

Audit Committee – 14th February 2008

Report of the Director of Finance

National Fraud Initiative

Purpose of the Report

1. To inform members of the results to date of the National Fraud Initiative 2007.

Background

2. The National Fraud Initiative [NFI], which has been in operation for over ten years, 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 Children, Schools and Families] 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, nationally, more than £0.25bn of fraud and overpayments have been detected.

3. All Local Authorities are required to submit payroll, housing benefits, housing rents and creditors data. In addition, with the agreement of the Audit Committee, we opted to submit data relating to market traders, taxi drivers, holders of disabled parking badges, clients in private residential care homes and insurance claims.
4. The NFI involves matching data from over 50 different sources. Examples of the matching exercises include :-
 - Housing benefit to payroll and occupational pensions
 - Pensions to payroll
 - Housing benefits to housing rents
 - Payroll to payroll
 - Housing benefit to housing benefit

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 :-
- An article on the NFI exercise was included in Tenants News
 - An information slip was included with every payslip
 - A statement is included on Housing Benefits and insurance claim forms stating data may be used in the prevention of fraud.
 - Letters were sent to market traders, taxi drivers, disabled parking badge holders and clients in private residential care.
6. Participation in the NFI is an important element of the reassurance framework in Dudley. Reassuringly, over the years, there have been relatively few cases in Dudley identified through the NFI, suggesting that our systems and procedures remain sound and secure.
7. Results of the data matches are returned to local authorities, health bodies and other public sector organisations for investigation.
8. Although the quality of the various data matching exercises has improved over the years, each matching exercise produces a large number of potential issues, all of which need to be investigated and reviewed and which do not require further action. This obviously takes up significant amounts of officer time, which could be deployed on other work.
9. The latest exercise has produced in excess of over 2,500 matches, most of which have now been resolved. There were limited instances of irregularity, fraud or error. The results are set out in the following paragraphs:-
- (a) Benefit Records
A total of £6,942.44 of benefit overpayments have been identified, which either has been or is in the process of being recovered. This needs to be put in the context of total annual benefit payments of £80m.
- (b) Creditors
A total of £6,990.45 of duplicate payments were identified, which again is being recovered. The total annual value of creditor payments is around £244m.
- (c) Private residential care homes

No instances of incorrect payments for residents were identified, but it was discovered that a credit note for £3,065.16 had inadvertently been paid as an invoice. The overpayment has been recovered and the credit applied.

(d) Payroll Matches

Three instances of employees (including one person also employed by Wolverhampton) who were not legally entitled to work in the UK were identified and each had their employment terminated. As a result, Personnel Services are currently reviewing our procedures.

(e) Blue Badges

Comparisons between the Department for Work and Pensions deceased database and the Adult Services Client records for Blue Badges identified a number of cases where the Council's records needed to be amended and Blue Badges withdrawn.

(f) Housing Rents

This match produced information on new addresses for former tenants with arrears, which will hopefully aid in the recovery of outstanding arrears.

(g) Other Areas

Although there were a number of matches identified related to Insurance, Market Traders and Taxi Drivers, further investigation revealed no action was required.

10. A few matches are still under investigation, and we are still awaiting some data match reports. If any of these result in significant findings a further report will be brought to the Committee.

11. In the context of the Council's total turnover and activity, the very small number of cases where action is required demonstrates that control systems in the Council remain sound and secure.

Finance

12. 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

13. The Account and Audit Regulations 2006 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

14. This report does not raise any equal opportunities issues.
15. The work included in the NFI exercise will help to protect the interests of children and young people, albeit they were not consulted on, or involved, with the exercise.

Recommendations

16. That the Committee notes the initial results of NFI 2007.



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