

Local Members Interest

N/A

Audit & Standards Committee – 12 December 2017

National Fraud Initiative (NFI) 2016/17 - Update

Recommendation

1. To note the progress made to date on investigating the data matches received from the Cabinet Office in January and May 2017 as part of the 2016 National Fraud Initiative ('NFI') exercise.

Report of the Director of Finance & Resources

Background

2. The NFI is a data matching exercise, designed to help participating bodies to detect and deter fraudulent and erroneous payments. It began in 1996, and is run every two years. It compares information held by and between around 1,300 organisations including councils, police forces, NHS establishments and almost 100 private companies. The core of the NFI is the matching of data to help reduce levels of housing benefit fraud, occupational pension fraud and tenancy fraud. Thus far, the Cabinet Office has deemed the NFI a great success, and the most recently completed exercise (2014-15) resulted in the detection (nationally) of £198 million of fraud and overpayments, bringing a total to date over two decades of £1.39 billion.
3. The NFI data matching exercise involves Staffordshire County Council (the 'Council') submitting the following data sets to the cabinet office for matching against relevant data from other participating organisations, including the Department for Work and Pensions (the 'DWP').
4. Data sets submitted by the Council are:
 - a. Payroll
 - b. Pensions
 - c. Creditors & creditor payments
 - d. Blue badge holders
 - e. Concessionary travel passes
 - f. Council funded private residential care home residents
 - g. Personal budget recipients
5. The data collection period for the 2016 exercise was 1st April 2016 to 30th September 2016 which was extracted from Council systems in October 2016. Potential matches

were then identified by the Cabinet Officer and referred back to the Council for investigation in January 2017¹.

6. It should be noted that individuals whose data was to be included in the exercise were notified prior to the commencement of the 2016 exercise. This was in line with NFI guidance to ensure compliance with the Data Protection Act (1998).
7. Further details of the types of data matches carried out as part of the NFI and the number of potential data matches returned, together with the progress made to date in investigating these are included at Appendix 1.
8. The exercise to date has identified total overpayments, across all types of matches, of £51,062, further detail is provided in Appendix 1. A further £85,766 has been provisionally identified as potential fraud or error and action to recover the overpayments has commenced. This includes £70,714 for six instances where invoices may have been paid multiple times and internal enquiries are ongoing to confirm this. Recovery action is in progress in respect of £370 of pensions overpayments identified, and £14,682 in respect of further payments to private residential care homes.
9. A summary of recovered funds and anticipated recoveries is detailed below.

Match Type	Recovered to date	No. of Cases	Overpayments identified and recovery ongoing	No. of Cases
Pensions and Pension Gratuity to Benefits Agency Deceased Persons	£2,844	3	£370	3
Private Residential Care Homes to Benefits agency deceased persons	£39,418	9	£14,682	2
Personal Budgets to benefits agency deceased persons within bodies	£6,195	2	0	0
Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference	£2,604	2	£3,202 (Suspected duplicate payments, tbc)	3
Duplicate records by supplier invoice number and invoice amount but different credit reference and name	0	0	£67,512 (Suspected duplicate payments, tbc)	3
Total	£51,061	16	£85,766	11

All outstanding overpayments continue to be actively pursued by the Council.

9. The final results of the NFI must be sent to the Cabinet Office by 31st March 2018, and will be reported to a future meeting of the Audit and Standards Committee.

¹ Supplementary matches were released in May 2017 and September 2017.

Equalities Implications

10. There are no direct implications arising from this report.

Legal Implications

11. Participation in the 2016 data matching exercise was mandatory under part 6 of the Local Audit and Accountability Act 2014.

Resource and Value for Money Implications

12. The Cabinet Office fee for participating in the exercise is £3,750 excluding VAT. With the NFI exercise running over a period of two financial years, the Authority is invoiced in two equal annual instalments. Internal Audit has also allocated 35 days within the internal audit plan 2017-18 to carry out the investigations in relation to the potential data matches.

Risk Implications

13. Work supports the strategic risks identified by the Authority.

Climate Change Implications

14. There are no direct implications arising from this report.

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List of Background Papers

National Fraud Initiative Guidance Handbook.
National Fraud Initiative Protocol.

Appendix 1.

NATIONAL FRAUD INITIATIVE 2016-17 - SUMMARY OF MATCHES BY GROUP TYPE (as of 17 November 2017)

The Cabinet Office provides suggested approaches to dealing with the match types and for certain match types provides recommended filter values. The Council has in many instances sought to expand the sample sizes beyond the recommended filter value where it is considered desirable. The method of selecting matches to investigate falls into 3 categories:

- A Full check – where risk of erroneous payment is high or previous problems identified;
- B By Tranche – Volume of matches necessitates filtering by value of individual match. Where problems encountered a lower filter level is then used; and
- C By category of match – some types of matches have unique elements which make them a specialist search.

Further detailed information relating to the types of data matches along with progress to date on investigating potential matches arising from the 2016-17 NFI exercise is given below:

Report Name (NFI reference)	Total Matches	Internal Audit Review category	Our sample for review	Matches Closed (no issue)	Matches Closed: Fraud/Error Identified	Matches with Enquiries Ongoing	Fraud/Error value recovered to date	Fraud/Error value, recovery ongoing	Comments
Pensions and Pension Gratuity to Benefits Agency Deceased Persons (52)	295	A	295	282	3	10	£2,844	£370	<p>The Pension Payroll to Deceased Persons match identifies instances where an occupational pensioner has died, but the pension is still being paid as a result of the Pensions Section not being informed of their death. Data is matched between pension records maintained by the Council and those held by the Department for Work and Pensions (DWP) of deaths.</p> <p>Six overpayments have been identified to date, and payments have been recovered in respect of three of these. Repayment is being sought in respect of the final three.</p> <p>In seven instances we are awaiting return of life certificates, however further payments have been suspended to these individuals.</p>
Deferred Pensions to benefits agency deceased persons (53)	108	A	0	0	0	108	-	-	<p>This match identifies where members of the Local Government Pension Scheme have left employment prior to reaching pensionable age, have passed away but payment of any widow or dependant entitlement has not commenced due to the Authority not being notified by the family.</p> <p>The Pensions Section has been notified of these matches, however these are treated as a lower priority as there is no financial loss to the Council.</p>
Pensions to payroll within The Council (54)	316	A	316	314	0	2	-	-	<p>The pension's payroll to payroll data match identifies pensioners who may have gone back into employment within the Council, which could result in an abatement of their pension. These investigations have to take account of the changes to the pension regulations affecting abatement agreed by the Pensions Committee in September 2006. These matches also include employees who take flexible retirement and therefore can receive a salary and pension benefits.</p> <p>314 of the 316 sixteen matches have been reviewed with no further action required. In two instances adjustments to pensions will be required; however this is routinely done on retirement.</p>

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Pensions to other bodies Payroll (55)	453	A	143	141	0	2	-	-	<p>The pension's payroll to payroll data match identifies pensioners who may have gone back into employment within external organisations, which could result in an abatement of their pension. These investigations have to take account of the changes to the pension regulations affecting abatement agreed by the Pensions Committee in September 2006. These matches also include employees who take flexible retirement and therefore can receive a salary and pension benefits.</p> <p>141 of 143 recommended matches have been reviewed with no further action required. One of these matches was previously identified as a concern in the 2014/15 NFI exercise and recovery is ongoing. Of an overpayment of £20,242, £13,968 is currently outstanding and being recovered at a rate of £190 per month.</p> <p>Enquiries are ongoing in two cases.</p>
Pensions to injury benefits within bodies (58)	28	A	28	0	0	28	-	-	<p>This report identifies individuals in receipt of pensions and also personal injury benefits. While none of the matches meet the recommended filter set by the Cabinet Office, the report will be reviewed fully on completion of the other pension's related matches.</p>
Payroll to payroll between bodies (66)	200	A	200	157	0	43	-	-	<p>The payroll to payroll matches identify:</p> <ul style="list-style-type: none"> i) Individuals who may be contravening their conditions of service by taking a second paid post; and / or ii) Staff who are failing to work their contracted hours because they are employed elsewhere. <p>157 of the matches have been reviewed and closed, with no adverse issues being identified. The remaining 43 matches are open while we await responses from outside organisations. Only three of these matches relate to individuals with over three days of sickness at SCC in the period April to December 2016. The remainder either work part time hours (and so a second employer is not unreasonable) or appear to have changed employer during the sample period.</p>

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Payroll to pensions between bodies (78)	3	A	3	1	0	2	-	-	<p>The pension's payroll to payroll data match identifies pensioners who may have gone back into employment, either with another local government body, which could result in an abatement of their pension. These investigations have to take account of the changes to the pension regulations affecting abatement agreed by the Pensions Committee in September 2006. These matches also include employees who take flexible retirement and therefore can receive a salary and pension benefits.</p> <p>One match has been resolved. We are awaiting responses from other Authorities regarding the remaining matches.</p> <p>In all these instances SCC is the employer, not the pension provider, and so the responsibility for clearing the match resides with the outside organisation.</p>
Payroll to creditors same bank account, within bodies (80)	77	B	77	67	0	10	-	-	<p>The payroll to creditors matches highlight those employees whose home address or bank account is shared with a business used by the Council. The results have so far produced a list of 268 matches. Work on these matches has commenced and so far no issues have arisen from the 112 matches cleared.</p> <p>The 10 outstanding matches regarding bank accounts all relate school employees, none of whom hold positions of responsibility and from the data available appear to be part time employees of schools who may have worked as a contractor at other schools in the area.</p>
Payroll to creditors address quality, within bodies (81)	191	B	60	46	0	145	-	-	<p>Work is ongoing to investigate the remaining 155 matches, the outcome of which will be reported to a future meeting of the Audit Committee.</p>

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Blue badge parking permit to blue badge parking permit between bodies (170)	17	C	17	12	5	0	-	-	This report identifies individuals potentially holding two blue badges with different Authorities. All of the matches have been reviewed, and five Council issued blue badges have been cancelled. Typically matches identified individuals who have moved to another area and failed to cancel their Council issue blue badge. The 12 matches where no issue was found relate to either erroneous matches or when one of the badges identified had expired prior to NFI results being released.
Blue badge parking permit to blue badge parking permit between bodies (170.1)	15	C	6	3	1	2	-	-	Responsibility for processing matches lies with the Council who issued the earliest badge. This report identifies the same issues as those identified by report 170, above, however the NFI places responsibility for investigating these matches lies with the other badge issuing Council. Results to date are stated for information, and reflect activity by the investigating Council.
Blue badge parking permit to benefits agency deceased persons within bodies (172.1)	3,296	C	63	12	17	34	-	-	This report identifies blue badge holders recorded as deceased by the DWP. As the matches are processed they are cancelled on our systems. This allows traffic wardens to seize such passes if their use is detected. Applications for renewal of cancelled passes will be declined. Work is ongoing to process these matches.
Concessionary travel passes to benefits agency deceased persons within bodies (172.2)	1,758	C	1742	1742	0	0	-	-	This report identifies holders of concessionary travel passes who are recorded as deceased by the Department for Work and Pensions. All recommended matches have been resolved, and relevant passes have been cancelled. Additional work has been undertaken on the higher quality non recommended matches, with no issues being identified.

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Private Residential Care Homes to Benefits agency deceased persons (173)	177	A	177	166	9	2	£39,418	£14,682	<p>The above data match identified 177 cases where individuals were shown on the Social Care and Health Database as having their accommodation funded by the Council but were shown as deceased on the DWP records.</p> <p>Following investigation of the 177 matches, nine matches were identified where an overpayment had arisen as a result of the Council not being notified of the resident's death, each of which was from a different care home. As at the time of preparing this report £39,418 has been recovered and £14,682 is being actively pursued by the Council for the two remaining open matches.</p> <p>We had either been notified of the remaining deaths prior to the NFI report being published/reviewed, or the match was identified as a false match (i.e. the resident and the death related to different people).</p>
Personal Budgets to benefits agency deceased persons within bodies (400.1)	10	A	10	8	2	0	£6,195	-	<p>This report identified where recipients of personal budgets were recorded as deceased by the Department of Work and Pensions. Eight of the ten identified matches related to individuals where the Council had been notified of their death prior to the review of the NFI results. £6,195 has been recovered from estates of two individuals.</p>
Personal Budgets to personal budgets between bodies (401)	1	A	1	1	0	0	-	-	<p>This report identified individuals potentially in receipt of personal budgets from two different local authorities. The single identified match was identified as relating to two different people.</p>
Personal budgets to pensions between bodies (413)	57	A	57	38	0	19	-	-	<p>This report identifies variances between pensions paid by outside bodies and financial declarations made in the application for personal budgets. 38 of the matches have been cleared following review of financial assessments, however for 19 individuals we have not been able to locate a financial assessment, or the value of income reported in the NFI is not consistent with financial assessments.</p> <p>These matches have been passed to the Adult Social Care Team who are currently running a project to update missing/out of date financial assessments.</p>

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Personal budgets to pensions between bodies (414)	5	A	5	5	0	0	-	-	This report is identical to the above; however the matches are of a reduced quality. Review of the matches did not identify any areas of concern.
Personal budgets to pensions within bodies (415)	40	A	40	34	0	6	-	-	This report identifies variances between pensions paid by the Council and financial declarations made in the application for personal budgets paid by the Council. 34 of the matches have been cleared following review of financial assessments, however for 6 individuals we have not been able to locate a financial assessment, or the value of income reported in the NFI is not consistent with financial assessments. These matches have been passed to the Adult Social Care team who are currently running a project to update missing/out of date financial assessments.
Personal budgets to pensions within bodies (416)	3	A	3	2	0	1	-	-	This report is identical to the above; however the matches are of a lower quality. Review of the matches has identified one missing or out of date financial assessment. This match has also been referred to the Adult Social Care Team.
Duplicate creditor by creditor name (701)	941	C	0	0	0	941	-	-	Due to implementation of new finance system Integra, the Accounts Payable team will have to create new creditors in the new system. Therefore this report has not been reviewed. The Integra system is being implemented in late 2017.
Duplicate creditors by address detail (702)	659	C	0	0	0	659	-	-	Our wider counter fraud proactive work will reconsider the risk of duplicate suppliers being on the system following implementation of Integra.
Duplicate creditors by bank account number (703)	297	C	297	297	0	0	-	-	All creditors recorded as sharing a bank account have been reviewed. A valid reason for the duplicate bank account was identified in all cases where one of the creditors was not marked blocked.

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Duplicate records by invoice reference, invoice amount and creditor reference (707)	826	C	76	76	0	0	-	-	This report identifies potential duplicate invoices from suppliers. All of these matches relating to payments of £20,000 have been reviewed to date, and it has been confirmed that no duplicate payments have been made.
Duplicate records by invoice amount and creditor reference (708)	5,679	C	121	121	0	0	-	-	This report identifies potential duplicate invoices from suppliers. All of these matches relating to payments of £5,000 have been reviewed to date, and it has been confirmed that no duplicate payments have been made.
VAT overpaid (709)	1,359	C	1,359	1,359	0	0	-	-	This report compares invoice amounts and VAT values recorded in SAP. All matches have been subject to review, and valid reasons for VAT not being equal to 20% of the invoice value have been identified. A common example was for school lunch providers, where pupil contributions are deducted from the invoice value.
Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference (710)	14	C	14	9	2	3	£2,604	£3,202	This report identified potential duplicate payments. Review of the 14 identified matches identified no concerns with nine. Two matches have resulted in recoveries of £2,604 being made. A further three matches are currently being investigated which relate to payments made by schools, but have provisionally been identified as duplicate and recovery action will be perused if this is found to be correct.

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Duplicate records by supplier invoice number and invoice amount but different credit reference and name (711)	643	C	17	14	0	3	-	£67,512	<p>This report identified potential duplicate payments. Review of the 17 identified matches identified no concerns with 14.</p> <p>Three matches are currently being investigated, but have provisionally been identified as duplicate, and recovery action regarding £67,512 will be perused if this is found to be correct.</p>
Duplicate records by postcode invoice date and invoice amount but different creditor reference and supplier invoice number (712)	19	C	19	19	0	0	-	-	<p>This report identified potential duplicate payments. Review of the 19 identified matches identified no concerns.</p>
Duplicate records by postcode, invoice amount but different creditor reference and supplier invoice number and invoice date (713)	111	C	17	17	0	0	-	-	<p>This report identified potential duplicate payments. Review of the 17 identified matches where the invoice value is over £5,000 identified no concerns.</p>

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Procurement - payroll to companies house (Director) within bodies (750)	64	A	64	43	0	21	-	-	These reports identify employees who are Directors of Suppliers used by the Council, or who share an address with a Director of a Supplier used by the Council. To date 72 of the recommended 89 matches have been fully reviewed with no concerns identified. Work will continue to complete review of the recommended matches, and extend the sample as appropriate.
Procurement - Payroll to companies house (Director), address quality, within bodies (752)	134	A	23	19	0	115	-	-	
Totals	17,796		5,222	5,005	39	1,432	£51,061	£85,766²	

² Fraud/Error value, recovery ongoing figure may reduce should further information come to light regarding payments identified as being a potential duplicate, for example suppliers may provide further information to confirm payments related to different goods/services.