

# The National Fraud Initiative 2008/09

Summary of our national report published in May 2010



**The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.**

**Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.**

**As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.**

## Summary

### **Fraud is a serious and growing problem for the nation.**

- Fraud costs the UK £30 billion each year according to the National Fraud Authority.
- Tackling fraud should be a top priority for all organisations.

### **The Audit Commission runs the National Fraud Initiative (NFI) to help detect fraud, overpayments and error.**

- The NFI is a data matching exercise, using sophisticated computer techniques, which matches data within and between organisations.
- Our latest exercise in 2008/09 processed 8,000 datasets from 1,300 organisations.

### **The NFI 2008/09 found record levels of fraud, overpayments and error.**

- Data matching identified fraud, overpayments and error of £215 million across the UK, up 54 per cent from our previous exercise in 2006/07.
- This means that since its launch in 1996, the NFI matches have enabled the detection of fraud, overpayments and error totalling £664 million (Figure 1).<sup>i</sup>
- The Commission's exercise in England identified £183 million of fraud, overpayments and error. This comprises £90 million of savings already delivered as recorded by participating bodies and estimated savings of £93 million.

<sup>i</sup> The figures used throughout this report for fraud detections, overpayments and recoveries include both already delivered and estimated outcomes. Estimates are included where it is reasonable to assume that fraud, overpayments and error would have continued undetected without NFI data matching. A more detailed explanation is included at Appendix 2.

- The NFI helped to uncover pension frauds and overpayments amounting to £78 million, and £56 million of council tax single person discount that was fraudulently or wrongfully received.

**The NFI 2008/09 produced other successful outcomes.**

- 181 employees were dismissed or asked to resign because they had no right to work in the UK.
- 269 people were prosecuted.
- 21,534 concessionary travel permits and 16,535 blue badges were cancelled.
- 97 properties were recovered for social housing.

**Most organisations taking part in the NFI perform well but some are not doing enough.**

- The £215 million of fraud, overpayments and errors detected reflects well on the efforts of most public bodies and other participants in the NFI 2008/09, who followed up effectively their data matches.
- The NFI is regarded as a periodic exercise, and is not linked to routine corporate counter-fraud arrangements.
- Elected members, non-executives and senior management are often unaware of the NFI.
- A small number of organisations had significant failings in the way they managed the NFI, for example, not submitting the data required or failing to follow up council tax matches effectively.

**Changes to the law in 2007, which allowed the NFI to extend to other organisations, have had success.**

- Local public bodies in Northern Ireland, Scotland<sup>i</sup> and Wales took part in the NFI 2008/09 on an extended basis and found frauds and overpayments of over £31 million (Figure 2).
- Almost 100 private sector companies and pension schemes are reaping the rewards of joining the NFI.

**The recommendations of the previous government's *Fraud Review* in 2006 have not been implemented effectively.**

- No government department, and only one government agency, took part in the NFI 2008/09.
- The previous government did not introduce the necessary Orders to extend the NFI to areas other than fraud, as provided for by the Serious Crime Act 2007.

<sup>i</sup> Audit Scotland did not benefit from the changes to the law in 2007. Although Scottish public bodies continued to participate as part of statutory audits there were additional restrictions on how the data could be used, for example, no cross-border matching was permitted.

Figure 1: **Savings identified by the NFI as reported to the Audit Commission by participants**



Source: Audit Commission 2010

# Recommendations

## Local government should:

- ensure that all data sets are submitted to the Commission on time;
- prioritise data matches and follow them up promptly and rigorously;
- promote awareness of the NFI among senior management and outside the finance directorate;
- engage elected members and non-executives more effectively in the NFI, for example, by nominating a lead member and through regular reporting;
- ensure that the NFI is integral to the overall corporate arrangements put in place for tackling fraud;
- improve their expertise when investigating immigration fraud to bring cases to a successful conclusion;
- recover previous years' discounts when council tax single person discount has been wrongly awarded; and
- improve communications between different departments, so that information about deceased persons is passed promptly to all those having contact with local residents.

## Pension funds should:

- prioritise and investigate promptly those data matches where pensions appear to be paid to deceased persons.

## The UK Border Agency should:

- share its expertise with councils and other organisations in helping them to tackle immigration fraud.

## The government should:

- exercise the existing statutory power to require government departments and their arm's-length bodies to take part in the NFI; and
- lay the Order to extend the NFI to areas other than fraud such as arrears recovery.

**Housing associations should:**

- take part in future NFI exercises to show their commitment to fighting fraud.

**The Tenants Services Authority should:**

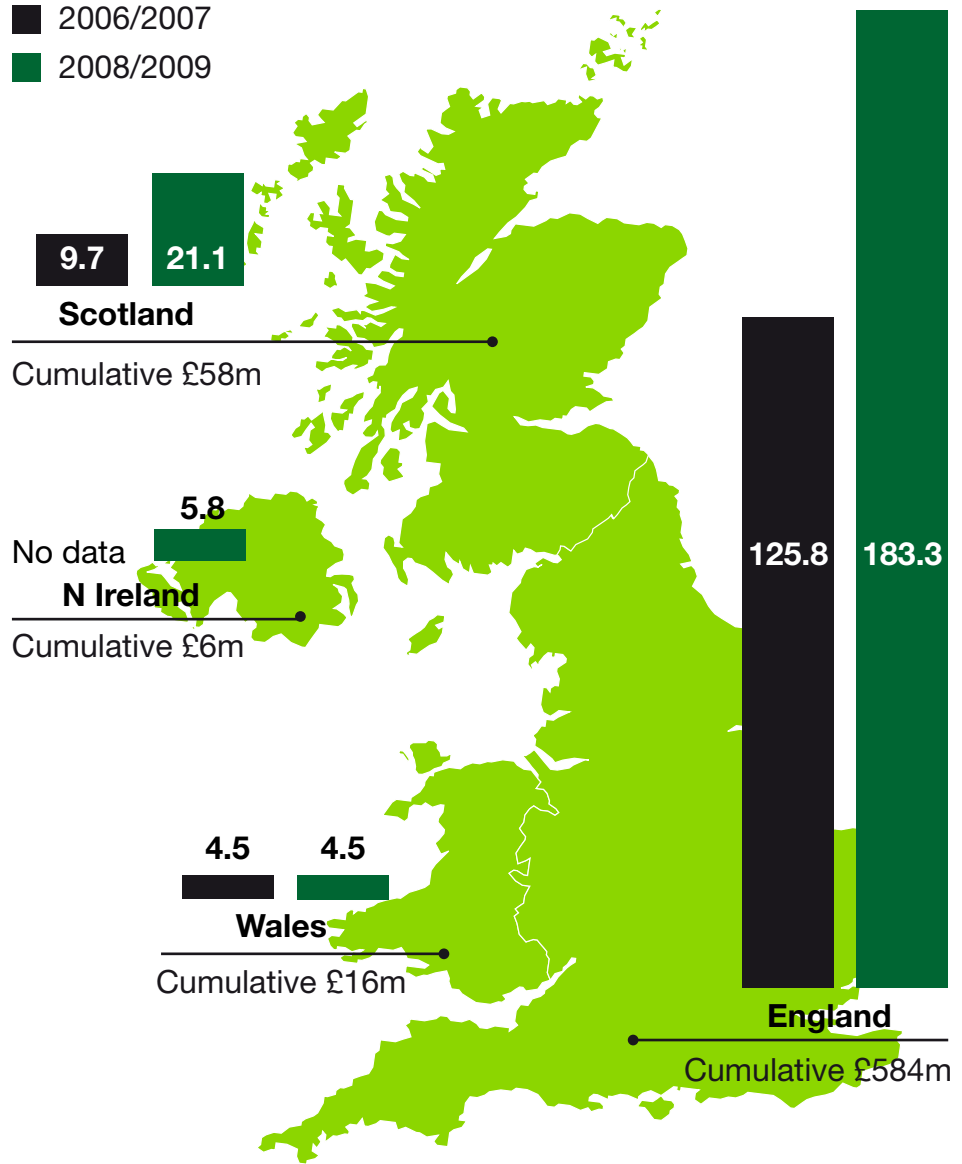
- continue to encourage all housing associations to take part in the NFI.

**The Audit Commission will develop the NFI by:**

- addressing new and emerging fraud risks, such as false claims for empty property discounts, abuse of blue badges (multiple badges) and incorrectly enhanced injury pension payments to retired police officers and firefighters;
- involving a wider range and larger number of organisations in future exercises; and
- placing greater emphasis on fraud prevention, such as including housing waiting list data to prevent persons not entitled to social housing from obtaining a tenancy.



Figure 2: **Successfully detected fraud, overpayments and errors (£m)**  
 Cumulative total over period of NFI (1996-2010) £664m



Source: Audit Commission 2010

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We welcome your feedback. If you have any comments on this report, are intending to implement any of the recommendations, or are planning to follow up any of the case studies, please email:

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