

NFI matters

An update on the Audit Commission's National Fraud Initiative



**New
matches
add to
record
savings**

Important changes to the National Fraud Initiative

Welcome to this special edition of **NFI matters** – the final issue of the 2004/05 exercise.

We'll be publishing a national report in May, bringing you the 2004/05 results in detail, as well as case studies and specific learning points. It's a hugely encouraging picture. Your combined efforts have once again led to record savings – more than £95 million so far, with many final returns still to come in.

In fact, since its launch in 1996, the National Fraud Initiative (NFI) has now saved more than a quarter of a billion pounds.

However, the main aim of this special edition is to tell you about some important changes to the NFI that you need to know about if you're to get the most out of the exercise in future.

Special edition

In 2004/05, we ran a series of pilots to test the benefit of adding specific new data matching areas to the NFI portfolio. These were payments to creditors, serial insurance claimants, abuse of blue badges and overpayments to care homes. These pilots have brought some great results, including a number of successful prosecutions as well as the recovery of overpayments.

Our work on creditors also revealed significant duplicate payments. So significant that we'll be making creditors data a mandatory data type for most audited bodies. And extending housing tenancy matches was rewarding too, especially in the area of right-to-buy fraud – look out for case studies on this in the national report.

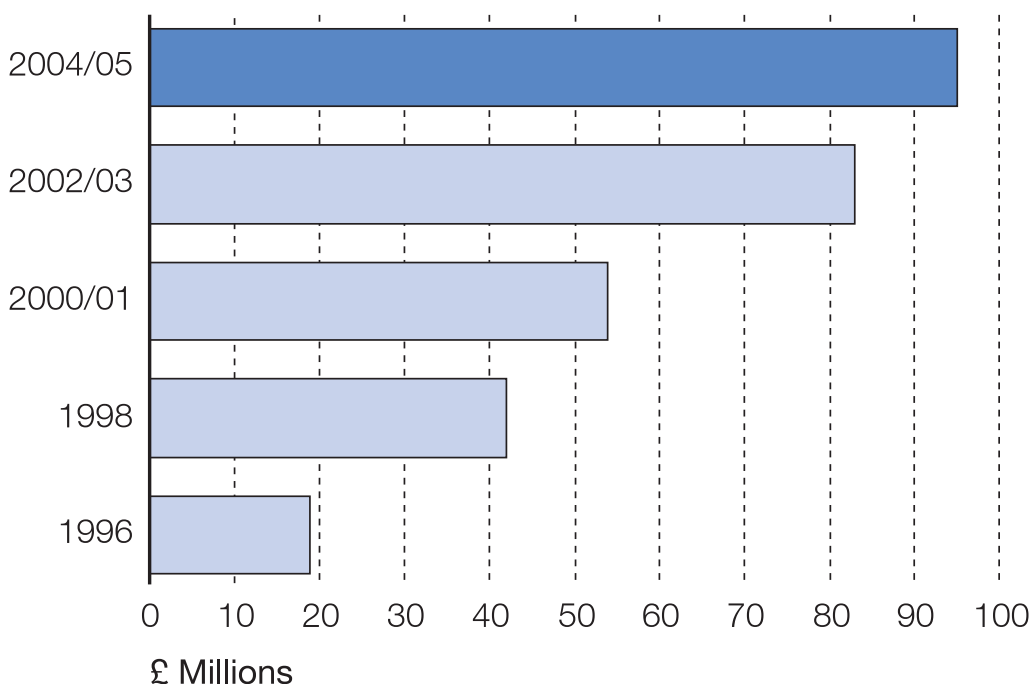
This issue of *NFI Matters* explains how we'll be putting our learning from 2004/05 into practice in 2006/07, along with the action you need to take now.

As the 2004/05 exercise draws to a close, I'd like to thank you for your work to investigate matches and report back on the outcomes. Looking ahead, we're working hard to improve the NFI process. Please take the time to read on, so your organisation can benefit from these improvements in 2006/07.

Peter Yetzes

NFI Appointed Auditor

Figure 1
NFI savings to date



What is the National Fraud Initiative?

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

In total 1500 organisations supply almost 3,500 sets of data in areas like housing benefit, payroll and occupational 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 £290 million in savings for the audited bodies taking part.

Creditors pilot

One of the pilots we ran as part of the 2004/05 exercise, looking at creditors standing and history data, brought such great results that we'll be rolling out data matching in this area for most audited bodies in 2006/07.

Key lessons from the pilot

The pilot tested a series of Computer Assisted Audit Techniques (CAATs) that the Audit Commission has used in other areas. The most successful of the CAATs were those identifying potential duplicate payments. Three councils taking part have already identified duplicate payments of £250,000, £202,000 and £56,000 respectively. Many others have identified smaller amounts, along with weaknesses in their systems and housekeeping issues.

Comparing local authorities

As well as the CAATs tests, we also compared creditors data across pilot authorities. The results showed huge variances in the number of creditors references held, as well as a large number of low value payments being made through the creditors system. This not only exposes authorities to fraud, it also increases costs.

Anti-corruption module

Good governance, openness and transparency are the key to preventing and detecting corruption, and the creditors pilot has helped us develop a new module for 2006/07 to support work in this area. The module will deal with data matches between creditors and payroll data, alongside information on directors from Companies House. The aim is to show if public sector employees or elected members have interests in companies trading with audited bodies. Auditors will then be able to make sure the register of interests is accurate, by checking if these interests have been disclosed.

What action should you take?

So what will the roll out of creditors data matching and the new anti-corruption module mean for your organisation?

From 2006/07, all local authorities and most NHS bodies (ie, excluding primary care trusts) will be required to provide creditors standing and history information as a mandatory part of the NFI exercise. The cost of handling this information will be included in the standard NFI fee.

‘Audited bodies need to start work now, to make sure they have the right systems and processes in place to collect and supply this new data.’

says NFI Appointed Auditor Peter Yetzes.

‘The better the quality of the information supplied, the better the results, so it’s important to be ready.’

Standard specifications for collecting creditors standing and history data are available now at www.audit-commission.gov.uk/nfi/dataspec

Risk-based areas pilot

As well as the creditors pilot, we also ran a series of pilots during 2004/05 on risk-based data matching. In particular, we looked at serial insurance claimants, blue badge parking permits and private home care residents.

Again, the results were so impressive that we’ll be making risk-based data matching in these areas available to all audited bodies in 2006/07, as well as re-instating some areas previously deleted.

Serial insurance claimants

This pilot matched information on insurance claimants from different local authorities (where the authority bore the cost of the claim) to identify individuals making duplicate claims.

The quality and consistency of the data supplied had an impact on this area. But where matches were followed up, fraudulent claims were uncovered, with one council identifying £20,000 in duplicate claims. And the matching helped refute several speculative claims from known serial claimants.

Finally, we matched claims payouts to housing benefit, to identify where a substantial payout was not declared as capital. In one case this match inadvertently highlighted an undeclared job, which was uncovered during an interview about an insurance pay out, resulting in the identification of a substantial housing benefit overpayment.

We’re now discussing with Zurich Municipal the possibility of them providing insurance claims data on behalf of local authorities in future. Zurich may also be able to provide further intelligence on known insurance fraudsters.

Blue badges

The blue badge pilot aimed to tackle known abuse of the scheme, which can lead to a significant loss of parking revenue for councils. As a result of the pilot over 5,000 blue badges have been cancelled.

Information on residents' parking permits and freedom passes was included for the first time, and has helped detect fraud, with several successful prosecutions. The pilot also revealed that in London, blue badges are being used fraudulently to avoid the congestion charge – Transport for London is now investigating these cases. The worst example involved a blue badge that was reissued after the holder had died, and was subsequently used more than 450 times to avoid the congestion charge.

Finally the pilot showed that authorities are being charged for freedom passes for deceased persons.

By exposing and tackling these problems, councils can significantly reduce the fraudulent use of travel badges and passes, and cut spending. Over the next few months, we'll be looking at ways to help all audited bodies take advantage of the pilot's findings.

Private care home residents

This pilot matched elderly residents in private care with the Department for Work and Pensions' records of deceased persons – a known risk area.

The exercise identified a number of incidents where a death had not been reported and payments were continuing. One authority alone identified around £103,000 in overpayments.



For councils with large numbers of elderly residents in private care this data match can bring huge benefits, quickly identifying any overpayments. Best of all, the data specification is straightforward, so the information should be easy to extract.

We also undertook a similar pilot in the NHS, looking at continuing care payments, and will make this available to relevant NHS bodies in 2006/07.

Re-introduction of suspended data matches

Many of you have asked us to re-instate data matching between housing benefit and market traders, childminders, door security and taxi drivers. As a result, we'll be offering these in 2006/07, as part of the new risk-based areas.

What action should you take?

If your organisation is interested in the new risk-based areas there are two key requirements for taking part in 2006/07:

- You must have, or be able to get, reasonable quality data.

- You should assess if you are at risk in these areas. Your external auditor will be able to help you determine this.

There will be a nominal charge for this work (Figure 2).

With the 2004/05 NFI exercise now complete, it's time to start thinking about how your organisation could benefit even more from the next one.

Figure 2

Summary of additional charges for 2006/07

Risk-based area	Charge
Insurance claimants ^I	£250 + VAT
Blue badge parking permits	£250 + VAT
Private care home residents	£250 + VAT
Child minders	£250 + VAT
Market traders, door security, taxi drivers ^{II}	£250 + VAT
Creditors standing and history (where not mandatory)	£250 + VAT

Finally a reminder...

NFI 2004/05 data destruction

Please don't forget that organisations participating in NFI 2004/05 have a responsibility not to retain the NFI material longer than necessary. Therefore, once your work on NFI 2004/05 is complete you should destroy all material no longer required. Key information should be held in line with your organisation's retention policy.

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- I Data matching will only be undertaken where a significant number of councils in a locality submit their claims data.
 - II You can supply information in one, two or all three of these areas, however it must be supplied as a single dataset.

Contact the NFI team

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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 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 ensure that public services are good value for money and that public money is properly spent.

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

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