

Local Members Interest

N/A

Audit & Standards Committee – 7th December 2015

Cabinet Office - National Fraud Initiative 2014 Update

Recommendation

1. To note the progress made to date on investigating the potential data matches received from the Cabinet Office (previously the Audit Commission) in February 2015 as part of the 2014 National Fraud Initiative (NFI) exercise.

Report of the Director of Finance & Resources

Background

2. The National Fraud Initiative is a data matching exercise, designed to help participating bodies to detect fraudulent and erroneous payments from the public purse. It began in 1996, and is run every two years. It compares information held by and between around 1,300 organization's including councils, the police, hospitals and 77 private companies. The core of the National Fraud Initiative 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 Initiative a great success, and the most recently completed exercise (National Fraud Initiative 2012) resulted in the detection (nationally) of £203 million of fraud and overpayment, bringing a total to date over two decades of £1.17 billion.
3. In April 2015, the Cabinet Office became responsible for the NFI following the closure of the Audit Commission on 31st March 2015. The NFI data matching exercise involves the Authority submitting payroll data (including pension payroll data) and other relevant data to the Cabinet Office who then match it against data sets from other Local Authorities and the Department of Works and Pensions (DWP). The data collection period for the 2014 exercise was 1st April 2014 to 30th September 2014 which was extracted in October 2014 and forwarded to the then Audit Commission. Potential matches were then identified and referred back to the Authority for investigation in February 2015.
4. It should be noted that prior to the commencement of the 2014 exercise and to conform with the NFI data protection protocols (as agreed with the Information Commissioner) the following steps were taken:-
 - Informing employees and Elected Members, employee associations and other representative bodies that payroll data would be used; and

- The notification to individual pensioners that the exercise was to be carried out.

A notification message was included in all employee payslips to inform all Staffordshire County Council employees and Elected Members of the 2014 exercise. Pensioners were informed via an article in their annual pension magazine produced in Spring 2014.

5. Further details of the types of data matches carried out as part of the 2014 exercise and the number of potential data matches returned from the then Audit Commission together with the progress made to date in investigating these are included at Appendix 1.
6. The exercise to date has identified potential total overpayments, across all types of matches, of £96,393, further detail is provided in Appendix 1. Approximately £46,359 has been identified and action to recover the overpayments has commenced, in relation to payments for adults accommodated in private residential care/nursing homes whose placements are funded by the Authority but whose death had not been notified to the Authority.
7. In addition to the above, work has commenced to identify and recover overpayments relating to the following other matches:
 - an occupational pension has continued to be paid to an individual after they have died. Our investigations so far have identified 8 overpayments totalling £3,294;
 - a personal budget had continued to be paid after the client had died resulting in an overpayment of £6,124; and
 - possible duplicate payment matches processed in 2012/13 are being investigated which could lead to the recovery of £40,616.
8. At the time of writing this report, £32,243 of the total overpayments of £96,393 has been recovered:-

Match Type	£value of Overpayment	No. of Cases	Recovered to date	No. of Cases
Private Residential Care Homes to DWP deceased pensioners	£46,359	6	£10,311	1
Pension Payroll to Dept of Works & Pensions (DWP) deceased pensioners	£3,294	8	£1,100	4
Personal Budgets	£6,124	1	0	0
Trade creditors data	£40,616	8	£20,832	5
Total	£96,393	23	£32,243	10

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

9. The final results of the Initiative must be sent to the Cabinet Office by 31st March 2016.
10. The final results of the 2014 Initiative will be reported to a future meeting of the Audit and Standards Committee.

Equalities Implications

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

Legal Implications

12. Participation in the 2014 data matching exercise was mandatory under Section 6 of the Audit Commission Act 1998. With the closure of the Audit Commission on 31st March 2015, all future data matching exercises will be undertaken under Part 6 of the Local Audit and Accountability Act 2014.

Resource and Value for Money Implications

13. 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 40 days within the internal audit plan 2015/16 to carry out the investigations in relation to the potential data matches.

Risk Implications

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

Climate Change Implications

15. 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 2014 - SUMMARY OF MATCHES BY GROUP TYPE

Group Heading	Search category	Total potential matches	Sample selected so far from "Total Data Matches"	Matches which are clear	Matches which are still outstanding	Matches closed requiring data amendment only	Matches closed leading to financial recovery	Value of financial recovery
Pension Payroll to Dept of Works & Pensions (DWP) deceased pensioners	A	180	180	165	7	0	8	£3,294
Private Residential Care Homes to DWP deceased pensioners	A	200	200	194	0	0	6	£46,359
UK Visa data to Payroll	A	1	1	1	0	0	0	0
Deferred pensioners to DWP deceased records.	A	91	91	68	23	0	0	0
Insurance claimants	A	6	6	6	0	0	0	0
Personal Budgets	A	727	695	472	214	8	1	£6,124
Payroll to Creditors	B	409	409	199	210	0	0	0
Payroll to Housing Benefit	B	0	0	0	0	0	0	0
Payroll to Payroll	B	167	101	80	15	6	0	0
Payroll to Pensions Payroll (re-employment outside SCC)	B	390	117	100	17	0	0	0
Pensions Payroll to Payroll (re-employment within SCC)	B	410	72	60	12	0	0	0
Trade creditors data	C	13951	714	520	164	22	8	£40,616
Blue badge scheme	C	3117	57	31	8	18	0	0
Concessionary Travel Passes to DWP deceased	C	5062	5062	5062	0	0	0	0
	Total	24711	7705	6958	670	54	23	£96,393

National Fraud Initiative matches are generally dependent on accurate National Insurance numbers. However, National Insurance numbers are not always available or sometimes recorded incorrectly, so the Initiative uses a range of alternate matching criteria as follow:-

- Name / date of birth. (Surname, forename, date of birth);
- Name / date of birth (Match any 2 of 3 of above); and
- Address.

Not all potential matches shown on the reports may be genuine matches (Smith J matched to

Smith John), or similar name but different date of birth.

The Cabinet Office provides suggested approaches to dealing with the match types and for certain match types provides recommended filter values. The Authority 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 2014 NFI exercise is given below:

Pension Payroll to Deceased persons.

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 Authority and those held by the Department for Work and Pensions (DWP).

Of the 180 potential matches, it was found that in 165 cases, either the data match was flawed or notification of the pensioner's death had been received by the Authority after submission of the data to the then Audit Commission. Of the remaining 15 cases, 7 matches remain to be investigated to determine whether a recovery of payment is required. The value of overpayments identified relating to the 8 matches closed stands at £3,294 of which £976 has been recovered and £124 will be written off as irrecoverable.

Private Residential Care homes to DWP deceased

The above data match identified 200 cases where individuals were shown on the Social Care and Health Database as having their accommodation funded by the Authority but were shown as deceased on the DWP records.

Following investigation of the 200 cases, 6 matches relating to 4 different care home providers were identified where an overpayment had arisen as a result of the Authority not being notified of the resident's death. As at the time of preparing this report £10,311 has been recovered and £36,048 is being actively pursued by the authority.

In respect of the above, it was noted that in each case the care home provider had failed to notify the Authority that the service user had died. It was unclear whether in each case, an annual review had been carried out by the social worker which would have identified the death sooner. Going forward, it has been recommended that for all new contracts with home

providers it is a contract requirement to inform the Authority of a death on a timely basis to avoid overpayments.

Home Office UK visa data to payroll

The aim of the above match is to identify any instances of overseas persons working in this country where the UK visa has expired or does not permit them to be in employment.

Investigations have been conducted on the one potential match identified and documentation is held to support the employment with the authority, which meets Home Office Regulations.

Deferred Pensioners to DWP Deceased records

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.

The Pensions Team is responsible for tracing family members based on the last known address for the member of the pension scheme. Of the 91 potential data matches, 68 of these have been cleared with no further action required. The remaining 23 potential data matches are still to be investigated. Work is currently on-going in this area, but tracing ex-members of the Scheme is difficult, with some individuals leaving as far back as the 1970's.

Insurance claimants

The above data match, matches insurance claimant details held by Local Authorities to identify serial claimants between and within Local Authorities. The 6 potential matches have been examined and not found to be of a fraudulent nature.

Payroll to Creditors

The payroll to creditors match highlights those employees whose home address or bank account is also the bank account of a company used by the Authority. The results have so far produced a list of 409 matches. Work on these matches has commenced and so far no issues have arisen from the 199 matches cleared. Work is on going to investigate the remaining 210 matches, the outcome of which will be reported to a future meeting of the Committee.

Payroll and Pensions Payroll to Housing Benefit.

This match seeks to identify instances where employees / pensioners are claiming Housing Benefit. In this exercise no such matches have been identified.

Payroll to Payroll

The payroll to payroll matches identify:-

- 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.

Past cases have been recorded nationally where an employee has (a) “worked full-time for two public sector bodies concurrently and (b) had multiple part-time jobs, using different National Insurance numbers. The criteria for a match is one employee showing one full-time post plus at least one other post elsewhere within the same employer, or more than two part-time posts with different employers.

A filter based on gross pay has been used to identify individuals who have a substantial post with the Authority. The Cabinet Office provides a recommended filter level of payments greater than £10,000 on both contracts within the 6 month period covered (April 2014 – September 2014). Such a filter level produces no matches for the authority.

Internal Audit filtered the 167 potential matches for payroll to payroll matches involving an outside body using a filter level based on gross pay for the six month period greater than £3,000 on both contracts. This provided a sample of 101 matches. 80 of these potential matches have so far been cleared. A further 6 matches have been closed leading to a data amendment and the remaining 15 matches are still to be investigated.

The number of matches finally examined will include any enquiries initiated by the matching bodies.

Pensions Payroll to Payroll

The pension’s payroll to payroll data match identifies pensioners who may have gone back into employment, either with the Authority or 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.

The first tranche of matches relating to re-employment either outside the Authority matches (117) or within the Authority (72 matches)) is currently being investigated by the Pensions Team based on the recommended Cabinet Office filter level of gross pay / pension greater than £3,000 (for the 6 month period, April 2014 to September 2014). The majority of the matches have now been cleared with no further action required (160 matches). There are 29 matches where investigations are still currently ongoing, the results of which will be reported at a future meeting of the Committee.

Trade Creditors Reports

The 2014 NFI exercise uses a series of 10 reports to identify from the Authority’s creditors records any potential duplicate payments, duplicate creditor details, invalid VAT numbers, and VAT overpayments.

Previous data matching exercises for this match type have resulted in poor quality matches being returned to the Authority. This has been due to the fact that SAP uses a variety of transaction types to record payments, reversals and credit entries. Also the data collected covers a 3 year period so will include any instalment or annual contract payments.

As a result of the above, limited sample testing of the potential 13,951 matches has been carried out. Our sample testing has targeted high value payments i.e. over £20,000, with lower values selected as results are analysed. At present there are 8 duplicate payments being chased for repayment. The results of the recovery work so far has resulted in 5 payments totalling £20,832 being recovered with the remaining 3 duplicates still being pursued, totalling £23,204.

In respect of the above, it was noted that duplicate vendors existed which allowed both an original and a copy invoice to be paid against two different vendor numbers, one correctly against an order and the other incorrectly processed as a non-order payment. To counter such mistakes the Central Payments Team are currently in the process of reviewing the vendor database and blocking duplicate vendor records. Checks by spending departments also require to be tightened to prevent such incidents from occurring as inbuilt SAP payment checks can only look for duplicate payments against the same vendor number.

Blue Badge Permits

The aim of the above data match is to match the Authority's Blue Badge Permit records against the DWP deceased records. This has identified 3,117 instances where the permit holder of the Blue Badge Parking Permit has potentially died in the majority of cases after the badge has been issued, but where the Authority has not been notified or where the permit holder has moved into another local authority area and is therefore shown as a duplicate permit holder. The badge is valid for 3 years. An initial sample of 57 matches has been selected for further investigation. 31 of these matches have been cleared with no further action required. A further 18 matches have been closed but flagged to obtain the permit holder's correct National Insurance Number when they re-apply for a new permit. 8 cases remain outstanding and are currently in the process of being investigated.

Concessionary Travel Passes.

This was a new match to be undertaken by the County Council for the NFI 2014 exercise. The aim is to match the authority's database of Travel Passes against the DWP deceased records. The number of matches returned was 5,062 and the work compared the Council's database to the matches to identify if the death of the service user has been recorded and the badge returned. In all cases, where the death has not been notified, the database has been flagged to show that the death has been reported and to investigate should a further application be received.

Direct Payments

This is also a new type of data match. This covers payments to service users receiving Personal Budget payments matched against various criteria. In total there are 727 data

matches.

The breakdown of matches against the different criteria is as follows; Death Records (18), receipt of Housing Benefit (567), receipt of Pensions (139) and in receipt of more than one Direct Payment entry (3).

These data matches are investigated to ensure that Service Users have included in their applications evidence of both income and benefits received, with further checks that payments have not been made in error to service users who may have passed away or duplicate payments.

So far 472 data matches have been cleared with no further action required. There has been one death identified which has resulted in an overpayment of £6,124. In respect of this case, neither the family, Angel Homecare, who visited the Service User or the Rowan Organisation who received the payments and managed the account failed to notify the Authority of the death. Further investigation into this case highlighted that it was not clear from the paperwork held whether the Social Worker had carried out an annual assessment. It is important that Social Workers annually assess service users needs and for the Care Director System to be updated promptly. It was also noted that as the Authority does not have a contract with the Rowan Organisation (because the contract is between the service user and the Rowan organisation), there is actually no requirement for the Rowan Organisation to inform the Authority of a death. In respect of this point, liaison with the Rowan Organisation need to also be reviewed.

In a further 8 cases, incorrect National Insurance numbers have accounted for matches between authorities where a match has occurred but not on name or address. All remaining matches (214) will be investigated and reported to a later meeting of the Audit and Standards Committee.