

 <b>Finance and Audit Scrutiny Committee</b> <b>31<sup>st</sup> October 2017</b>		<b>Agenda Item No.</b> <b>5</b>
<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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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>	Finance and Audit Scrutiny Committee 1 <sup>st</sup> November 2016 (Minute 64)	
<b>Background Papers</b>	NFI Referrals Database (Cabinet Office) 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 Impact Assessment Undertaken</b>	No

Subject matter relates to mandatory participation under statute in a long established national process overseen by the Cabinet Office (taken over from the former Audit Commission).

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	16/10/2017	Andy Jones
Head of Service	13/10/2017	Mike Snow
CMT	13/10/2017	CMT
Section 151 Officer	13/10/2017	Mike Snow
Monitoring Officer	16/10/2017	Andy Jones
Finance	13/10/2017	Mike Snow
Portfolio Holder(s)	16/10/2017	Councillor Whiting
<b>Consultation &amp; Community Engagement</b>		
Not applicable		
<b>Final Decision?</b>	Yes	

## 1. **Summary**

- 1.1 The purpose of this report is to present to Members details of progress to date on the Council's investigations into the data matches from the 2016-17 National Fraud Initiative (NFI) programme.

## 2. **Recommendation**

- 2.1 That this Committee notes outcomes to date and relevant explanations from the 2016-17 round of the NFI.

## 3. **Reasons for the Recommendation**

- 3.1 Members have requested annual updates on NFI activities.
- 3.2 The NFI considers itself to be a 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 the contribution of NFI to counter fraud activity has always been marginal overall, but offers significant value as a source of independent assurance on the effectiveness the Council's preventative controls and as a deterrent against fraud.
- 3.3 The results to date from the 2016-17 NFI programme are discussed in Section 9 below.

## 4. **Policy Framework**

### 4.1 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
None directly applicable		

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
None directly applicable	None directly applicable	The report relates to ongoing processes that contribute to continued cost management by helping to minimise financial loss through fraud, error and failure in duties to report circumstances impacting on entitlement to Council benefits and liability reductions.

#### 4.2 **Supporting Strategies**

Each strand of the FFF strategy has a number of supporting Strategies, but direct reference to them is not necessary in considering the subject matter of this report.

#### 4.3 **Changes to Existing Policies**

This section is not applicable.

#### 4.3 **Impact Assessments**

This section is not applicable.

#### 5. **Budgetary Framework**

There are no direct budgetary impacts arising.

#### 6. **Risks**

Effective participation in the NFI reinforces the Council's measures for mitigating the risk of fraud.

## 7. **Alternative Option(s) considered**

- 7.1 There are no alternative options to participating in the NFI as it is a statutory requirement.

## 8. **Background**

- 8.1 The National Fraud Initiative (NFI) is a national inter-organisational data matching service developed by the Audit Commission but now managed by the Cabinet Office.
- 8.2 While the NFI has traditionally focused on housing benefit fraud as its main target area, recent years have seen pensions and council tax discount overtake housing benefits in terms of monetary value attributed to fraud and irregularities detected through its activities. Of the other areas targeted by NFI, those relevant to Warwick District Council are:
- council tax reduction (under local scheme)
  - employment
  - social housing tenancies
  - right to buy
  - social housing waiting lists
  - trade creditors
  - licensing (taxi and alcohol)
  - insurance claims.
- 8.3 To meet its obligations under the NFI, Warwick District Council is required to:
- extract and supply data to the managing body (now the Cabinet Office);
  - review and, where appropriate, investigate output referred back from the data matching processes and report the outcomes to the managing body.
- 8.4 To comply with law and best practice in handling and sharing personal information, the process is governed by a Code of Data Matching Practice adopted (and currently under review by) the Cabinet Office.
- 8.5 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'.
- 8.6 Results of NFI data matches are processed through a secure web-based application system. Only a small number of Council and contracted-in staff have access to this system and they are required to observe special data handling instructions in addition to the Council's policies on information security.

## 9 **NFI Outcomes**

- 9.1 The following table summarises the results to date for the 2016-17 round of the NFI alongside the final outcomes of the 2014-15 round for comparison. This is followed by explanatory notes where appropriate.

Match Type	No. of matches received	No. of matches processed	Outcomes 2016-17		Outcomes 2014-15	
			No. of cases of fraud/ error identified	Over-payments identified £	No. of cases of fraud/ error identified	Over-payments identified £
Housing Benefit	488	163	1	181	3	1,721
Payroll	40	40	1	-	Nil	-
Housing Tenants	209	206	Nil	-	4	-
Right to Buy	13	13	Nil	-	1	-
Taxi Drivers	7	5	Nil	-	Nil	-
Creditors – duplicate suppliers	158	158	3	-	12	-
Creditors – duplicate payment transactions	44	44	2	9,596.91 (incl. VAT)	1	9,208 (incl. VAT)
Creditors – VAT overpaid	148	148	Nil	-	Nil	-
Council Tax Discount	3,670	403	2	1,865	271	139,720
Waiting List	98	51	6	-	12	-
Council Tax Reduction	552	472	1	247	3	1,112

- 9.2 While the matches in relation to payroll and creditors have been processed by the Key Contact, the remaining matches have been assigned to two officers of the Council's fraud investigation partnership with Oxford City Council Investigation Service for review. The performance of the Partnership is due to be reported to Finance and Audit Scrutiny Committee later in November.
- 9.3 It should be emphasised that there is no strict requirement under the NFI to examine all matches processed and it is expected that match groups will be prioritised on a risk basis, especially where there are large numbers. This is particularly so in the case of the Housing Benefit, Council Tax Discount and Council Tax Reduction categories.
- 9.4 Although investigation of housing benefit fraud is now the responsibility of the Single Fraud Investigation Service (Department for Work and Pensions), the Cabinet Office advised that the Council is expected to 'sift' all NFI housing benefit matches initially.

- 9.5 The low proportion of Housing Benefit matches processed is due to risk-based prioritisation which has concentrated primarily on:
- matches flagged as recommended priority by the NFI;
  - other new matches (i.e. matches not repeated from previous NFI cycles).
- 9.6 What appears to be a substantial proliferation of Council Tax Discount matches is the result of a new report with 2,396 matches released in April 2017 in addition to the annual routine match reports. Unlike the routine reports which solely match council tax accounts to the electoral register, the new report comes from matching with a wide range of internal and external data, most predominantly blue badge and concessionary travel records held by Warwickshire County Council.
- 9.7 While the annual routine council tax matches to the electoral register are normally processed and referred back promptly by the NFI, those in the new report are based on data submitted almost 5 months before the matches were received. Such a time lapse often leads to false positives and creates additional work for staff.
- 9.8 The Council Tax Team periodically undertakes a review of all single person discount awards and now has access to additional data matching technology to assist with this process which will return more up to date information. A full single person discount review by the Team has been planned to begin in November, and a decision was made not to process the 2016 NFI matches per se to avoid duplication.
- 9.9 It was agreed, with the approval of the Head of Finance, that a more resource-effective way to deal with these matches would be to submit them for independent matching on the data intelligence solution used by the Oxford Investigation Service. The same approach is also envisaged for the next round of Council Tax Discount matches due in December.
- 9.10 The overpayment of £2,337 on one of the two duplicate creditor payments has been refunded and recovery of the remaining overpayment is still being pursued.