



AUDIT COMMITTEE - 11TH DECEMBER 2013

SUBJECT: AUDIT COMMISSION 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 Audit Commission's National Fraud Initiative [NFI].

2. LINKS TO STRATEGY

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

3. INTRODUCTION

3.1 Every two years, under the name of The National Fraud Initiative, the Audit Commission undertakes/ facilitates an electronic data matching exercise which involves all Local Authorities, Local Authority Pension funds and other Public Sector bodies and employers (e.g. LHBs, Police etc) 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.

3.2 This years exercise included for the third time data matches such as student loans data, insurance claimants, taxi licenses, personal alcohol licences, disabled blue badges, council tax and electoral registration data, concessionary travel passes and data on residents in private care homes.

3.3 The majority of data matching investigation work is still undertaken by Housing Benefit Fraud Officers, the Employee Service Centre Manager and by Internal Audit staff in relation to Creditors data.

3.4 To oversee this work the Audit Commission 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 appropriate officers to be able to complete the tasks. Historically this role had been undertaken in the Benefit Fraud section, but as the Audit Commission continues to increase the scope to include data sets from areas other than housing benefits this responsibility has been taken on by Internal Audit Services.

4. THE REPORT

4.1 The exercise begins with the Audit Commission requesting information by way of data uploads to be completed by various organisations holding data by set deadlines / timescales. Housing Benefits, student loans, insurance, concessionary travel and pensions data were uploaded by other organisations, however, Caerphilly CBC was responsible for uploading the following data:

- Payroll data
- Trade Creditors
- Housing Rents – current tenants
- Housing Rents – right to buy
- Private care home data
- Transport passes – Blue badge scheme
- Transport passes – residents parking permits
- Licences – Taxi drivers including hackney carriage
- Licences – Supply of alcohol
- Council tax
- Electoral register

- 4.2 Caerphilly CBC fully complied with the data uploads for the Audit Commission with all sets of data uploaded to the Audit Commission's secure website by the stipulated deadlines of 4th October 2012. The 2013-14 Council tax data is not due until March 2014.
- 4.3 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 Notices. 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 a data protection fair processing text with a link to the full text contained on the Audit Commission's website. This is attached as Appendix 1.
- 4.4 Data matches were released by the Audit Commission in late January 2013. This year's data matching exercise resulted in 73 (69 in 2011) separate reports containing matched data for further examination and investigation by various officers. The total data matches numbered 7,022 (8,284 in 2011), of which 6,964, 99% had been closed by the end of October 2013. Of the remaining outstanding data matches staff are mostly awaiting further information from other organisations such as other local authorities, the Department of Works and Pensions and health authorities to be able to complete the exercise.
- 4.5 As at the 14th November 2013, there were 15 (53 in 2011) frauds and 1,778 (2,119 in 2011) errors recorded and the Council was seeking to recover an amount of £46,511.04 (£58,177.33 in 2011) as a result of this data matching exercise.
- 4.6 Of the 15 frauds identified, all are Housing Benefit frauds, 12 relate to Payroll, 1 to Pensions, 2 to Student Loans and 1 relates to Insurance fraud.
- 4.7 Of the 1,778 errors recorded, 1,736 relate to bus passes matched to deceased records. The remaining 46 errors are a mixture, many have no financial effect so can be classified as database cleansing and those with costs associated will refer to duplicate payments (13) and overpayment of VAT (4), which either has been or will be recovered.
- 4.8 The current position regarding the NFI exercise, taken from the Audit Commission's "outcomes summary" form, is attached as Appendix 2.

5. FINANCIAL IMPLICATIONS

- 5.1 An amount of £46,511.04 has been identified via this exercise and action is being taken to recover this sum, however, a large proportion of this amount is in relation to housing benefit therefore not all the above amount will come back to the Council.

6. CONSULTATIONS

- 6.1 As detailed below.

7. RECOMMENDATIONS

7.1 The Audit Committee note this report.

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Appendices:
Appendix 1 Data Protection - Fair Processing Notice
Appendix 2 NFI 2012/13 Outcomes Summary - Delivered Only