



Report To:	AUDIT PANEL
Date:	14 March 2023
Reporting Officer:	Stuart Fair – Interim Director of Finance Christine Weston–Interim Head of Risk Management and Audit Services
Subject:	NATIONAL FRAUD INITIATIVE REPORT
Report Summary:	To advise members of the report produced by the National Fraud Initiative summarising the findings from the 2020/2022 exercise.
Recommendations:	Members note the report.
Links to Corporate Plan:	No direct links but supports the individual operations within the Community Strategy.
Policy Implications:	Effective Counter Fraud arrangements demonstrate a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Borough Treasurer)	Fraud diverts money away from service delivery and therefore it is important that effective counter fraud arrangements are in place to minimise losses relating to fraud.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015 and Part 6 and Schedule 9 of the Local Audit and Accountability Act 2014.
Risk Management:	The fundamental challenge that public bodies face with fraud is that it is a hidden crime – those committing it actively try to conceal it so we must be proactive in our efforts to seek it out. The National Fraud Initiative conducted by the Cabinet Office, involves data matching exercises to help in the prevention and detection of fraud, overpayments and errors. The investigation of the matches enables the Council to combat the risk of fraud, by building any learning from the results back into the systems and processes used to improve internal controls.
Access to Information:	The background papers can be obtained from the author of the report, Christine Weston, Interim Head of Risk Management and Audit Services by contacting:  Telephone: 0161 342 2356  e-mail: christine.weston@tameside.gov.uk

1. BACKGROUND

- 1.1. The National Fraud Initiative (NFI) matches data to help in the prevention and detection of fraud. The NFI provides multiple solutions ranging from real time point-of-application fraud prevention checks, through the national batch data matching exercise which helps those that take part detect active fraud cases within systems.
- 1.2. Data for the NFI is provided by over 1,100 participating organisations from the public and private sectors, including local authorities, government departments, and private registered providers of social housing and pension schemes. The NFI works with public audit agencies in all parts of the UK. Data matching involves comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same or another body, to see to what extent they match. This data is usually comprised of personal information.
- 1.3. The NFI data matching identifies inconsistencies that require further investigation and allows potentially fraudulent claims and payments to be identified. Participating organisations receive the resulting data matches for consideration and investigation where appropriate. No assumption can be made as to whether there is fraud, error or another explanation for those matches until an investigation process is completed, and an organisation can then take the appropriate action. This may be to prosecute cases of fraud, recover overpayments, correct underpayments and update records as appropriate. There is also an opportunity for participants to use data matches to identify risks and weaknesses within systems and review controls.
- 1.4. The NFI is conducted under the Local Audit and Accountability Act 2014. This allows the Secretary of State or the Minister for the Cabinet Office to require certain public sector bodies to provide data for NFI processing on a mandatory basis for the prevention and detection of fraud. In addition, certain bodies can also provide data for matching on a voluntary basis.

2. SUMMARY REPORT FINDINGS

- 2.1. The NFI report 2022, is attached at **Appendix 1** and states that fraud is a long-standing threat to public services estimated to account for 40% of all crime committed across the UK. In addition, fraudsters took advantage of the emergency funding during the coronavirus (COVID-19) pandemic, attacking schemes designed to deliver support to many taxpayers and businesses who needed it.
- 2.2. The report is divided into several sections listed below:
 - Foreword
 - About the NFI
 - Fraud, Overpayments and Errors identified and prevented across the UK
 - Outcomes by Risk Area
 - Main Messages and Case Studies
 - NFI Pilots, Innovation and Future Plans
 - Comparison Data
- 2.3. The NFI has enabled participating organisations within the UK to prevent and detect £443 million fraud and error in the period April 2020 to March 2022. This brings cumulative outcomes for NFI participants to £2.4 billion.
- 2.4. This £443 million can be analysed by area in **Table 1** below.

Table 1 – Analysis by Area

Area	Amount of Fraud and Error
England	£416.8m
Scotland	£14.9m
Wales	£6.5m
Northern Ireland	£4.4m
Totals	£442.6m

2.5. The total amount of detected fraud, overpayments and errors in England is shown in **Table 2** below, for both the 2018-2020 exercise and the 2020-2022 exercise. There has been an increase between the two periods of 93%, notably Pension Fraud increased by 350%, mainly in respect of mortality screening matches. The top four categories of detected fraud being Pensions, Council Tax, Housing Benefit and Blue Badges.

Table 2 – Analysis of Value by Risk Area for 2022 Compared to 2020

Risk Area	2020 £m	2022 £m	Direction of Travel
Pensions	55.5	250	↑
Council Tax	43.9	44.7	↑
Housing Benefit	35	14.4	↓
Blue Badges	26.9	24.4	↓
Housing Waiting List	20.1	21.8	↑
Council Tax Reduction Scheme	6.5	5.2	↓
Housing Tenancy	5.6	2.3	↓
Residential Care Homes	5.1	0.9	↓
Trade Creditors	5.1	6.1	↑
Pilots and Grants Tools (excluding HMRC)	3.5	39.7	↑
Concessionary Travel	3.4	5.5	↑
Personal Budgets	2.1	0.1	↓
Right to Buy	1.8	0.2	↓
Other	0.8	0.4	↓
Payroll	0.6	0.3	↓
Procurement	0	0.8	↑
Totals	215.9	416.8	

2.6. The report provides key messages in relation to each of the risk areas and features case studies demonstrating how Councils have used the data matches successfully.

2.7. The NFI introduce new data sets and matches and these are usually piloted first to understand the data and the outcomes. One of these pilots taking place in Tameside received a match showing that a business had been claiming Small Business Grant Funds from multiple councils despite not being entitled to them. Over £40,000 will be reclaimed from the business as a result of this (see page 35 of the report).

3. LOOKING FORWARD

3.1. The NFI continue to consult with users to improve the functionality and processes of the user interfaces, as well as maintaining a pipeline of pilots to be delivered according to available resources and conducting internal reviews of the efficiency of their practices.

3.2. The NFI launched Phase 1 of an innovative tenancy fraud pilot in 2022 which will use data from the public and private sectors to target tenancy fraud such as subletting and illegal succession.

- 3.3. The NFI will support the work of the newly formed Public Sector Fraud Authority (PSFA) and link into new data analytics services to enhance the techniques and data utilised to target fraud.
- 3.4. The NFI contract with their current IT supplier has been extended to December 2024, providing clarity on the delivery model for the NFI 2022/23 exercise. During 2022/23, the service requirements for the NFI 2024/25 and beyond will be reassessed. Feedback will be sought from stakeholders and NFI users on the future shape of the NFI, and any planned activities set out in the report.

4. EXPANSION OF NFI DATA MATCHING PURPOSES

- 4.1. In 2021 the Cabinet Office led a consultation on whether and how the NFI should be extended to a range of new areas in addition to fraud. This formal consultation supplemented a period of engagement with a range of organisations, including current NFI participants, on the question of extending the NFI to new areas.
- 4.2. Based on feedback, the NFI focused on four areas in the consultation. Whether the NFI should be extended to assist in:
 - The prevention and detection of errors and inaccuracies generally.
 - The recovery of debt owed to public bodies.
 - The apprehension and prosecution of offenders.
 - The prevention and detection of wider crime.
- 4.3. Following mixed feedback it has been decided that fraud will remain the focus of the NFI in coming years and the service will not be extended to additional areas at this time. The Cabinet Office will review the decision and continue to welcome feedback from stakeholders and interested parties on the subject of extension.

5. RECOMMENDATION

- 5.1. As set out on the front of the report.