

**Report to:** Audit Committee  
**Date of meeting:** 9<sup>th</sup> January 2008  
**Report of:** Audit Manager  
**Title:** Anti-fraud Work, Progress Report

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1.0 **SUMMARY**

1.1 This report presents an up-date on the work of the Fraud Investigation Team and outlines the results of work undertaken to date as a result of the National Fraud Initiative 2006.

2.0 **RECOMMENDATIONS**

2.1 The contents of the report be noted

**Contact Officer:**

For further information on this report please contact: Barry Austin, Audit Manager  
telephone extension: 8032, email: [barry.austin@watford.gov.uk](mailto:barry.austin@watford.gov.uk)

**Report approved by:** Janice Maule, Director of Finance

### 3.0 **DETAILED PROPOSAL**

- 3.1 Case Management. On 1<sup>st</sup> April 2007 the new dedicated case management system was implemented by the Fraud Investigation Team. This has resulted in greater efficiency in the management of case loads by individual investigators, the production of more meaningful performance data and allows for detailed monitoring by management. The introduction of this system has addressed many of the criticisms raised by the Benefit Fraud Inspectorate (BFI) following their inspection in late 2006.
- 3.2 The new system, combined with more effective working practices, has seen an improvement in the number of cases investigated and in the time taken to complete investigations.
- 3.3 One of the measures of the team's performance is the number of sanctions applied (a sanction is a prosecution, an administrative penalty or a formal warning).  
In 2005/06 20 sanctions were applied.  
In 2006/07 this rose to 33.  
As at 30<sup>th</sup> November 2007 this had increased again to 43 against a target for the year of 54. The sanctions to date total includes 6 successful prosecutions.  
As at 30<sup>th</sup> November legal proceedings had been instigated in a further 13 cases, and there were another 17 cases pending which could lead to a sanction.
- 3.4 National Fraud Initiative 2006 (NFI). This is a data matching exercise carried out every two years and basically involves a comparison by the Audit Commission of data from various Council systems with one another and with similar data provided by other local authorities and government agencies. The output from the 2006 data matching exercise was published in January 2007. The two Council functions most affected were the payment of benefits and the payment of invoices with a few queries dealt with regarding Right to Buy, Payroll, Housing Rents and VAT.
- 3.5 Payment of benefits. NFI identified 860 potentially fraudulent claims for benefit. These have all been subject to review and by the end of November the number selected for more detailed investigation had been reduced to 9. Of these, 1 has been closed with no further action, 7 are still under investigation and 1 has resulted in an overpayment of £8,905.36 and is currently with the solicitors awaiting summons.

3.6 Payment of invoices. These fell into two main categories of matches; (i) the highest risk category with 299 cases where invoice reference, creditor reference and value of invoice all matched and (ii) 6068 cases where creditor reference and invoice value matched. Unfortunately, neither set of matches recorded cancelled payments, credits received or if the duplication had already been identified and recovery made. This, coupled with the need to retrieve 2 invoices from the store room for each match meant that checking these payments was a time consuming exercise involving much abortive work. The greatest effort was put into checking the 299 highest risk cases.

(i) There were 5 duplicate payments totalling £3,249.23. Of these 2 had already been identified. Recovery has been made in the other 3 cases.

(ii) Literally hundreds of the 6068 cases were for low value or credit amounts and so it was decided to initially check on the higher value payments. 2 duplicate payments were quickly identified where the invoice numbers were similar and this criterion was applied to another 300 high value payments. Whilst a number of duplicate payments were recorded, recovery had already been made or payments cancelled in virtually all instances. There were 3 cases where it appeared that the Council was not aware of the error (£22,223.80, £9,677.30 and £2,893.16). Further investigation revealed that the Council had been notified of the overpayment in 2 cases but had not yet reacted to this information and the £9,677.30 was the only "genuine overpayment". All 3 are being recovered.

3.7 There was no suggestion of fraud in any of the cases reviewed. An audit of the Creditor Payment System currently under way is dealing with the more obvious reasons behind the overpayments although there is no set pattern. All could have been avoided if greater care had been taken in processing invoices by the originating Services. The number involved was insignificant in comparison to the total number of invoices paid per year but only 1 is 1 too many.

#### 4.0 **IMPLICATIONS**

##### 4.1 **Financial**

4.1.1 The Head of Finance comments that there are no direct financial implications arising from this report, although duplicate payment of invoices could result in a loss to the Council if not identified.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Democratic Services comments that there are no specific legal issues in the report.

4.3 **Potential Risks**

4.3.1 None attached to the report itself. Failure to implement robust fraud prevention and detection arrangements could lead to an increase in cases of fraud or corruption.

Appendices

There are no appendices.

Background Papers

Benefit Fraud Inspectorate report.

Internal Audit and Fraud Investigation Team files

NFI data matches.