

 <b>Finance &amp; Audit Scrutiny Committee</b> <b>- 8 October 2013</b>		<b>Agenda Item No.</b>  <div style="text-align: right; font-size: 2em;"><b>4</b></div>
<b>Title</b>	<b>National Fraud Initiative</b>	
<b>For further information about this report please contact</b>	Ian Wilson, Senior Internal Auditor	
<b>Wards of the District directly affected</b>	None	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	10 <sup>th</sup> July 2012 (Minute 38)	
<b>Background Papers</b>	NFI Referrals Database (Audit Commission) NFI Internal Working Papers (Internal Audit)	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No
Subject matter relates to mandatory participation in a long established national process overseen by the Audit Commission.	

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive		Chris Elliott
Head of Service		Mike Snow
CMT		
Section 151 Officer		Mike Snow
Monitoring Officer		
Finance		
Portfolio Holder(s)		Councillor Mobbs
<b>Consultation &amp; Community Engagement</b>		
Not applicable		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **SUMMARY**

### 1.1 The purpose of this report is to present to Members:

- § the outcomes to date from the Council's investigations into the data matches from the 2012/13 National Fraud Initiative (NFI) programme
- § an update on ongoing activities to raise the profile of NFI in accordance with the Council Members' Briefing presented this Committee in July 2012.

## 2. **RECOMMENDATIONS**

### 2.1 That this Committee notes:

- § the outcomes to date from the 2012/13 round of the NFI;
- § ongoing activities to raise the profile of NFI.

## 3. **REASONS FOR THE RECOMMENDATION**

### 3.1 The Council has a statutory obligation to participate in the NFI. This is expected to continue after the responsibility is transferred from the Audit Commission to the Cabinet Office.

### 3.2 The NFI considers itself to be major contributor to public sector counter-fraud activity and continually seeks to expand its influence in both the public and private sectors. From Warwick District Council's perspective, however, the contribution of NFI to counter fraud activity is marginal. The performance outturn for the Benefit Fraud Team (reported to this Committee in September) includes the fraud cases arising from NFI which account on average for only 2 per cent of total proven fraud cases processed by the Team.

### 3.3 That said, the low level of matches and the absence of fraud outcomes from non-benefit matches should be recognised as adding value in terms of assurance on the effectiveness of preventative controls within the Council. In addition, the deterrent effect of the publicity surrounding NFI should not be ignored.

### 3.4 The outcomes to date from the 2012/13 NFI programme (summarised in Paragraph 7.5 below) show 6 cases of benefit fraud, 17 benefit error cases and one duplicate creditor payment.

### 3.5 The second phase of NFI 2012/13 will be the matching of council tax accounts to the electoral register, now scheduled due to take place in March 2014.

### 3.6 The ongoing actions to raise the profile on NFI are summarised below:

- § brief Portfolio Holder on progress and outcomes;
- § consider submitting item for Core Brief;
- § publicise NFI in local press, tenants' newsletter, council tax leaflets and payslips;
- § consider NFI presentation to Senior Officers' Forum;
- § liaise with relevant managers to ensure prompt investigations of matches;

§ consider incorporating NFI outcomes in Annual Governance Statement or Service Assurance Assessments as appropriate.

#### 4. **POLICY FRAMEWORK**

4.1 **Policy Framework** – This report does not bring forward any changes to the policies listed below:

- Development Plan Documents
- Fit for the Future
- Food Law Enforcement Service Plan
- The plan and strategy which comprise the Housing Investment Programme

4.2 **Fit for the Future** – The Council's commitment to the NFI forms part of a wider anti-fraud framework (embodied in the Anti Fraud and Corruption Policy), contributing to achievement of Fit for the Future financial targets by helping to eliminate wasteful dissipation of financial resources.

#### 5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 Not applicable.

#### 6. **BUDGETARY FRAMEWORK**

6.1 There are no direct budgetary impacts arising.

#### 7. **BACKGROUND**

7.1 The National Fraud Initiative (NFI) is a national inter-organisational data matching exercise undertaken by the Audit Commission over continuous two-year cycles as part of the statutory audit of all public bodies under its remit. The NFI is chiefly concerned with tracking down benefit fraud, although fraud and irregularities are also targeted in respect of:

- employment
- social housing tenancies
- right to buy
- pensions
- student loans
- trade creditors
- council tax discounts
- licensing (taxi and alcohol)
- resident parking permits
- insurance claims.

7.2 To meet its obligations under the NFI, Warwick District Council is required to has to:

§ extract and supply data to the controlling body (currently Audit Commission);

§ review and, where appropriate, investigate output referred back from the data matching processes and report the outcomes to the controlling body.

- 7.3 To comply with law and best practice in handling and sharing personal information, the process is governed by a Code of Data Matching Practice published by the Audit Commission.
- 7.4 The Responsible Financial Officer has overall management responsibility for the NFI at each local authority. NFI operations at Warwick District Council are overseen by a member of Internal Audit as designated 'Key Contact'.
- 7.5 Only a small number of Council staff have access to NFI match data. Special data handling instructions for NFI have now been compiled and will be issued to these officers in preparation for the next round of matches.
- 7.6 The outcomes to date for Warwick District Council from the 2012-13 NFI round are summarised below.

<b>Match Type</b>	<b>No. of matches received</b>	<b>No. of matches processed</b>	<b>No. of cases of fraud/error identified</b>	<b>Savings arising £</b>
Housing and Council Tax Benefit/Council Tax Reduction	1,064	1,057	6 fraud <sup>1</sup> 17 error	15,405 12,890
Payroll	91	91	Nil	
Housing Tenants	44	44	Nil	
Right to Buy	5	5	Nil	
Resident Parking Permits	10	10	Nil	
Insurance Claims	4	4	Nil	
Taxi Drivers	Nil	-	-	
Personal Alcohol Licence Holders	Nil	-	-	
Duplicate Creditors and Payment Transactions	1,063	1,063	1 (Duplicate payment) <sup>2</sup>	1,416 (incl. VAT)
Council Tax Discount	Not due until April 2014.			

<sup>1</sup> Outcomes for benefit fraud cases were:

- § 1 x Prosecution (successful)
- § 3 x Administrative Penalty
- § 2 x Official Caution.

<sup>2</sup> The duplicate resulted from the payment being initially raised against the wrong supplier in error. Recovery from that supplier is being pursued, but is complicated by the fact that the payment was made to a factoring agency.

The data submitted relates to payment activity from April 2009 to September 2012 and includes duplicate creditors that were subsequently de-activated in the system to block further payments from being initiated against them. As a result of the matches, a further 20 duplicate creditors have been de-activated.