


Non-Executive Report of the: Audit Committee Date 21 st July 2015	 TOWER HAMLETS
Report of: Chris Holme – Director of Resources	Classification: Unrestricted
National Fraud Initiative (NFI) 2012 Outcome	

Originating Officer(s)	Tony Qayum, Corporate Anti-Fraud Manager
Wards affected	All wards

Summary

This report provides the Audit Committee with the outcome of the last NFI exercise 2012 which completed recently.

It details the key findings and areas of identified error and fraud resultant from the exercise and quantifies the extent of action taken by the Council to follow up and resolve the identified matches.

Recommendations:

The Audit Committee is recommended to:

1. Note this report.

1. REASONS FOR THE DECISIONS

- 1.1 To comply with the reporting requirements of the Audit Committee's Terms of Reference.

2. ALTERNATIVE OPTIONS

- 2.1 There are no specific alternative options.

3. DETAILS OF REPORT

Since 1996 the Audit Commission (and from 2015 the Cabinet Office) have run the National Fraud Initiative (NFI), an exercise that matches electronic data held by approximately 1,300 organizations within public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local authorities and a number of private sector bodies.

For nearly two decades, the NFI has enabled the participants to detect fraud, overpayment and error totalling £1.17 billion. This includes £152 million detected in Scotland, Wales and Northern Ireland.

The Serious Crime Act 2007 (SCA) gave the Audit Commission new powers to enable the benefits of NFI to be extended to central government and the private sector. The Serious Crime Act 2007 inserted a new Part 2A into the Audit Commission Act 1998 (ACA). These powers put data matching on a statutory footing for local government and NHS bodies, as well as allowing the Audit Commission to extend the NFI to central government and private sector organisations that wish to take part.

The SCA imposed a new regulatory regime alongside existing fair processing and other compliance requirements of the Data Protection Act 1998. Any person or body conducting or participating in the Commission's data matching exercises must by law, have regard to a statutory Code of Data Matching Practice.

The provision of data for the exercises is mandatory for local authorities.

Following the completion of each exercise, the Commission has produced a report on the outcomes. These can be viewed on the NFI website: <http://www.audit-commission.gov.uk/national-fraud-initiative/public-sector/local-government/>

The 2012 Exercise

The London Borough of Tower Hamlets has been participating in the National Fraud Initiative since 1994 and in practical terms it compares different sets of data held by the same or other organisations to bring to light potentially fraudulent claims and payments as well as highlighting errors of payments made.

The matching exercise is run bi-annually, and has just run again as the 2014 exercise. This report outlines the outcomes for the 2012 exercise.

In 2012 LBTH data was matched as a part of the national exercise and as a result 20,254 matches were produced for this authority to examine. Although this volume is high, the majority of these matches are normally found to be erroneous.

The data sets used in the matching for the 2012 exercise for this authority were:

- *Payroll*
- *Pensions*
- *Housing Benefit*
- *Creditors payments and creditors address book*
- *Market traders and alcohol licence holders*
- *Insurance claimants*
- *Housing Tenants*
- *Resident parking permit holders*
- *Blue Badge and concessionary parking permit holders*
- *Private supported care home residents*
- *Right to buy applicants*
- *Personal Budget holders*

Details of the matches this authority received as a result of the matching process are broken down below:

Match type	Number of matches received	Number specifically recommended for investigation
Blue Badges	297	256
Creditors history	5878	672
Creditors standing	616	0
Concess. travel passes	753	0
Housing Benefit	8950	2186
Housing tenants	156	65
Insurance claimants	36	8
Market traders	23	0
LBTH pensions	209	112
LBTH payroll	287	69
Right to Buy applicants	276	272
Care homes	36	8
Resident parking permit	54	31
Council Tax SPD	2683	0
Total	20,254	3,679

The matches are presented in the form of 108 separate reports, sited on a secure web based electronic system, which can only be accessed by nominated users.

The NFI service has a prioritising methodology built into the web based system. Some reports are marked as higher priority and also there are some reports which specify specific numbers of matches recommended for investigation based upon the NFI's perception of the highest quality matches.

However, it is up to each authority to decide how best to tackle its matches, and how resources can be deployed to deal with this additional volume of work.

Through the benefit of experience in dealing with this output over the years we now have good experience of which particular reports should be examined as a priority, and which may need less attention.

In Tower Hamlets, nominated officers from each of the corresponding service areas are given access to the NFI system to evaluate their own matches, since they have the best understanding of their work area and have line management responsibilities. However, there are some reports which are sifted by the Corporate Anti-Fraud Team as it contains investigative expertise in certain topics, such as housing tenancies, Housing Benefit and blue badge parking. The exercise itself is co-ordinated and overseen by the Risk Management Service.

The Department for Work and Pensions Benefit Investigations Team are also involved in the exercise since a high number of Housing Benefit matches are members of the public who are also receiving DWP benefits, and the

information highlighted by the match affects their DWP benefit as well as their Housing Benefit.

2012 Exercise Outcomes

As the exercise is run bi - annually and the matched output is high in volume, there is activity ongoing on the exercise in the first year and if any particular cases require court action, for the second year also. At the time of producing this report there remain a number of cases awaiting court dates from the 2012 exercise.

Match Type	Received	Recommended	Processed	Frauds/Error	Value
Blue Badges	297	256	297	244	£0.00
Creditors history	5878	672	1,646	10	£62,432.17
Creditors standing	616	0	30	0	0
Travel passes	753	0	753	0	£0.00
Housing Benefit	8950	2186	1902	113	£914,273.12
Housing tenants	156	65	142	1	0*
Insurance claimants	36	8	36	0	£0.00
Market traders	23	0	23	0	£0.00
LBTH pensions	209	112	135	14	£25,761.11
LBTH payroll	287	69	160	4	£88,473.86
Right to Buy applicants	276	272	203	0	0
Care homes	36	8	36	0	0
Resident parking permit	54	31	54	39	0
Council Tax	2683	0	271	271	£89,899.81
Total	20,254	3,679	5,688	688	£1,180,840.07

***1 social housing property recovered**

Of the service areas where fraud or error was established further details are as follows:

- **Creditors**

10 instances of duplicated payments were discovered whereby an invoice had been paid twice by LBTH. The individual companies or organisations were contacted and recovery was sought, and obtained.

- **Housing Benefit**

This heading also covers Council Tax Benefit and because many claims also have DWP benefits in payment, an element of overpayment of those benefits also. Of the 113 cases where fraud or error was established 97 involve students who failed to declare their student status or student income. Recovery of the overpaid benefit is sought in all cases, but may take several years to be repaid if it is being paid in instalments, or if there are other benefit overpayments being recovered at the same time.

Where possible, prosecution or sanction action is sought on all cases deemed suitable for such action.

To date, thirteen cases have been convicted, and a further thirty four have been approved for prosecution and are awaiting court action. Thirty two cases have been given an Administrative Penalty (a fine) and fourteen cases have accepted a Simple Caution, where the most appropriate action was to dispose of the case in this way.

Of the remaining twenty cases, some are still awaiting a decision on further action, and some have been deemed unsuitable for prosecution or sanction action for various reasons, but all have been, or will be considered and evaluated as part of the investigative process.

The Benefit Investigations Team has recently undertaken visits to local colleges to try to encourage these establishments to provide more robust information to students at the outset of their course to educate on the rules of claiming benefit as a student.

- **LBTH Pensions**

The fourteen cases identified from the pension reports all involved pensioners who had died, but the borough had not been notified of the death, and the matching had highlighted this discrepancy.

The Pensions Section has attempted to identify the Next of Kin in these cases and attempted recovery. In some cases the responsible person could not be identified, and the remainder are in the process of ongoing recovery. So far recovery has been successful in one case.

- **LBTH Payroll**

In each of the four cases identified the key issue involved employees who had immigration issues, in that they had the right to reside in the UK but had restrictions on their right to work here. Two were managed by our own HR department and two by an outsourced provider.

In one case, the employee who worked in Education Services had her employment terminated because her visa renewal had been refused. The second employee who also worked in Education was dismissed because she had an outstanding application to work with the UK Border Agency. The remaining two, who worked for Children's Services, and appeared to be related to each other, were dismissed when they failed to provide documents as requested to confirm their right to work in the country.

The figures shown above provide an educated estimation of the salaries paid to the four for the period their right to work was in question. This money has not been deemed as recoverable.

- **Council Tax**

The matching in this Service Area involves cross referencing Council Tax records where there is a Single Person Discount awarded with Electoral Register records, but the ER indicates there is more than one person residing at the address.

The Council Tax Service undertakes matching projects in its own right to identify these types of losses by cross matching its data with credit referencing agency data. However, since their independent matching and the NFI exercise coincides at approximately the same time, the output is amalgamated, therefore providing additional intelligence.

The monetary values are calculated by identifying the amount of Single Person Discount incorrectly awarded in each instance. The discount is stopped and the full Council Tax liability is billed to the individuals, and recovered via the usual methods.

- **Housing Tenants**

As a result of the matching one social housing property was recovered following an investigation by Risk Management's Social Housing Fraud Team.

NFI Exercise 2014

The NFI data matching has been run again, with the Authorities data being provided in October 2014 for matching purposes. The matched output was released in late January 2015, with an output of 17,595 matches being received by this authority.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1. This report is an update of National Fraud Initiative. The Council has identified notional and actual savings of £1,180k from its participation in the National Fraud Initiative.
- 4.2. There are no specific financial implications emanating from this report. The Corporate Anti-Fraud team work programme meets the Council's legal requirements under section 151 of the Local Government Act 1972 and reports directly to the Director of Resources in order to minimise to the Council the risk of fraud, error and omission to the Council's finances and assets.

5. LEGAL COMMENTS

- 5.1 There are no immediate legal implications arising from this report.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 There are no specific one Tower Hamlets considerations.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 This report assist's the Council in complying with its Best Value duty by taking a pro- active approach to identifying potential abuse of systems and improvements in the 'Control Environment' to reduce future loss. The best value duty to ensure the Council exercises its requirements of Economy, Efficiency and Effectiveness is contributed to by the engagement of the National Fraud Initiative.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 There are no specific SAGE implications.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 The pro-active engagement of the National Fraud Initiative improves the risk profile of the areas identified as being breached and demonstrates independence in managing the Councils systems effectively.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 By identifying error and abuse the risk of fraud is reduced thus minimising the scope for criminality to flourish.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

Local Government Act, 1972 Section 100D (As amended)**List of “Background Papers” used in the preparation of this report**

- NONE

Officer contact details for documents:

- N/A