

**Audit Committee - 13th April 2006**

**Report of the Director of Finance**

**National Fraud Initiative**

**Purpose of the Report**

1. To inform members of the results of the National Fraud Initiative 2004 and new developments for the National Fraud Initiative 2006.

**Background**

2. The National Fraud Initiative (NFI) forms part of the statutory external audit process at councils, police and fire authorities, and health authorities in England and Wales. These bodies and other participating organisations (such as the Department for Work and Pensions and the Department for Education and Skills) supply data for cross matching between systems and organisations to identify instances where a fraud may be occurring. Examples of this would include:
  - someone claiming housing benefit and receiving an undeclared salary or pension which would affect entitlement to benefit.
  - someone claiming housing benefit from two different local authorities.

Since 1996, the Audit Commission states that more than £0.25bn of fraud and overpayments have been detected.

3. The NFI involves matching data from over 50 different sources. Examples of the matching exercises include:-
  - Housing benefit to payroll
  - Housing benefit to occupational pensions
  - Housing rents to housing rents
  - Pensions to payroll
  - Housing benefits to housing rents
  - Payroll to payroll
  - Housing benefit to housing benefit
4. Results of the data matches are returned to local authorities, health bodies and other public sector organisations for investigation.
5. The Audit Commission has designated the NFI to be part of the statutory external audit and authorities are legally obliged to provide the relevant data. In Dudley, the

following steps were taken to ensure Data Protection and Human Rights legislation was complied with:

- a slip giving details of the National Fraud Initiative was put in every employees payslip.
- a brief report was put in Tenants News
- a statement is included on Housing Benefits claim forms stating data may be used in the prevention of fraud.

6. Participation in the NFI is an important element of the reassurance framework in Dudley. As paragraph 7 sets out, there have been relatively few cases in Dudley identified through the NFI, suggesting that our systems and procedures are relatively sound and secure.

7. Results in Dudley

*Payroll Matches*

Although a number of matches were identified relating to Dudley's payroll, following investigation by Audit Services there were no cases that required further work to be carried out.

*Housing Benefit*

The initial output from Benefit system matches identified a total of about 89 cases where further investigation was warranted. Following that further investigation, so far a total of 30 cases of benefit overpayment have been identified, including £36,087, which can be classified as benefit fraud. These figures need to be put in the context of a total Benefit caseload of 30,000 benefit claimants and total annual benefit payments of approximately £73M.

*Housing Rents*

A total number of 70 matches were referred to the Housing Services Directorate. Most of the matches related to former tenants arrears and although a number of cases have been passed to a Debt Collection Agency, no significant amounts have been recovered so far.

8. NFI 2006 Developments

Following pilot work as part of the NFI 2004 exercise, the Audit Commission is proposing to include the following areas in future NFI exercises:-

- (a) Payments to Creditors – with the intention of identifying potential duplicate payments and other issues.
- (b) Insurance claims – to identify potential serial insurance claimants and insurance payouts to Benefit claimants, where this may not have been declared as capital.

- (c) Blue badges for people with disabilities - to identify incorrect applications.
- (d) Private care homes – to ensure payments to private care home providers are appropriate.

The Audit Commission is also proposing to reintroduce data matching between Housing Benefit records and records for market traders, child minders, door security personnel and taxi drivers.

### **Finance**

- 9. There are no direct financial implications arising from this report. The cost of internal audit is met from within the base budget of the Finance Directorate.

### **Law**

- 10. The Account and Audit Regulations 2003 require the Council to have an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices.

### **Equality Impact**

- 11. This report does not raise any equal opportunities issues.
- 12. The work included in the audit plan will help to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the plan.

### **Recommendations**

- 13. That the Committee:-
  - (a) notes the results of NFI 2004, and particularly the very low level of matches identified for Dudley;
  - (b) notes the proposed developments for NFI 2006.



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