

# Match Winner

## Report of the 2000 National Fraud Initiative

**More than 600 councils and other public bodies contributed to the detection of over £50 million of fraud and overpayments in the Audit Commission's National Fraud Initiative (NFI) 2000**

- the NFI has become the UK's premier public sector fraud detection and deterrent exercise through collaboration with Audit Scotland and the Northern Ireland Audit Office
- the value of detected fraud and overpayments detected rose from £41 million in NFI\_98 to £50 million in NFI\_2000 – an increase of 22 per cent
- the 600 organisations that took part in the exercise included local councils, police and fire authorities, pension agencies, the NHS and central government bodies

**The majority of fraud detected relates to housing benefits and occupational pensions...**

- benefit fraud detected during the NFI\_2000 was £24 million, up from £15 million detected during the NFI\_1998 – an increase of 60 per cent
- individual cases of benefit fraud involved overpayments of up to £83,000
- more than 1,000 cases were detected where occupational pensions were still in payment after the death of the pensioner



**...while other areas of fraud detected by the NFI\_2000 include...**

- tenancy frauds revealed by the introduction of rent data and leading to the recovery of a number of properties for re-letting to genuine applicants
- pension abatement cases of up to £30,000, where pensioners had withheld their re-employment information from their pension schemes

**Most councils make good use of the information generated by the NFI, but a small number could get more out of the process**

- some councils could improve their results by submitting better quality data, prioritising their investigations more carefully and using the guidelines provided

**The NFI will continue to identify new areas for data matching, and ensure that best use is made of the match types already being provided**

- successful pilot exercises in Scotland and Northern Ireland will be extended
- NHS payrolls will be introduced on a national basis
- more pension funds from the public and private sectors will be introduced
- ways to tackle landlord fraud are being explored
- closer links will be forged with the Department for Work and Pensions to help to ensure that income support cases are investigated

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## The background

*The results of these investigations have meant that since 1996 more than £110 million of fraud and overpayments have been detected.*

1. The Audit Commission's National Fraud Initiative (NFI) has become the UK's premier public sector fraud detection and deterrence exercise through collaboration with Audit Scotland and the Northern Ireland Audit Office. The NFI uses advanced data-matching techniques, and successive exercises since 1996 have seen the introduction of many new areas of data and widespread participation throughout local and central government. More than 600 bodies took part in NFI\_2000, contributing data from over 1,500 systems as diverse as those relating to housing benefits, payroll, pensions, asylum seekers and housing rents.
2. The NFI forms part of the statutory external audit process at councils, police and fire authorities in England and Wales. Audited bodies and other participating organisations supply data for cross matching between systems to identify instances where a fraud may be occurring, for example, someone claiming housing benefit and receiving a salary or pension which precludes any entitlement to benefit. These matches are returned to local authorities, health bodies and other public sector organisations for investigation. The results of these investigations have meant that since 1996 more than £110 million of fraud and overpayments have been detected, including £50 million in NFI\_2000.
3. The use of data for NFI purposes is governed by strict protocols that have been developed after consultation with the Information Commissioner to ensure compliance with data protection and human rights legislation. The Audit Commission's *Code of Data Matching Practice*, first issued in 1997, continues to be revised and a new version should be in place for the next exercise beginning in October 2002.
4. *Match Winner* looks at:
  - the value and types of fraud detected, and other benefits and savings from NFI\_2000;
  - ways to improve the effectiveness of anti-fraud data matching at local and national levels; and
  - new developments for NFI\_2002.
5. As in previous years, NFI\_2000 was part of the statutory external audit of councils, police and fire authorities in England and Wales. The continuing success of anti-fraud data matching relies on introducing new data sources. For NFI\_2000 these new sources included housing rents, private sector pension schemes, some NHS payrolls and data from public sector bodies in Scotland and Northern Ireland. The Commission also received data from the Cabinet Office, the Home Office, the Department for Work and Pensions, and the Department for Education and Skills. The total number of participating organisations was in excess of 600.
6. The Audit Commission tracks the results of investigations by participating organisations into the data matches. So far, the reported level of fraud and overpayments recovered as a result of NFI\_2000 is £50 million, including £24 million of benefit fraud and £24 million of occupational pension fraud.

## Results of the National Fraud Initiative 2000

7. NFI\_2000 also detected cases of tenancy fraud for the first time through the introduction of local authority rent records into the NFI. As a result of these matches a number of properties have been recovered and made available to genuine applicants for council housing. In addition, as in previous years, there were more than 1,000 cases of pension fraud where occupational pensioners have died but the pension was still being paid. The data supplied by pension schemes has also yielded thousands of cases of housing benefit fraud where occupational pensions have not been declared.

8. Each type of data match is designed to detect a specific type of fraud or error. The Commission provided participants with matched results for their organisation on a CD-ROM, along with detailed guidance to assist in the interpretation and investigation of matches.

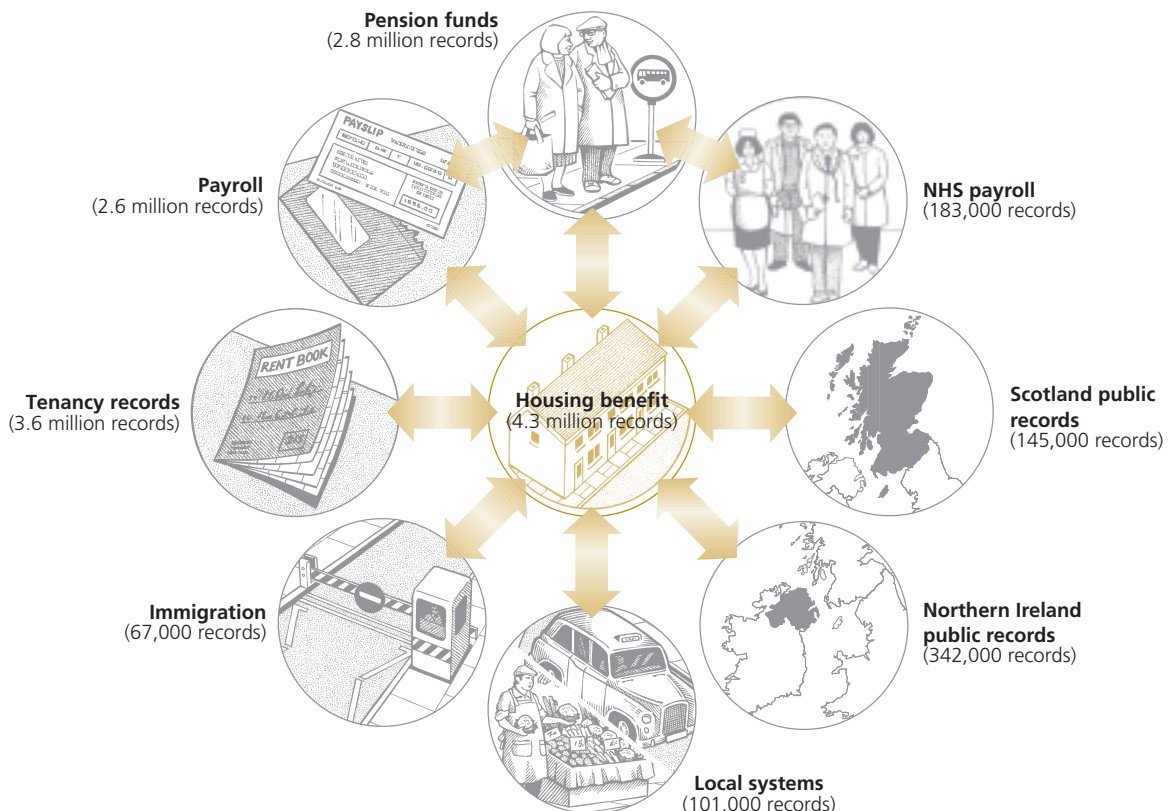
### Housing benefit frauds

9. The detection of housing benefit fraud and error is the primary target for the NFI, and each exercise seeks to add new ways to help authorities to achieve this aim. Two particularly successful new data sources included in NFI\_2000 were NHS payrolls – which were used as a pilot exercise – and selected private sector pensions data, which were used to supplement the existing public sector pensions data. The full range of data matched to housing benefit is shown below [EXHIBIT 1]:

EXHIBIT 1

**The range of public sector data sources against which housing benefit was matched**

Over 14 million records were used in NFI\_2000



Source: Audit Commission

## Housing benefit to payroll matches

**10.** The NFI continues to provide local authorities with housing benefit matches to both their own and other authorities' payrolls. Many authorities pay particular attention to the matches of their own staff to benefit payments, as this helps to ensure that the highest standards of probity are maintained among their own employees.

**11.** The results from the NHS payroll pilot exercise achieved by one authority alone indicate that wider application would be worthwhile [TABLE 1 and CASE STUDY 1].

**TABLE 1**

### The NFI results of matching housing benefit data to NHS payroll data

The London Borough of Greenwich achieved significant success by investigating matches between NHS payrolls and housing benefit claims. The overpayments of benefit identified included a number of high value cases, and involved a wide range of NHS staff. Several prosecutions will result from the false information provided by the claimants. Examples include;

Doctor	£49,000 overpayment – 18 months suspended sentence
Finance Assistant	£48,000 overpayment – prosecution pending
Staff Nurse	£3,000 overpayment – prosecution pending
Careworker	£83,000 overpayment – prosecution pending
Clerical Assistant	£7,000 overpayment – prosecution pending

### CASE STUDY 1

#### Non-declaration of NHS pay when claiming housing benefit

A tenant of Westminster City Council claimed housing and incapacity benefit as well as income support while employed full-time as a driver for an NHS Trust. An NFI\_2000 match between Westminster's housing benefit records and NHS payrolls identified the fraud. The total amount fraudulently overpaid was £27,000. Following an interview under caution, the claimant has disappeared and abandoned his council flat, which the council are now recovering. A prosecution for the fraudulent benefit claims is pending.

*Source: Audit Commission research*

*A considerable number of cases emerged where pensions were being paid after the pensioner had died, sometimes for significant periods of time.*

## Housing benefit to pension matches

**12.** Matching pension income to housing benefit claims enables authorities to identify claimants who have not declared all of their income. NFI\_2000 revealed many examples of this, a significant proportion of which were detected using the private sector pensions data that was included for the first time [CASE STUDY 2].

### CASE STUDY 2

#### Non-declaration of pension when claiming housing benefit

Southampton City Council identified more than 40 cases where claimants had not declared their pensions when making their claim. The Council worked closely with the Department of Work and Pensions to resolve the irregularities, and action is being taken to recover the overpaid income support, council tax benefit and housing benefit, which totals more than £150,000. The Council is also examining ways to help to ensure that pensions are declared at the time that claims are submitted, in order to prevent fraud and error at the outset.

*Source: Audit Commission research*

## Pension frauds

**13.** The identification of fraudulent and erroneous occupational pension payments is a key component of the NFI, accounting for 48 per cent of the fraud and error detected. The value of submitting pensions data to automate the life certificate process has become extremely well known within the pensions sector and many public and private sector schemes are now regular participants. This means that pensions authorities no longer need to spend valuable staff time on the relatively unreliable and cumbersome manual life certification process for UK residents, as the NFI does the job for them.

## Deceased pensioners

**14.** As in previous NFI exercises, a considerable number of cases emerged where pensions were being paid after the pensioner had died, sometimes for significant periods of time. The NFI identifies such cases by comparing pension data against the definitive list of deceased persons provided by the Department for Work and Pensions. This means that fraudulently claimed and erroneous payments can be stopped quickly and action taken, where appropriate, to recover monies already paid but not due [CASE STUDY 3].

**CASE STUDY 3****Pensions paid to deceased pensioners**

Wirral Metropolitan Borough Council identified overpayments of £157,000 made in respect of 30 deceased pensioners. In one case, the overpayment was £42,000. A number of prosecutions are being pursued, and recovery action is underway.

*Source: Audit Commission research*

**Pension abatements**

**15.** A significant development emerging from NFI\_2000 is the number of pension abatement cases. The number of early retirees from local government has increased in recent years and NFI\_2000 enabled pensions authorities to identify retirees who had rejoined local government bodies, and so an abatement of their pension may be required. In some cases, the abatement due has been considerable [CASE STUDIES 4, 5 and 6]. The Audit Commission is concerned that a number of authorities appear not to have investigated these match types.

**CASE STUDY 4****Pension abatements resulting from NFI**

North Tyneside Metropolitan Borough Council identified that £40,000 of abatement of pension was due from an individual who had returned to work for a neighbouring authority three years earlier. Recovery procedures are underway to reclaim the money that was inappropriately paid. Failure to declare the income to North Tyneside had not been revealed by the NFI\_1998 exercise because the employing authority had not provided its payroll data; this case illustrates the consequences of not doing so.

*Source: Audit Commission research*

**CASE STUDY 5****Pension abatements resulting from NFI**

South Yorkshire Pension Agency identified two abatements with a total value of £60,000. Appropriate action is now being taken to recover the overpayments.

*Source: Audit Commission research*

**CASE STUDY 6****Pension abatements resulting from NFI**

Bedfordshire County Council identified three abatement cases totaling £43,000. The largest individual case of £26,000 involved a pensioner who had returned to work for several different authorities without ever declaring his local government pensioner status.

*Source: Audit Commission research*

## Housing tenancy frauds

**16.** As part of NFI\_98 a small but highly successful pilot data match on housing rents was introduced. The pilot showed the potential for detecting tenancy fraud and further examples of housing benefit fraud. Consequently, rents data was included as one of the core elements of the NFI\_2000. This new data source has already achieved some spectacular results, including the recovery of a number of properties for reletting to genuine applicants.

**17.** Matching housing rents data between authorities has highlighted cases where tenants have more than one tenancy. In such instances it is not unusual for housing benefit to be claimed by the tenant at both addresses. In addition, by matching housing rents to housing benefits (other than at the same address) numerous cases of council tenants claiming benefits from other addresses in the private sector have been discovered.

**18.** Tenancy fraud, which can happen when applicants claim that they are homeless when they are not, or if they misrepresent family circumstances, deprives genuine applicants of council housing. This can leave families in expensive and often unsuitable temporary accommodation while fraudsters either enjoy the use of two properties or sublet at a profit. Tenancy fraud has also occurred through the unauthorised letting of void properties by local authority staff.

**19.** Obtaining fraudulent tenancies can also lead to spectacular gains for fraudsters from the right to buy scheme that offers discounts of up to £38,000 for tenants. The subsequent sale can yield significant profits and in the meantime, prior to a resale, there is scope for sub-letting [CASE STUDIES 7 and 8].



**CASE STUDY 7****Multi-tenancy fraud detected by the NFI**

A data match revealed that a tenant of Leeds City Council was also a tenant of Blackpool Borough Council and was claiming housing benefit at both addresses. The benefit claims were both fraudulent as the claimant had omitted details of her income and the £42,000 proceeds from another former council property in Leeds that she had bought under right to buy provisions.

*Source: Audit Commission research*

**CASE STUDY 8****Fraudulent tenancy application detected by the NFI**

A private sector tenant in a London borough falsely applied to Mole Valley District Council as a homeless person. The applicant and dependents were housed in temporary accommodation and were later offered the tenancy of a two-bedroom flat. During this time housing benefit continued to be claimed at the London property, which was occupied by other relatives. When invited to attend an interview under caution the tenant abandoned the council accommodation giving no forwarding address.

*Source: Audit Commission research*

**20.** Fraudulent tenancies prolong and add to the social dislocation caused by chronic housing shortages. The cynical manipulation of the social housing market by people who want to have a home in several boroughs, or who sub-let for profit, is particularly repugnant when cases of acute need may be evident around them. Aside from the human cost, one council has calculated the financial cost of such fraud at £15,000 per annum per property, based on keeping a family in temporary accommodation. Another council, keen to stress the importance of combating tenancy fraud to elected members and the public, uses the capital value of the council property to describe the potential loss.

## Future strategy

**21.** Plans are already in place for the next two NFI exercises in 2002 and 2004. The Audit Commission has two key objectives for the NFI during this period:

- to continue to increase the range of data and data providers to maintain the high level of fraud detection; and
- to improve the effectiveness of the NFI by working more closely with auditors and investigators to promote ways of achieving maximum payback for minimum use of local resources.

## New data

**22.** This report has already identified the gains derived from the introduction of new data, such as NHS payrolls, housing rents and private sector occupational pensions. Similarly, joint work with Audit Scotland and the Northern Ireland Audit Office has enabled detection of frauds within those areas as well as cross boundary frauds not otherwise easily discoverable.

**23.** The Commission will further develop the new areas of data matching introduced in NFI\_2000 and will include more NHS payrolls and private sector pensions. We will also pilot a number of entirely new areas, such as Home Office asylum seekers data, which should significantly increase the level of housing benefit fraud detected and which should also make inroads into landlord fraud in the areas of housing benefits and accommodation for asylum seekers.

## More effective investigations

**24.** Good results more often than not come from good planning. A key element is providing the staff who are needed to deal with the NFI output when it arrives. In addition, several authorities are exploring new working practices to improve the effectiveness of their work on NFI matches. One London borough entered into a joint arrangement with a good practice neighbour and dramatically increased the amount of fraud detected. Other authorities are working with the Department for Work and Pensions via Joint Operational Boards to focus their joint efforts on Income Support related matches.

**25.** Using data from other sectors brings a responsibility to ensure that the matches are investigated promptly and that, where appropriate, information on, say, an employee who is carrying out fraud against the public sector is reported back to their employer. Similarly, reports on payments to deceased pensioners need to be dealt with quickly to prevent further losses.

**26.** Many authorities do have procedures in place to ensure that key NFI reports are dealt with promptly and that resources are focused on the matches representing the highest risk. However, this is not always so, and there are cases of payments to the accounts of deceased pensioners continuing to be paid 12 months after the NFI reports have been distributed. Some authorities have not addressed key reports detailing housing benefit frauds due to staff shortages and reorganisations.

*Joint work with Audit Scotland and the Northern Ireland Audit Office has enabled detection of frauds within those areas as well as cross boundary frauds not otherwise easily discoverable.*

**27.** The growth in the number of NFI participants and the increase in different types of high quality matches necessitates more regular communication between the NFI Team, external auditors and local authorities if the investigation process is to be effective. Regular electronic communication to key contacts prior to key stages in the NFI timetable will be a feature of NFI\_2002. In addition, training will be available on how to use the CD-ROM to distribute, prioritise and investigate matches in the most cost-effective and timely manner.

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