

NFI matters

An update on the Audit Commission's National Fraud Initiative

Welcome

Welcome to the first issue of *NFI matters* for 2004/05. It's now five months since we sent out the 2004/05 matches, and early feedback from you shows the new format has made life much easier, especially the inclusion of income declared fields. Pilot projects have generated great results, including big overpayment recoveries from private care homes, prosecutions and dismissals for abuse of the blue badge scheme and tracking down former tenants with unpaid arrears. This means that aggregate savings could reach a quarter of a billion pounds.

There's more detail on all these results in this *NFI matters* – our way of helping you share experiences and good practice, so your organisation can make the most of the National Fraud Initiative (NFI).

The data collection process for 2004/05 was the best ever, thanks partly to the Student Loan Company Ltd and the Department of Work and Pensions, but mostly to you. Most of you sent in your data on time, and even the small number who



sent in information late will by now have received their matches.

Thanks to everyone who hit the deadline and for all your excellent investigative work since then.

Peter Yetzes
NFI Appointed Auditor

What is the NFI?

The NFI is part of the statutory audit process for health, local government and the other public sector providers in England and Wales that the Audit Commission and Wales Audit Office are responsible for.

Together, these organisations supply almost 3,500 sets of data from more than 1,500 different information systems in areas like housing benefit, payroll and pensions. The NFI then cross-matches this data to identify inaccuracies or potential fraud, and sends any matches back on a CD-ROM for each organisation to investigate.

Since it was launched in 1996, the NFI has identified more than £190 million in savings for the audited bodies taking part.

Work smart

Here are a few ideas and suggestions to help you make the most of your data matches.

NFI match reports to watch

All sectors should pay attention to matches to the Home Office failed asylum seeker data, especially reports 378 – 384 (to payroll), 357 – 363 (to housing benefits) and 364 – 370 (to housing rents).

Local government

The most important reports for local government are 1-6, 13-15.1, 52, 59, 81.2, 82 and 82.3. But don't forget the new data matching on former tenants arrears and right to buy – see the NFI guidelines, available from the NFI web page or the 'help' section of the 2004/05 CD-ROM, for more details.

Top tip – the best filter to use for housing benefit reports is where no income has been declared.

To make sure your housing benefit to student loan reports investigations are completed by the end of the summer term, when many students go home, you should be reviewing reports 1-6 now. Why not use the filters and sort facilities to look at claims involving high levels of housing benefit, then see if student status was declared on the application? If not, and the claimant is ineligible for benefit, you'll need to investigate further.

Where there's a match between local authorities (in reports 2,4 and 6), it should be easy to see if a claim is potentially fraudulent, by looking at the term time and home addresses provided, alongside the local education authority where the application was

made. In these cases, you should approach the claimant immediately, after checking the student status has not been declared.

NHS

Key reports for the NHS are 59 and 82. Use report 59 to see if any senior employees have not declared their income while claiming housing benefit. We send a mirror image of this report to the housing benefit paying authority, which will lead any investigation. If a case causes you particular concern, let the authority know, to make sure they treat it as a priority.

Report 82 helps you identify anyone who is contravening their conditions of service by taking a second job, is in breach of the working time directive or health and safety rules, or isn't working their contracted hours because they're employed somewhere else. Find out more about how these matches are made, and how to deal with them, in the NFI guidelines.

Our 2002/03 national report highlighted several examples of NHS employees breaching conditions of service or working time regulations, potentially putting patients or service users at risk.

NHS payroll to pension matches

The NHS Pensions Agency would usually investigate matches in reports 51.2, 56.2, 82.2 and 156.2. However, NHS organisations should also review these reports to identify any senior employees receiving a pension that might be affected if they returned to work.

If you find a case like this, check with the Pensions Agency that they will review it as part of their NFI work and tell you the outcome. Contact the Pensions Agency by email or fax, giving the employee's full name, national insurance number, address, contracted hours and current annual salary.

Send your cases to **Nick Roscoe** by email at: nroscoe@nhspa.gov.uk or by fax to: 01253 774676 marked FAO Nick Roscoe NFI 2004/05.

Home Office update

The new protocol for dealing with Home Office matches is working well. The most important fields to refer to when reviewing your matches are called 'removal outcome date' and 'appeal rights exhausted date'. If there's a valid date in the 'removal outcome' field, rather than simply a default date (for example 01/01/9999) this person has been removed (see table below).

Watch out though – following the enlargement of the EU on 1 May 2004, and the inclusion of the Czech Republic, Slovakia, Slovenia, Poland, Malta, Hungary, Lithuania, Latvia, Cyprus and Estonia, you may find someone shown as previously removed from the UK seems to have returned. They will now be able to remain.

We sent a mirror image of these matches to the Home Office. They will approach you directly to coordinate any action that needs to be taken.

If the Home Office confirms the failed asylum seeker status you should approach the case as if it was a removed asylum seeker.

For more information on the purpose and suggested approach to Home Office matches, see the NFI guidelines.

Free payroll cleansing service

HM Revenues and Customs (HMRC), the new department created from the Inland Revenue and HM Customs and Excise, offers a free payroll cleansing service to help you correct invalid payroll numbers and highlight identity issues. Find out how to access the service by looking at the Help section of the NFI guidelines, or by contacting the HMRC on 01553 666888.

Requesting information from others

We've had a few queries about this, so to clarify... wherever possible, you should rely on NFI data being accurate at the date it was provided. If you need information from another organisation to follow up an NFI investigation, try to give them plenty of time to supply it. Finally, to help, send it marked 'private and confidential' with the NFI report number, description and the match unique ID (shown in the last field on the right).

| Removal outcome date | Appeal rights exhausted date | |
|----------------------|------------------------------|------------------------------------|
| 24/06/2004 | 25/05/2004 | Person has been removed |
| 13/06/2002 | 01/01/9999 | Person has been removed |
| 01/01/9999 | 12/01/2002 | Person has not been removed |

CD-ROM improvements

We've had great feedback on the new CD-ROM, including tips on how to make it even better. We'll be investigating these to see if we can include new features next time, like the option to change the colours used to prioritise reports and a global 'find' facility; useful when searching for a known individual or when responding to a request for information about someone appearing in a NFI report.

New matches and pilot projects

What's new for 2004/05

For the first time, we've included probation boards and passenger transport authorities in our data matching, providing more sources of information for housing benefit fraud relating to undeclared income. These employers will get details of members of staff committing fraud, and be able to test their own fraud and corruption arrangements.

A number of housing associations are also taking part in the NFI for the first time. Peter Yetzes will attend the Housing Association Internal Audit Forum on 5 July to discuss the results so far.

Pilots chalk up early success

Three pilot projects, on private residential care homes, blue badge parking permits, and creditors have chalked up early successes for participating authorities.

Care homes

The care homes pilot matched Department of Work and Pensions deceased records against people in private residential care. One council has identified more than £100,000 in payments to homes for residents who had

passed away. In one case, the police have launched an investigation and the authority is in the process of recovering its money.

Parking permits

A second pilot matched parking permits with deceased records. It uncovered a significant number of cases where new badges were issued after the death of the permit holder. In one area where the local authority is working closely with the police, six arrests have already been made and another 29 are pending.

Creditors

A pilot involving the collection of creditor standing and payments data, involving London, Merseyside and Greater Manchester Metropolitan Borough Councils has also gone well. Using Computer Assisted Auditing Techniques, we passed information on duplicate creditor and invoice references back to participants in April for them to review.

If you are taking part in the pilot you can manipulate the output yourself by opening the Access database file. Go to the NFI web page for more information. And don't forget, we'll need your feedback in September and December, using the form in the Help section of the CD-ROM. Email your completed form to nfiqueries@audit-commission.gov.uk or fax it to 01782 664051.

Following on from this work, we're now exploring creditors data mining. This exciting new area could potentially identify unusual patterns in the data, allowing us to analyse spending patterns and undeclared interests.

We're now looking at how we can roll out all these pilots more widely in future, for example, by making them core NFI datasets for local government and health.

Data update

Installation

If you don't have any matches in report 82, the NFI CD-ROM has probably not been installed correctly. Try re-installing it, making sure you select 'all of the above'. If you've been making notes in the user comment field, re-install the CD-ROM to a different directory. For more help, contact our technical helpline.

Fields not supplied

Some of you are not providing all the fields specified in the NFI handbook. We know there are a number of reasons for this – but the more fields you supply, the more effective the NFI exercise will be for your organisation. Over the next few months, we'll work with individual organisations to try to solve this problem. We're also planning to issue new dataset specifications at least nine months before the collection date in future, to give you more time to prepare.

If you're not sure how you are doing, take a look at the data quality report in the View section of the CD-ROM.

Housing benefits

For 2004/05, we collected housing benefit data from the Department of Work and Pensions. This not only reduced the burden on you, it also meant we could include 'income declared' fields for the first time on the CD-ROM. We know there have been some minor hiccups with the data – if you've had any problems, let us know.

Former tenant arrears written off

North Lincolnshire District Council has reported a problem with the Orchard system, which writes a debt to zero before it can be taken off the system. This meant it could only provide tenants' arrears data from April 2003 to October 2004, and some arrears were not picked up. If you use the Orchard system, bear this in mind. Meanwhile, North Lincolnshire is looking into the possibility of transferring data to a spreadsheet before writing off the debts.

Corrections

Unfortunately there were a couple of inaccurate submissions in the national distribution, affecting Preston City Council and City of Salford Council specifically. We've sent out a new CD-ROM to these two councils, so please ignore matches to their payroll data on the first CD-ROM. Preston and Salford will lead on any matches on the new CD-ROM. Please also ignore any matches to Southampton City Council data on former tenants' arrears and right to buy, as these data submissions were also flawed – they'll correct this next time.

Looking ahead

We're talking to the Council for Mortgage Lenders about the possibility of including information on mortgage applications, which could help identify housing benefit owner-occupier fraud.

Reporting results

It's very important that you send us the results of the 2004/05 exercise, not just so we can measure how we're doing, but also so we can incorporate your comments into our plans for the future.

You'll find the 2004/05 savings form (form 4) on the CD-ROM under Returns and Help. Make sure you use the right version of the form for your type of organisation. If you're not sure, check the guidelines, paragraph 186.

If you'd rather use a Word version of form 4, you'll find this in the NFI default directory that's been automatically installed on your computer from the CD-ROM, or visit the NFI web pages at:
www.audit-commission.gov.uk/nfi

In section 1, we only need a broad estimate of the savings you think you'll make – send us confirmed figures later, as soon as you have them. Any saving you made in 2002/03 but did not tell us about can be added to your 2004/05 report.

The next returns are due on 30 September and 31 December 2005

Even though not all of you will be able to report fully by December, this is when we need to start work on our national report. If you do report before December, please mark your submission 'final'. Don't forget, we're also looking for interesting case studies on high-value or unusual frauds, or those that demonstrate good practice to include in the national report or for possible press work.

Useful contacts and publications

There are new contact details for:

NHS Student Grants Unit

The new contact is:
Nick Roscoe at nroscoe@nhspa.gov.uk
Fax 01253 774676

Transport for London

The new address is:
Human Resources Services
26th Floor
Empress State
25 Lillie Road
London SW6 1YL
Telephone 020 7957 7822
Fax 020 7957 7772

National Insurance Tracing and Verification Service

The new address is:
CA6855 National Insurance Number Tracing
& Verification Service, BP1102
Benton Park View
Newcastle upon Tyne NE98 1ZZ
Telephone 084591 58582
Fax 084591 55036

You will need to fill in Form CA6855, which can be found on the HM Revenue and Customs webpage. Faxed requests will be accepted, but these will be dealt with in chronological order of receipt, along with postal requests.

Probation boards

Please contact a member of the NFI Team for the contacts at individual probation boards.

It's important you keep us up to date with any changes in your contact details. Go to www.audit-commission.gov.uk/nfi/form1.asp or email a revised Form 1 to nfiqueries@audit-commission.gov.uk. You can also fax your form to 01782 664051.

NFI web pages

The NFI web pages are a useful source of information. They include the latest news, important documents and an online version of NFI matters.

Visit us at www.audit-commission.gov.uk/nfi

Publications

Two publications you may find useful are:

The National Fraud Initiative 2002/03 – our last national report, available from our website or the publications hotline on 0800 502030.

Guidelines for Bodies Supplying Data – available from the NFI web pages or the 'help' section of the 2004/05 CD-ROM.

Contact the NFI Team

For general enquiries contact:

London and South

Peter Yetzes, NFI Appointed Auditor
Telephone: 01723 591350

Central

Yvonne Addison, NFI Coordinator
Telephone: 01785 276490 or
07909 933998

North and Wales

Darren Shillington, NFI Coordinator
Telephone: 01928 523629 or
07909 933961

Or, email us at:
nfiqueries@audit-commission.gov.uk

For technical enquiries contact:

Mark Sanders, Synectics Solutions
Telephone: 01782 664066

Or by email at:
nfi200405.technicalsupport@synectics-solutions.com

About the Audit Commission

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high quality local and national services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure that public services are good value for money.

For further information about the Audit Commission, visit our website at www.audit-commission.gov.uk

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