

## **Audit and Governance Committee**

24 September 2007

Report of the Assistant Director (Audit and Risk Management)

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### **2006/07 National Fraud Initiative - Update**

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#### **Summary**

- 1 The purpose of this report is inform Members of the work completed to date in respect of the Audit Commission's National Fraud Initiative (NFI) 2006/07.

#### **Background**

- 2 The Audit Commission organise a national data matching exercise every two years. The exercise is designed to detect fraud and error, particularly in respect of housing benefits, occupational pensions and student loans. Data from local authorities is matched against data provided by central government, the NHS and a number of participating private sector bodies. The previous NFI exercise in 2004/05 identified over £111 million in fraud and error nationally.
- 3 All local authorities are legally obliged to participate in the NFI exercise, as it forms part of the annual statutory audit. To ensure appropriate safeguards are built into the exercise, and to ensure compliance with the Data Protection Act 1998 (DPA), participating authorities also need to follow the Code of Data Matching Practice 2006. The Code sets out the requirements for ensuring that the data used in the exercise has been appropriately collected and disclosed.
- 4 The Audit Commission specify the required data records, some of which are mandatory. The 2006/07 exercise included new datasets such as creditors and taxi driver licences. A number of the existing datasets, for example payroll, were also expanded to include new categories of data. The data was submitted to the Audit Commission by the due date of 13 October 2006.

#### **Results of the NFI Exercise to date**

- 5 The NFI data matches were made available by the Audit Commission on 29 January 2007, via a secure web site. To assist with investigation, the data was grouped into high, medium and low risk categories. A total of 919 data matches were identified for York (excluding creditors), although responsibility for investigating many of these cases rested with other local authorities.

- 6 633 data matches (69%) related to housing benefit claimants. Each of the claims was reviewed by Internal Audit and 31 were found to require more detailed investigation. 11 of these investigations are still ongoing. Benefit overpayments of £4,259 have been identified to date, although none of the investigations so far completed has resulted in a prosecution or sanction.
- 7 Due to apparent discrepancies with certain data matches, the Home Office was requested to confirm the immigration status of 18 people (housing benefit claimants, tenants, taxi drivers and employees). All the matches were found to be the result of timing differences and/or erroneous data.
- 8 A member of staff was found to owe the Council £1.3k in respect of rent arrears for a former tenancy. Arrangements have now been made to recover this debt.
- 9 28 completed and ongoing Right to Buy applications were reviewed for apparent discrepancies. No fraud or error was found with the cases investigated.
- 10 Joint investigations are ongoing with the NHS into a number of apparent discrepancies relating to payroll records.
- 11 A significant number of apparent data matches were found with the creditors data. These matches have been investigated. Apart from 3 duplicate payments which had already been identified by Internal Audit through other work, no fraud or error has been found. It is evident that the large number of matches has been caused by erroneous data, and problems with the way in which the original data was downloaded and subsequently matched by the Audit Commission. Further work is being undertaken by the Audit Commission to refine the matching criteria so as to improve future creditor data matches.

## **Future Developments**

- 12 The 2006/07 NFI exercise included a pilot exercise in four London boroughs designed to identify potential fraudulent Council Tax Single Persons' Discounts (SPD). The pilot has already identified over £2 million of incorrectly awarded discounts. The Audit Commission are planning to extend the pilot to all local authorities in December 2007. The data matches will be made available to local authorities in January/February 2008. If the results from the London pilot exercise are replicated here then we would expect to receive a significant number of matches, which will require investigation.
- 13 Future NFI data matching exercises will include new areas, including residents' parking permits, blue badge parking permits, concessionary travel passes, insurance claims, market traders and private care home residents. Internal Audit have been working with the relevant departments to ensure that the appropriate disclosures are included on

application and renewal forms, so as to ensure compliance with the DPA should the data be used for data matching purposes.

## Consultation

14 Not relevant for the purpose of the report.

## Options

15 Not relevant for the purpose of the report.

## Analysis

16 Not relevant for the purpose of the report.

## Corporate Priorities

17 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

## Implications

18 The implications are;

- **Financial** – there are no financial implications other than the time required to collect and submit the data to the Audit Commission, and to investigate the subsequent data matches.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** - there is a legal requirement for the Council to participate in the NFI exercise. There is also a requirement to comply with the Data Protection Act.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

## Risk Management Assessment

19 The Council would be criticised by the external auditor if it did not participate in the NFI. This in turn would adversely impact on the Council's Comprehensive Performance Assessment (CPA) score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

## Recommendation

20 Members are asked to;

- Note the results of the 2006/07 NFI exercise to date, and future developments in the scope of data matching;

### Reason

*To enable Members to consider the results of data matching work undertaken by Internal Audit.*

## Contact Details

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Report Approved



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## Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

## Background Papers

None

## Annexes

None