

 Finance and Audit Scrutiny Committee 12th November 2019		Agenda Item No. 4
Title	National Fraud Initiative Update	
For further information about this report please contact	Ian Wilson, Senior Internal Auditor	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee 30 th October 2018 (Minute 77)	
Background Papers	NFI Referrals Database (Cabinet Office) NFI Internal Working Papers (Internal Audit)	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	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).	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	31/10/2019	Chris Elliott
Head of Service	31/10/2019	Mike Snow
CMT	31/10/2019	CMT
Section 151 Officer	31/10/2019	Mike Snow
Monitoring Officer	31/10/2019	Graham Leach
Finance	31/10/2019	Mike Snow
Portfolio Holder(s)	31/10/2019	Councillor Hales
Consultation & Community Engagement		
Not applicable		
Final Decision?	Yes	

1. Summary

- 1.1 The purpose of this report is to present to Members the interim results of the Council's investigations into the data matches from the 2018-19 National Fraud Initiative (NFI) programme.

2. Recommendation

- 2.1 That the Finance and Audit Scrutiny Committee notes the interim outcomes to from the 2018-19 round of the NFI, along with relevant explanations.

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. 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 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 interim results from the 2018-19 NFI programme are detailed in Appendix 1 attached and discussed further in Sections 9 and 10 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.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<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
Impacts of Proposal		

FFF Strands		
People	Services	Money
None directly applicable		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<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
Impacts of Proposal		
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 managed by the Cabinet Office under powers contained in the Local Audit and Accountability Act 2014.

8.2 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 local scheme)
- employment
- social housing tenancies
- right to buy
- social housing waiting lists
- trade creditors
- licensing (taxi and alcohol).

8.3 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.

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 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 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.

9 **NFI Outcomes**

- 9.1 The NFI results to date are detailed in Appendix 1 attached along with the final results from the 2016-17 cycle for comparison. It should be noted that only interim mid-cycle results are represented for 2018-19.
- 9.2 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. The performance of the Partnership is due to be reported to Finance and Audit Scrutiny Committee in on the same agenda.
- 9.3 The Key Contact processes matches in respect of payroll and creditors along with other groups of matches where they are relatively few in number.
- 9.4 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.
- 9.5 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 (no such referrals are in evidence for 2018-19 matches to date).
- 9.6 From 2016, the decision was taken to discontinue processing NFI matches in relation to council tax single person discount (SPD) in favour an alternative independent approach. The fraud investigation partners were commissioned to undertake a risk-based matching exercise using their own data intelligence solution which is geared towards producing better filtered and up to date matches. Processing of these matches was in progress at the time of the previous report to this Committee in October 2018.
- 9.7 Final figures received from this exercise show that, of approximately 1,200 matches generated, 122 cases resulted in penalties totalling £8,595. The amount of incorrectly claimed SPD recovered is not known for certain but estimated, based on data available, to be in the region of £50,000. As this exercise was independent of the NFI, the figures are not reflected in the outcomes table in Appendix 1.
- 9.8 A new full SPD checking exercise is anticipated for the coming year, again independently of the NFI either commissioned from the Fraud Investigation Partnership or utilising services under the newly procured enforcement agency contract.

10 **Comments on 2018-19 Outcomes**

- 10.1 The single duplicate creditor payment related to professional services procured from BTNet and pre-dated the implementation of invoice auto-matching which might have prevented this occurrence. The amount has been recovered, subject to formal processing through the Council's accounts.

- 10.2 The two Waiting List error cases related to deceased joint housing applicants. As both applications were re-confirmed in the sole names of the surviving joint applicants, the notional savings value supplied by the NFI is not seen as applying in this case.
- 10.3 In a new departure, the NFI has released matches of tenancy, benefit and council tax reduction data to HMRC extracts. These are designed to help pinpoint potential frauds in those areas in respect of undisclosed property ownership, earnings/capital and household residents.
- 10.4 These matches were only released last August and arrangements for processing them will be considered in due course.