published by the Wales Audit Office and the full document is available for members on the members' portal.
- 2.2 The latest biennial national counter fraud exercise has helped Welsh Public bodies identify £4.4 million of fraud and erroneous payments.
- 2.3 In respect of the work undertaken for Caerphilly CBC an amount of £96,153 relating to Council tax single persons discounts and a sum of £131,019 in respect of other frauds and errors has been identified via this exercise and action is being taken to recover these sums.

3. LINKS TO STRATEGY

- 3.1 To ensure that the Council's resources are used to provide value for money.

4. THE REPORT

- 4.1 Since 1996, every two years, The National Fraud Initiative matches data across organisations and systems in the UK in order to help public bodies identify potentially fraudulent claims, payment errors and other erroneous payments or frauds. This involves all Local Authorities, Local Authority Pension Funds and other Public Sector bodies and employers (e.g. RSLs, LHBs, Police and Fire Authorities etc.) together with national organisations e.g. DWP and Home Office uploading various data to a national database from which extracted (matched) data is passed back to the originating authorities for detailed interrogation in order to identify fraud and overpayments.
- 4.2 Since the last time this exercise was undertaken the Audit Commission has been replaced by the Cabinet Office who are now managing the process in conjunction with the Wales Audit Office who have published the report.
- 4.3 The published report contains several case studies in respect of the findings of Caerphilly's approach to the investigation of data matches as Caerphilly's approach is regarded as good practice.

- 4.4 To oversee this work the Cabinet Office requires the Head of Corporate Finance in each participating body to nominate a “key contact” who has responsibility for co-ordinating the scheme, ensuring deadlines are met and giving the appropriate access to the secure database to relevant officers to be able to complete the tasks. As the exercise continues to develop and include data sets from a wide range of service areas Internal Audit Services continues to facilitate the successful outcome of the exercise.
- 4.5 The latest exercise included matches from data such as payroll, deceased persons records, Home Office UK Visa and immigration data, student loans, insurance claimants, taxi licenses, personal alcohol licences, blue badges, concessionary travel passes, pension payments, housing tenancies, housing waiting lists, council tax single person discounts, electoral register, residents’ parking permits and data on residents in private care homes.
- 4.6 The data matching investigation work is undertaken by staff in the various service areas submitting matched data i.e. Customer First, Housing benefits, the Employee Service Centre. Internal Audit staff also participate by undertaking the investigative work in relation to creditor payment data. It should be noted that the significant amount of initial review work previously undertaken by the Council’s Housing Benefit fraud investigation staff has been absorbed by the Housing Benefit administrative staff. All potential benefits related frauds identified have then been referred to the DWP Fraud Investigation Service and the outcome of these are not under the Council’s control.
- 4.7 The NFI exercise begins with the Cabinet Office requesting information by way of data uploads to be completed by various organisations holding data by set deadlines/timescales. Housing Benefits, Student loans, blue badges, insurance, concessionary travel, UK Visa and Immigration, deceased persons, DWP and Occupational pensions data were uploaded by other organisations, however, Caerphilly CBC was responsible for uploading the following data: -
- Payroll data
 - Trade creditors payments and Masterfile records
 - VAT
 - Housing Rents – current tenants
 - Housing Rents – right to buy
 - Housing waiting lists
 - Private residential care home data
 - Social Services Direct Payments
 - Transport passes – residents parking permits
 - Licences – taxi drivers including hackney carriage
 - Licences – supply of alcohol
 - Council Tax single person discounts
 - Electoral register active voters and rising 18’s
- 4.8 Caerphilly CBC fully complied with the data uploads with all sets of data uploaded to the secure website by the stipulated deadlines in October 2014.
- 4.9 Since the 2014/15 exercise the data in respect of the Council Tax and Electoral Registration is now required to be submitted annually with the aim of providing a more accurate real time matching process in order to identify erroneous claims at an earlier date. As a result this information will be available annually from now on.
- 4.10 The Data Protection Act requires all participating bodies to inform their clients that data collected may be used to detect and prevent fraud. This is carried out via Data Protection Fair Processing Notes. The required Data Protection Fair Processing notices have been completed with relevant fair processing texts being inserted to application forms and letters for areas that are covered under the NFI. The Council’s website also has data protection fair processing text with a link to the full text contained on the GOV.UK website.

- 4.11 Data matches were released in late January 2015. For Caerphilly CBC the 2014/15 exercise resulted in 76 (73 in 2013) separate reports containing matched data for further examination and investigation. One new feature in this exercise from prior years was the updating of matches with subsequent matches from Government administered databases such as deceased persons, new student loans and up to date UK visa and immigration information. As a result additional matches were generated requiring further updates and investigations.
- 4.12 The total data matches for Caerphilly CBC numbered 10,197 (7,022 in 2013) of which 10,180 or 99.8% had been closed by the end of March 2016. Of the remaining 17 outstanding data matches within Caerphilly data all bar one relate to unresolved enquiries referred to the DWP for which no update has been received. Nationally, issues relating to the investigation of possible Housing Benefit Frauds referred to the DWP Fraud Investigation Service have impacted on the reported outcomes as many of the referrals remain unresolved. This has been recognised as an issue by the Auditor General in his report.
- 4.13 As at the 16th August 2016, there were 3 frauds (15 in 2013) identified (not including the 16 cases referred to DWP for which no outcome had been reported) and these related to undeclared pension income being received by Housing benefit claimants. It was possible for staff to verify these as supporting data had been received from sources other than the DWP fraud investigations service and recovery of £2,926 is ongoing.
- 4.14 There were 54 errors (1778 in 2013) identified of which 49 relate to creditor payment transactions, the remaining errors relate to housing benefits. These transactions have either been recovered or are in the process of recovery to a total value of £128,093 (£46,511.04 in 2011) as a result of this data matching exercise.
- 4.15 As indicated in paragraph 4.9 an additional exercise to look at Council Tax Single Person Discounts resulted in 413 Council Tax Single Person discounts (361 were deemed fraudulent and 52 were deemed erroneous) being cancelled at a value of £96,153 which related to addresses where the Electoral role showed additional adults resident in the property who were not listed for Council Tax. £92,783 is being recovered by billing directly the Council tax payers and will result in additional revenue.
- 4.16 The Cabinet Office has been working towards developing further additional fraud prevention and detection solutions to complement the biennial NFI cycle and to support Local Authorities and other Public Sector organisations in reducing fraud and errors. Caerphilly will be participating in the use of these solutions although no results are available as these are in the early stages of usage. In addition Caerphilly has recently invested in a duplicate payment identification software tool which works with purchase ledger data to identify potentially erroneous payments in advance of payment and initial results are encouraging.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no direct equalities implications stemming from this report on any group identified in Section 6 of the Councils Strategic Equality Plan, therefore no impact assessment has been carried out.

6. FINANCIAL IMPLICATIONS

- 6.1 An amount of £96,153 relating to Council tax single persons discounts and a sum of £131,019 in respect of other frauds and errors has been identified via this exercise and action is being taken to recover these sums. Furthermore once the DWP Fraud Investigation Service has completed their investigations in respect of the matches referred to them further currently unquantified sums will arise in relation to housing benefits.

7. PERSONNEL IMPLICATIONS

7.1 There are no personnel implications associated with this report.

8. CONSULTATIONS

8.1 As detailed below.

9. RECOMMENDATIONS

9.1 The Audit Committee note this report.

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