

Agenda Item No 4
Finance and Audit Scrutiny Committee
8 December 2021

Title: National Fraud Initiative Update

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Portfolio Holder: Councillor Hales

Wards of the District directly affected: Not applicable

Summary

To provide Members with details of the progress made against the review of data matches from the 2020-21 National Fraud Initiative (NFI) programme, including details of any monies recovered or being pursued where fraud or errors have been identified.

Recommendation

That Finance and Audit Scrutiny Committee notes the contents of this report.

1 Background/Information

- 1.1 Members have requested annual updates on NFI activities.
- 1.2 The National Fraud Initiative (NFI) is a national inter-organisational data matching service managed by the Cabinet Office under powers contained in the Local Audit and Accountability Act 2014.
- 1.3 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. The contribution of the NFI to Warwick District Council's own fraud prevention and detection accomplishments has always been marginal, but has been seen as offering value as a source of independent assurance on the effectiveness the Council's preventative controls and as a deterrent against fraud.
- 1.4 Of the areas targeted by the NFI, those relevant to Warwick District Council are:
 - council tax single occupant discount
 - housing benefit
 - council tax reduction (under the local scheme)
 - employment
 - social housing tenancies
 - right to buy
 - social housing waiting lists
 - trade creditors
 - licensing (taxi drivers)
 - COVID grants.
- 1.5 To meet its obligations under the NFI, Warwick District Council is required to:
 - extract and supply data to the Cabinet Office (at annual intervals for council tax discount matching and two-yearly intervals for all other the relevant

- data).
- review and, where appropriate, investigate output referred back from the data matching processes and report the outcomes to the Cabinet Office.
- 1.6 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'.
- 1.7 Results of NFI data matches are processed through a secure web-based application system hosted by the Cabinet Office. 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.
- 1.8 Under current arrangements, processing of the bulk of the matches is assigned to officers of the Council's fraud investigation partnership with Oxford City Council Investigation Service and staff in Benefits and Customer Services.
- 1.9 The Key Contact processes matches in respect of payroll and creditors along with other groups of matches where they are relatively few in number.
- 1.10 It should be emphasised that there is no strict requirement under the NFI to examine all matches referred. These are expected to be prioritised on a risk basis, especially where there are large numbers involved (all individual matches come with fraud risk scores based on the NFI's own profiling criteria). This approach applies in particular to Housing Benefit, Council Tax Discount and Council Tax Reduction matches.
- 1.11 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. Any cases found to warrant further investigation should be referred individually to the Single Fraud Investigation Service although it should be noted that they have only just restarted looking at fraud reports following COVID.

2 NFI 2020-21 Progress Summary and Outcomes to Date

- 2.1 Letters have recently been sent to a number of individuals that are in receipt of Single Person Discount (SPD) where matches to Electoral Registration data suggested that more than one person resided at the property. Despite an issue with the letters that have been sent (see 5.6 below), 390 responses have been received so far which are in the process of being reviewed. This review is in its early stages but SPDs have already been removed in seven cases so far (one dating back to 2016) and fourteen others are under further investigation as the details provided do not match with current data held. The deadline for responses was 1 December 2021 so, at the time of writing, there are a number of responses outstanding. Two cases of potential electoral fraud have also been identified.
- 2.2 The Benefits and Customer Services Manager, along with other staff where relevant, is currently working through cases relating to Housing Benefit and Council Tax Discounts. Of the 258 cases resolved so far, there have been no issues identified.
- 2.3 All Payroll matches that were selected for review have been resolved with no cases of fraud or error being identified.

- 2.4 All cases relating to trade creditors have been reviewed. This identified two cases where duplicate invoices had been paid, with the investigation of one of these cases identifying a further overpayment.
- 2.5 One duplicate payment (£3,605.70) was a result of two separate invoices being issued for the use of Biomass fuels at Sayer Court. This appeared to be a genuine error, with bills being raised in a different format by the supplier who supplied a credit note once the issue was raised with them.
- 2.6 The other case related to bills from BT, with a copy invoice being paid against a different order number than the original payment. When BT investigated the case, they identified a further overpayment. This hadn't been picked up by NFI as it was under the payment threshold for the match report. The total overpayment (£2,045.11) was credited against the next bill.
- 2.7 As reported to this committee in July 2021, COVID grants paid out under the initial Small Business, Retail Hospitality and Leisure, and Discretionary grant schemes were included in this NFI exercise.
- 2.8 The checking has revealed three cases where business had received Discretionary Grants that they were not entitled to. In each case, the business had stated on their application form that they had not received, or were not applying for, COVID grants from any other authorities but the review confirmed that other grants had been paid out.
- 2.9 It appears that these were based on misunderstandings from the businesses, as they supposedly believed that this related to the specific property as opposed to the business as a whole. They are, therefore, being treated as errors as opposed to fraud.
- 2.10 The businesses have been contacted to try to recover the grants (£16,000 in total), with confirmation being received that one business has now repaid their grants (£4,000).
- 2.11 The review also highlighted a number of businesses that had received the Small Business grants when they were no longer entitled to the corresponding Small Business Rate Relief for their property. However, in these cases, it transpired that they would have been entitled to Retail Relief and the Retail Hospitality and Leisure Grant instead, so there was no difference in their liability or the amount of grant funding that they were entitled to.
- 2.12 The Council has now been asked to submit data in relation to the other COVID grants that have been administered, so further issues may be uncovered following the matching and subsequent review of that data.

3 Alternative Options available to the Finance and Audit Scrutiny Committee

- 3.1 This report provides a summary of what has been done with regards to the latest NFI exercise and is, therefore, a statement of fact. As such, there are no alternative options.

4 Consultation and Members' comments

- 4.1 No comments have been received.

5 Implications of the Proposal

5.1 Legal/Human Rights Implications

- 5.1.1 None directly arising from the review of NFI matches.

5.2 Financial

- 5.2.1 Any frauds or errors identified will be subject to attempted recovery of the funds. This money (and any penalties imposed) will be available to the Council although monies relating to the COVID grant schemes may need to be repaid to the Government.

5.3 Council Plan

5.3.1 Fit for the Future (FFF)

- 5.3.2 Warwick District 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.
- 5.3.3 The FFF Strategy has three strands, People, Services and Money, and each has an external and internal element to it.
- 5.3.4 Taking part in the NFI process does not have a direct impact on any of the specific strands. However, there is a cross-cutting impact insofar as any monies returned can be 'reinvested' to help the Council achieve its plan.

5.4 Environmental/Climate Change Implications

- 5.4.1 Not applicable.

5.5 Analysis of the effects on Equality

- 5.5.1 Not applicable.

5.6 Data Protection

- 5.6.1 It is mandatory for local authorities to share data with the Cabinet Office under NFI. The Cabinet Office then matches the data with that provided by other participating bodies.
- 5.6.2 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 by the Cabinet Office.
- 5.6.3 A data breach has occurred with regards to matches in relation to Single Person Discounts (Council Tax). As highlighted above, letters were sent to a number of people where matches to Electoral Registration data suggested that there was more than one occupant at the address.
- 5.6.4 However, superseded electoral registration data from a previous NFI exercise (that was still included on the relevant report on the NFI system) was erroneously used in some cases which led to a number of letters being sent out containing names of previously registered occupants.
- 5.6.5 This case has been reported to the Information Governance Manager and an incident log has been completed.
- 5.6.6 The Democratic Services Manager and Information Governance Manager have assessed this data incident to be 'Low Risk'. This is because, although the incident has affected several persons, the personal data breached consists of name only and therefore the risk of harm is considered to be especially limited.

5.7 Health and Wellbeing

- 5.7.1 Not applicable.

6 Risk Assessment

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

7 Conclusion/Reasons for the Recommendation

- 7.1 This update provides evidence that the NFI exercise does have some merit, with errors being identified that have (or will) lead to the recovery of monies paid out and it also provides assurance that the controls in place at the Council are generally working well to prevent fraud and error.
- 7.2 This summary report should, therefore, help Members to take assurance in this area and the report should be noted.

Background Papers and Supporting Documents:

Report to Finance and Audit Scrutiny Committee (7 July 2021) on (the) 'Measures taken to deter, detect, investigate and report fraud in respect of COVID business grants'.

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Finance and Audit Scrutiny Committee / 8 December 2021	
Title of report	National Fraud Initiative Update	
Consultations undertaken		
Consultee *required	Date	Details of consultation /comments received
Ward Member(s)		
Portfolio Holder WDC & SDC *	23/11/21	Councillor Hales
Financial Services *	23/11/21	Mike Snow
Legal Services *		Not required
Other Services		
Chief Executive(s)	23/11/21	Chris Elliott
Head of Service(s)	23/11/21	Mike Snow
Section 151 Officer		
Monitoring Officer		
CMT (WDC)	23/11/21	Chris Elliott / Tony Perks
Leadership Co-ordination Group (WDC)		
Other organisations		
Final decision by this Committee or rec to another Ctte/Council?		Recommendation to :Cabinet / Council Committee
Contrary to Policy/Budget framework	23/11/21	No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	23/11/21	No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	23/11/21	No
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility