

**To: Audit and Governance Committee**

**Date: 23<sup>rd</sup> March 2010**

**Item No:**

**Title of Report:**

**National Fraud Initiative (NFI) Update.**

### **Summary and Recommendations**

**Purpose of report:**

1. To report to Members the current position, outcomes and predictions in regard to the Audit Commissions 2008 National Fraud Initiative.

**Key Decision:** No

**Board member:** Councillor Bob Price

**Scrutiny Responsibility:** Value & Performance

**Ward(s) affected:** None

**Report Approved by:** Lindsay Cane, Law and Governance

**Policy Framework:** Financial stability

**Recommendation(s):** Members are asked to note the report.

1. To report to Members the current position, outcomes and predictions in regard to the Audit commissions 2008 National Fraud Initiative.

### **Background**

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. This includes police authorities, local probation boards and fire and rescue authorities as well as local councils. To date, an estimated £450 million of fraud and overpayments have been identified from this work and the initiative has attracted international recognition. In 2006/07 this approach has led to £140 million of fraud and overpayments being detected.

NFI Data Matching is run every 2 years. Generally the LA sends off the data required by the Audit Commission in October and the matches come back to the LA the following January. The data included in NFI has increased considerable since 1996 when NFI commenced.

From 2000 until 2004/05 the data matched by NFI included;

- Benefits
- Housing Rents
- Payroll

In 2006/07 Creditor data was added.

The data required by NFI for 2008/09 was;

- Benefits
- Housing Rents
- Payroll
- Creditors
- Insurance
- Council Tax
- Voters Register
- Concessionary Bus Passes
- Taxi Licenses
- Personal Licenses (Alcohol)
- Market Traders
- Street Traders

The data is cross matched with other bodies audited by the Audit Commission. This includes data from;

- Data as listed above from other LA's
- Student Loan and Grants
- Immigration
- Pension Providers
- Insurance Companies

### **Application of data matching code**

The use of data for NFI purposes is controlled to ensure compliance with data protection and human rights legislation. A revised Code of data matching practice was published and laid before Parliament on 21 July 2008.

Participants in the Commission's data matching exercises inform individuals that their data will be processed, as required by the Data Protection Act 1998. For data processing to be fair, the first data protection principle requires that we inform individuals whose data is to be processed. This is known as a fair processing notice. It enables people to know that their data is being used in order to prevent or detect fraud and to take appropriate steps if they consider the use is unjustified, or unlawful in their particular case.

Oxford City Council adopt a layered approach. The benefits of using a layered approach are to give appropriate levels of fair processing information to

different audiences, depending on their information needs. Individuals who wish to have a relatively short explanation can access this in a summary notice, while more comprehensive information is made available for others.

Level 1 notice is on appropriate application forms or where this is not possible individuals are notified by letter. The Level 1 notice refers to the further info held within the Level 2 Notice which is included in the Privacy and Disclaimer document published on the Council' Website . This in turn then refers to the Level 3 Notice published on the Audit Commission Website.

## **NFI Outcomes**

Since 2002, every 2 years, OCC have received between 1000 – 1200 benefit related matches. All the matches are looked into and discrepancies addressed. There are a number of matches that require extensive investigation;

- 2002 – 58 cases
- 2004 – 59 cases
- 2006 – 72 cases
- 2008 – 223 cases (these are the current NFI)

The 2008/09 increase in data required and submitted by the Council has created a resource issue. The Investigation Team were unable to deal with all the cases that require a full and detailed investigation with the current staff resource available. 50% of the cases remaining requiring extensive investigation are as a result of the matching of Taxi Licenses and Alcohol Licensing matches against benefit claims.

An additional investigator has been employed for a temporary period to assist and to ensure these remaining matches are fully investigated.

## **Current Position**

The authority has received a total of 6646 matches in the last 12 month period.

Council Tax related matches account for 1336 matches

Concessionary Bus Passes account for 948 matches

Creditors and Insurance account for 2797 matches

Payroll account for 26 matches

Housing account for 26 matches

The remaining 1513 matches are benefit related matches

As previously stated the authority had experienced an increase in the number of matches from the National Fraud Initiative and therefore a corresponding increase in the number of potential frauds.

A breakdown of the benefit and housing related cases can be found at Appendix 1 of this report.

The numbers of cases that have been investigated and closed to date have, as a result of the authority's intervention, realised savings and overpayments in excess of £230,853.00.

The main savings identified so far have come from the following areas.

Council Tax	£82,075
Creditors	£16,400
UK Visas	£20,652
Asylum Seekers	£16,746
HB – Payroll	£15,000
HB – Pensions	£69,000
HB – Student Loans	£10,000

See Appendix 2

As you will see from the above figures, the largest volumes of discrepancies have been found to have been experienced within both Council Tax and also in relation to people who have retired.

The Council Tax cases relate to fraudulently or incorrectly claimed Single Person Discounts and to accounts where a formerly dependant child, has turned eighteen years of age (Rising 18's) and is no longer in the education system.

The other area of high savings is in relation to persons who have since retired, not just from this authority but from other organisations as well, and who have claimed Housing and or Council Tax Benefit. They have however, failed to declare their occupational pensions when making the claim or when they became eligible to receive it.

### **Looking Ahead**

Officers have now been recruited to investigate the remaining cases. These cases require extensive investigation and it is anticipated that we may be able to realise these cases into 'Sanctions' (Sanctions is the term used for the concluding action on a successful investigation such as a Simple Caution, Administrative Penalty or formal Prosecution).

A breakdown of both the numbers and the categories of the remaining cases can be seen at Appendix 3 at the end of this report. It is anticipated that these remaining cases will realise further overpayments of Housing and Council Tax Benefits.

The number of 'Sanctions' that have been realised as a result of previous NFI work total 14, five of which relate directly to this years matches.

Due to the increase in the number of matches received from this exercise it is anticipated that we may realise up to 30% of the outstanding investigations in

sanctionable cases. This could see between thirty or forty additional sanctions.

### **Recommendations**

Members are asked to acknowledge the current position of the 2008 National Fraud Initiative and the outcomes to date.

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