

EXECUTIVE SUMMARY

National Fraud Initiative (NFI)

In 1996, the Audit Commission in England and Wales launched the NFI to help public bodies match claimant information across different service areas and geographical boundaries. Since then NFI has run biennially, introducing new participants and new modules for identifying fraud and overpayments in each new exercise. Whilst NFI is run as a UKwide initiative, it is administered in Wales by the Auditor General for Wales. NFI was administered in England by the Audit Commission until 2015 when responsibility transferred to the Cabinet Office. Since 1996, the NFI has identified more than £35 million of fraud and overpayments in Wales, and nearly £1.7 billion across the UK.

Welsh NFI participants provide data relating to their financial systems to the Cabinet Office on behalf of the Auditor General. The information submitted is wide-ranging and includes data relating to housing benefits, student-loan recipients, payroll and pension payments. Where a match is found, it may indicate an inconsistency which requires further investigation; it is not in itself evidence of a fraud.

National Fraud Initiative in Wales

The Wales Audit Office published their report, National Fraud Initiative in Wales on the 23rd October 2018. The report summarises the findings of the biennial National Fraud Initiative in Wales, for the period 1 April 2016 to 31 March 2018.

In his foreword, Adrian Crompton Auditor General for Wales stated:

“Whilst Welsh public bodies need to continue to explore new ways of working, it is essential that they continue to ensure that services and benefits are only provided to those eligible to receive them. Sadly, there are those who attempt to commit fraud to obtain public service and benefits they are not entitled to. In June 2013, the National Fraud Authority estimated that the annual loss to fraud against the public sector in the UK amounted to £662 million (excluding tax fraud).

The findings of the latest exercise which are set out in this report show that £5.4 million of fraud and overpayments were identified (compared to £4.4 million in the previous exercise). This represents continued success of the initiative, and I would like to thank those members of staff across the Welsh public sector for their diligence in investigating the data-matches. Without their efforts this success would not have been possible”.

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In order to support Welsh public bodies in their fight against fraud, the Auditor General runs the NFI in Wales on a biennial basis. The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions.

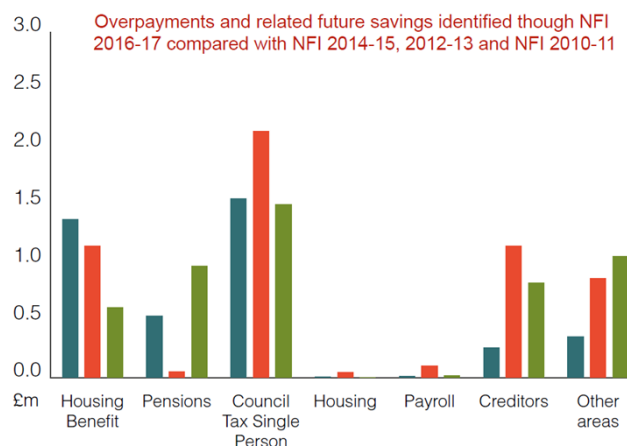
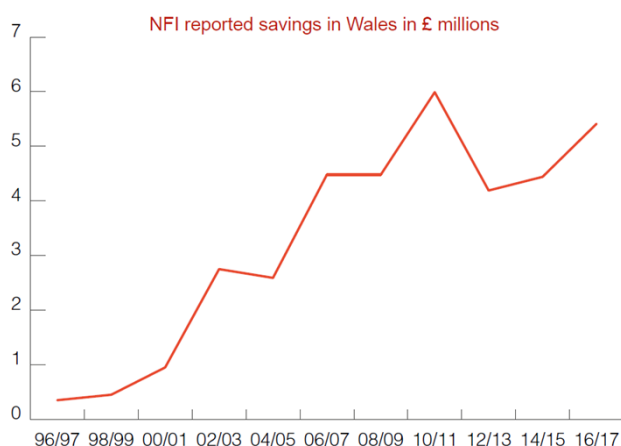
The Auditor General collaborates on the NFI with the Cabinet Office, Audit Scotland and the Northern Ireland Audit Office to match data across 1,300 organisations in England, Scotland, Wales and Northern Ireland.

Since its commencement in 1996, NFI exercises have identified over £35 million of fraud and overpayments in Wales, and £1.69 billion across the UK.

Forty seven Welsh public sector bodies participated in the latest NFI exercise. These included the following mandatory participants:

- Local authorities
- Police authorities
- Fire authorities
- NHS bodies

The Welsh Government, some Welsh Government Sponsored bodies and the Wales Audit Office participated in the NFI on a voluntary basis. The payroll details of the vast majority of public sector staff and their external auditors are included within NFI for data matching to detect and prevent fraud.



Council-tax payers are eligible for a discount on their bill where they are the only occupant of a household aged over 18, or the other occupants of the household fall into exempted categories, for instance, students. The discount results in a reduction of 25% of the full council-tax bill payable on the property. This discount is commonly referred to as the Council Tax Single Persons Discount (CTSPD). In 2008-09, NFI started matching CTSPD to the electoral register for the first time. In the latest exercise, £1.47 million of fraud and overpayments were detected. This compared to £2.14 million in the previous exercise. We anticipate that this trend will continue in future exercises as longstanding frauds in this area are eliminated.

Each council in Wales operates its own Council Tax Reduction (CTR) scheme. The CTR scheme helps people on low incomes and/or certain welfare benefits to pay their council tax bill. CTR replaced the national council tax benefit scheme with effect from 1 April 2013. The latest NFI exercise matched CTR and other NFI datasets for the first time. The new data match proved successful, identifying 54 cases in Wales where CTR was being overclaimed.

The creditor-payment data match is designed to help public bodies identify problems such as duplicate invoices or incorrect VAT rates. It also enables public bodies to highlight system deficiencies which could make them susceptible to fraud or error. The latest NFI exercise identified 61 cases where overpayments had been made and in 60 cases these payments have or are being recovered.

The NFI matches blue badges and concessionary travel permits to deceased persons' records. The match is designed to identify badges and permits which are potentially still in circulation after the death of the registered owner. Records are also matched to identify cases where blue-badge holders have been issued with badges by more than one local authority. It is a criminal offence to display a blue badge for the purposes of evading parking charges or to obtain preferential parking when the car driver or passenger is not the legitimate owner of the badge. This year, the match has led to the cancellation of 1,690 blue badges across Wales, compared to 1,044 in the previous NFI exercise.

Dependent upon circumstances, local authorities may contribute to the cost of care for residents of private residential homes. The NFI matches local-authority payments for residential care to deceased persons. If payments continue to be made after a resident's death, very substantial overpayments can accrue.

A new NFI data match designed to prevent housing waiting list fraud was successful and has resulted in 52 applicants ineligible to be housed being removed from housing waiting lists.

The Auditor General, with the support of the National Assembly for Wales is continuing to develop the National Fraud Initiative to ensure it remains effective

The Auditor General is committed to maintaining, developing and improving the NFI in the future through:

- increased focus on fraud prevention;
- increasing the number of organisations in Wales participating in the NFI;
- extending the NFI into new areas which are susceptible to fraud; and
- ensuring that the current high standards of the NFI data security are maintained.

Cardiff Council

Cardiff Council has been an active participant in the biennial, NFI exercises since they began in 1996, has also participated in trial matches and contributes to case studies for WAO reports.

The NFI 2016 exercise generated 16,963 matches, a risk based approach was adopted and 3,646 matches were processed, this detected £148,000 fraud and error.

In addition to the NFI exercise, the Council also submits Council Tax and Electoral register data, since July 2017 we have processed 1,115 matches and detected £144,000 fraud and error.

Next steps

The Internal Audit, Investigation Team, will work with WAO and the Cabinet Office to comply with the requirements of the NFI exercise and upload the following data sets: Council tax reduction scheme, Housing - Tenants, Waiting list, Right to buy, Licences – market trader/operator, taxi driver and personal licences to supply alcohol, Payroll, Pensions, Personal budget (direct payments), Private supported care home residents, Trade creditors.

The 2018/19 matches will be available from the 31st January 2019, preparations are well underway, to ensure adequate resources are available to manage the output.

Case studies (NFI 2016)

NFI helped to find housing-benefit claimants who had not fully disclosed employment or pension income

Cardiff Council Case Study 1

Cardiff Council when reviewing NFI matches between housing benefit and occupational pension income identified that a benefit claimant was in receipt of a teacher's pension from another Welsh local authority and that she had not declared this when claiming housing benefit. The Council sought and obtained confirmation of the pension income from HMRC via RTI and was able to use this information to update the claim and calculate that the claimant had falsely claimed £3,180.25. The case was referred to the DWP, and following investigation, the claimant also accepted an administrative penalty of £1,590.13.

NFI was used to identify housing-benefit claimants who had no right to work or stay in the UK

Cardiff Council Case Study 2

Cardiff Council reviewed NFI matches between Housing Benefit and Immigration status. In one instance, having sought further information from the Home Office, the Council confirmed that the housing benefit claimant had no leave to remain in the UK and therefore had no entitlement to receive housing benefit. The Council calculated that the claimant had received an overpayment of £6,854 and suspended the claim. The individual subsequently won an immigration tribunal case which reinstated her entitlement to benefit, and the Council was able to recover the overpayment in full from future benefit payments.

NFI helped to identify students claiming housing benefit when not entitled to do so

Cardiff Council Case Study 3

Cardiff Council reviewed NFI matches between Housing Benefit and Student Finance. This review confirmed that a number of students in receipt of student finance had failed to declare that they were in receipt of student finance whilst claiming housing benefit. The Council contacted the individuals concerned to confirm the details in the NFI matches and this led to 26 cases of entitlement to housing benefit being reassessed and overclaims calculated. The overclaims are being recovered by the Council. One case was referred to the DWP for investigation and in that case an overpayment of £7,974 was identified, and the claimant also accepted an administrative penalty of £2,000.