

The National Fraud Initiative in Wales 2018-20

Report of the Auditor General for Wales

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Key messages

Since we last reported on the NFI in Wales in October 2018, outcomes valued at £8 million have been recorded. The cumulative outcomes from the NFI in Wales since 1996 are now £42.9 million. Across the UK, the cumulative total of NFI outcomes are now £1.93 billion.

NFI outcomes in Wales have increased by £2.7 million to £8 million in the 2018-20 exercise. This increase was due to local authorities becoming more proactive in cancelling ineligible claims for Council Tax Single Persons Discount.

Data sharing enables matches to be made between bodies and across national borders. Data submitted by Welsh bodies for the 2018-2020 NFI exercise helped other organisations in other parts of the UK to identify 94 cases of fraud and error with outcomes of £125,000.

Whilst the majority of Welsh NFI participants display a strong commitment to counter fraud and the NFI, as reported in my recent report on counter-fraud arrangements across Wales, some bodies do not demonstrate a commitment to address fraud and do not ensure that sufficient, skilled staff resource is in place to investigate matches, prevent frauds and correct errors.

The COVID-19 pandemic has brought significant challenges across the public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud has increased as organisations become stretched and controls and governance are changing.

Recommendations

- All participants in the NFI exercise should ensure that they maximise the benefits of their participation. They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.
- Where local auditors have identified specific areas where improvements could be made, the public bodies should act on these as soon as possible.
- Audit committees, or equivalent, and officers leading the NFI should review the NFI self-appraisal checklist. This will ensure they are fully informed of their organisation's planning and progress in the 2020-22 NFI exercise.
- All participants should be aware of emerging fraud risks e.g. due to COVID-19, and take appropriate preventative and detective action.

Outcomes

National Fraud Initiative Outcomes

The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The NFI uses data sharing and matching to help confirm that services are provided to the correct people.

An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents.

The NFI recorded outcomes of £8 million in 2018-20.

- NFI outcomes cumulatively in the UK since 2006: £1.93 billion
- NFI outcomes cumulatively in Wales since 2006: £42.9 million
- NFI outcomes across UK from the 2018-20 exercise: £244.7 million
- NFI outcomes in Wales from the 2018-20 exercise: £8 million

Trends in outcomes

Outcomes in Wales have increased by £2.7 million to £8 million in the 2018-20 exercise. This was despite the fact that immigration data was not included in the 2018-20 exercise due to restrictions placed on it by the Home Office following the review into the treatment of the Windrush generation. The increase in outcomes is due to several Welsh local authorities becoming more proactive in reviewing matches between Council Tax Single Persons Discount and the electoral register.

Having fewer matches provides some assurance there do not appear to be significant problems in the areas covered by the exercise. However, participants still benefit from the deterrent effect the NFI creates.

How the latest outcomes compare to the last exercise

NFI outcomes in Wales have **increased** by **£2.7 million** to **£8.0 million** in the 2018-20 exercise.

The areas with significant changes are:

- housing benefit - an increase of £0.5 million
- pensions - a reduction in outcomes of £0.6 million
- council tax discounts - an increase of £3.1 million
- blue badges - an increase of £0.3 million

- other – a reduction in outcomes of 0.75 million. This was mainly due to the cancellation and reissue of all concessionary travel passes in Wales which removed the need to review matches between concessionary travel passes and deceased persons

Seven areas generated almost 98% of outcomes

The areas which generated the most outcomes from the current exercise are as follows:

Catagory	£	Cases
Council tax discount	£4.6m	3939
Blue badges	£1.4m	2354
Housing benefit	£1.2m	179
Pensions	£0.3m	10
Waiting lists	£0.2m	74
Residential care homes	£0.2m	11
Council tax reduction scheme	£0.1m	11

Once overpayments have been identified, public bodies can take appropriate action to recover the money. As at 31 March 2020, 83% of overpayments had been recovered or were in the process of being recovered.

Results

Council tax discounts

People living on their own, or with no countable adults in the same household, are eligible for a 25 per cent single person discount (SPD) on their annual council tax bill.

Council tax SPD data is matched to electoral register data to help find where people who are receiving the discount, but are not the only countable adult at their residence.

The 2018-20 NFI exercise found incorrectly awarded council tax discount totalling £4.6 million across Welsh councils. This is an average outcome of £1,003 for each case (£998 per case in the 2016-18 NFI). Review of the NFI matched led to the cancellation of 3,939 SPD claims.

The increase in outcomes is mainly due to local authorities becoming more proactive in investigating the matches.

Case Study: Council tax single persons discounts

Vale of Glamorgan Council

The Council has a proactive and comprehensive approach to reviewing NFI Council Tax discount matches. All matches are reviewed at the earliest opportunity. New matches are checked against NFI matches from previous exercises to eliminate cases dealt with before the new matches were released. All remaining matches are then reviewed against the Council's internal systems to try and establish current the household status of the claimant. Where no mitigating household circumstances are identified on the Council's systems, letters are sent to claimants asking them to provide evidence of entitlement. As a result of this action in NFI 2018-20 the Council has so far cancelled 175 claims and identified recoverable overpayments of £112,523. The Council is currently investigating a further 400 cases.

Pensions

The NFI provides councils that administer pensions an efficient and effective way of checking that they are only paying people who are alive.

The exercise found 10 instances where pensions had read in payment after pensioners had died.

In total, pensions' outcomes for the 2018-20 NFI are £0.26 million. This equates to an average outcome of £26,000 per case.

This is a reduction of £0.59 million from the 2016-18 NFI exercise.

Pension outcomes have fallen due to the 'tell us once' reporting process having become more embedded over the last two years.

Pensions outcomes across the UK have fallen by 59 per cent from £136.9 million in 2016-18 to £55.5 million in 2018-20.

Case Study: Pensions

Cardiff Council

The Council proactively reviewed matches between pensions in payment and deceased persons. One match indicated that a pension scheme member had passed away during November 2016. Examination of Council records established that the recipient had moved away from the Council area before their death. The investigator confirmed the date of death of the pension scheme member and that £8,504 had been paid into the scheme member's bank account since the date of death. The investigator identified an individual who had Power of Attorney. The Council carried out home visits and sent letters to the individual who had Power of Attorney to establish the circumstances that resulted in the overpayment. The individual did not respond. The investigator contacted the late pension member's bank, and established that the pension payments had not been withdrawn from the scheme member's account. The Council is in the process of recovering the overpayment.

Housing benefits

The NFI provides councils and the Department for Work and Pensions (DWP) with the opportunity to identify a wide range of benefit frauds and errors.

Housing benefit data is matched to student loans, payroll, pensions, housing benefits, housing tenants, licences, deceased person and Amberhill data to help identify ineligible claims.

The value and number of housing benefit cases recorded with overpayments has risen from £0.6 million (169 cases) in the 2016-18 NFI to £1.2 million (179 cases) in the 2018-20 NFI.

Although the number of benefit cases has only increased slightly, the average value of overpayments in each case has increased from £3,781 in the 2016-18 NFI exercise to £6,496 in 2018-20.

Case Study: Housing benefits

Carmarthenshire County Council

Carmarthenshire County Council recognises the importance of NFI in protecting the public purse against fraud risks and uses NFI to assist in the detection and prevention of fraud. The 2018-20 exercise identified 138 Housing Benefits to student loan matches. The Council initially considered only checking matches marked as high risk matches, but based on positive results in previous years felt it beneficial to extend the checking process beyond the high risk cases. Review of the matches led to 12 fraud investigations, where it was established that the benefit claimants had failed to declare that they were in receipt of student finance/loans. These cases generated overpayments of benefits in excess of £34,000. The Council has recovered the overpayments, or is in the process of recovery through deductions from ongoing benefit payments.

Blue badges

The blue badge parking scheme allows people with mobility problems to park for free at on-street parking meters, in 'pay and display' bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances.

Blue badge data is matched to deceased persons and Amberhill data.

Badges are sometimes used or renewed improperly by people after the badge holder has died. It is an offence for an unauthorised person to use a blue badge.

NFI 2018-20 resulted in the cancellation of 2,354 blue badges in Wales. The number of badges cancelled has increased in each NFI exercise since NFI 2012-14.

Housing waiting lists

The aim of the NFI using housing waiting list data is to identify possible cases of waiting list fraud. This happens when an individual has registered on the waiting list but there are possible undisclosed changes in circumstances or false information has been provided. This was a new data set for the 2016-18 NFI exercise.

Housing waiting list data is matched to waiting list, housing benefit, housing tenants, deceased persons and Amberhill data.

Councils identified 74 cases where applicants were removed from waiting lists.

The estimated value of these cases is £0.24 million based on a calculation of the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property.

Creditors

The NFI provides an efficient way to check for duplicate payments and that payments are only made to appropriate creditors.

Creditor data is matched to creditor and payroll data.

NFI 2018-20 has resulted in 53 creditor outcomes of £0.1 million compared to 61 outcomes worth £0.2 million in 2016-18. Recovery action is taking place for 100% of these overpayments.

Creditor outcomes have reduced over NFI exercises as participating bodies have improved their internal system controls.

Payments to residential care homes

The NFI identifies cases where a care home resident has died, but the local authority may not have been notified and so continue to make payments.

Residential care home data is matched to deceased persons and Amberhill data. Councils have identified 11 cases of overpayments valued at £0.16 million to care providers for people who have died.

The average value of each case was £14,545.

93% of the overpayments have or are being recovered.

Council tax reduction

Council tax reduction helps those on low incomes to pay their council tax bills.

The NFI provides councils with the opportunity to identify a range of council tax reduction frauds and errors.

Council tax reduction data is matched to council tax reduction, payroll, pensions payroll, housing benefits, housing tenants, licences, deceased persons and Amberhill data.

The 2016-18 NFI was the first time council tax reduction data sets were included within the NFI.

Outcomes of £0.13 million were identified in the 2018/20 NFI and claims for council tax reduction were amended or cancelled in 90 cases.

The average value of each case was £1,457 compared to £1,887 in NFI 2016-18 suggesting that fraud and error is being identified earlier.

COVID-19

Fraud risks associated with COVID-19

The COVID-19 pandemic has brought significant challenges across the public sector as bodies seek to continue to deliver services for individuals, communities and businesses in an extremely difficult time. This includes additional fraud risks that will be important for public bodies to identify and manage.

Good governance and sound controls are essential in such crisis situations.

The risks include, but are not limited to:

- government stimulus packages to support individuals and businesses being provided quickly with a lower level of scrutiny and due diligence than has previously been in place for similar schemes
- an increase in cyber-crime as more public sector staff connect remotely
- an increase in phishing emails and scams trying to tempt staff working under pressure to click on links which allow fraudsters access to public sector systems
- public sector staff working under extreme pressure
- public sector staff working remotely

Many public sector bodies have been working together in order to try to address these risks through data matching and sharing information. Additional assurance activity is also planned by many public sector bodies once the COVID-19 crisis is over.

The Auditor General has been working with the Cabinet Office in order to promote the use of data matching as a means of preventing COVID-19 related fraud.

Facilities to allow councils to carry out additional checks on bank accounts and company status in relation to business support grants have been rolled out to Welsh NFI participants.

Process

Matches benefiting other public bodies

One key benefit of a UK wide data matching exercise is that it enables matches to be made between bodies and across national borders. Data provided by Welsh participants for the 2018-20 NFI exercise helped other public bodies outside Wales identify outcomes worth almost £125,000.

Sector of source data	£	number of outcomes
Local authorities	99,552	76
NHS	24,538	17
Fire	898	1
Total	124,989	94

Most of these outcomes relate to housing benefits, housing waiting list and council tax reductions where, for example, payroll data from a health board may allow a council to identify a housing benefit overpayment.

For those public bodies taking part in the NFI which may not always identify significant outcomes from their own matches, it is important to appreciate that other bodies and sectors may do so.

How bodies work with the NFI

The success of NFI is dependent on the proactivity and effectiveness of participant bodies in investigating the data matches.

Most participating Welsh public bodies managed their roles in the 2018-20 NFI exercise well.

However, some bodies could be far more pro-active in their approach to the NFI. In particular some local authorities reviewed very few of the matches they received, and as a consequence did not do sufficient work to address potential frauds. This was due to a failure to allocate adequate skilled counter-fraud resource to investigate the NFI matches.

We recommend that all bodies use our checklist to self-appraise their involvement in the NFI before and during the **2020-22 NFI exercise**.

Future developments

- The COVID-19 pandemic and the resulting emergency support packages put in place have led to a greater risk of fraud. The Auditor General has been working with the Cabinet Office to identify, develop and promote data matching facilities to help address some of this increased fraud risk. Work will continue in this area into the 2020-22 NFI exercise.
- The Auditor General has mandated that Welsh local authorities submit data on COVID-19 business support grants to NFI 2020-22 for data-matching to address fraud in this area.
- The 2020-22 NFI is now underway. Data sets have been reviewed following a period of consultation and NFI participants are starting to submit data for matching.
- The Auditor General continues to work with the Cabinet Office in developing new ways to prevent and detect fraud.
- The Auditor General continues to work with the Welsh Government in promoting and enhancing participation in the NFI across Wales.

Appendix 1 – Background to the NFI

The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Auditor General, Cabinet Office, Audit Scotland and the Northern Ireland Audit Office lead the exercise in Wales, England, Scotland and Northern Ireland respectively. The NFI takes place biennially and enables public bodies to use computer data matching techniques to detect fraud and error.

The main purpose of the NFI is to ensure funds and services are provided to the correct people, but NFI can also identify individuals entitled to additional services or payments e.g. housing benefit matches may identify customers entitled to council tax discount or reduction.

We carry out the NFI process under powers in the Public Audit (Wales) Act 2004. It is important for all parties involved that this exercise is properly controlled and data handled in accordance with the law. The Auditor General's Code of Data Matching Practice summarises the key legislation and controls governing the NFI data matching exercise is available from the Audit Wales website.



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