

Report To: **AUDIT PANEL**

Date: 10 November 2020

Reporting Officer: Kathy Roe – Director of Finance
Wendy Poole – 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 2018/2020 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: 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.
(Authorised by the Statutory Section 151 Officer and Chief Finance Officer)

Legal Implications: Demonstrates compliance with the Accounts and Audit Regulations 2015 and Part 6 and Schedule 9 of the Local Audit and Accountability Act 2014.
(Authorised by the Borough Solicitor)

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.

Background Information: The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:

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1. BACKGROUND

- 1.1 The National Fraud Initiative (NFI), conducted by the Cabinet Office, involves data matching 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 to the national data matching exercise which helps those that take part detect active fraud cases within systems.
- 1.2 Data for the NFI is provided by some 1,200 participating organisations from the public and private sectors including local authorities, government departments, private registered providers of social housing (also known as housing associations) 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 Participating organisations receive the resulting data matches for consideration and investigation where appropriate. The data matching identifies inconsistencies that require further investigation and allows potentially fraudulent claims and payments to be identified. No assumption can be made as to whether there is fraud, error or another explanation until the investigation process is completed. Once an investigation has been completed, the body can take appropriate action which may be to prosecute cases of fraud, recover overpayments, make good underpayments and update records as appropriate. There is also an opportunity to identify system weaknesses and review controls.
- 1.4 The NFI is conducted using the data matching powers conferred on the Minister for the Cabinet Office by Part 6 of and Schedule 9 to the Local Audit and Accountability Act 2014. The legal basis for processing personal data is that processing is necessary for the performance of a task carried out in the public interest. Certain public sector bodies are required to provide data for the NFI on a mandatory basis. In addition, bodies can provide data for matching on a voluntary basis.
- 1.5 The National Fraud Initiative Report published in July 2020 is attached at **Appendix 1**. The report includes all NFI outcomes recorded in the period 1 April 2018 to 4 April 2020. These outcomes include NFI 2018/19 (the national data matching matches released at the end of January 2019), as well as those from the FraudHub, AppCheck and ReCheck products.

2 SUMMARY REPORT FINDINGS

- 2.1 The report states that 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.
- 2.2 The report is divided into several sections listed below:-
 - Forward
 - About NFI
 - Fraud, Overpayments and Errors identified and prevented across the UK (2018-2020)
 - Outcomes by Risk Area
 - Main Messages, Case Studies and Pilots
 - NFI Looking Forward and Improving
 - Comparison Data
- 2.3 NFI has enabled participating organisations within the UK to prevent and detect £245 million fraud and error in the period 1 April 2018 to 4 April 2020. This brings cumulative outcomes for NFI participants to £1.93 billion.

2.4 The £245 million can be analysed by area in Table 1 below.

Table 1 – Analysis by Area

Area	Amount of Fraud and Error
England	£215.8m
Northern Ireland	£5.5m
Scotland	£15.3m
Wales	£8.0m
Totals	£244.7m

2.5 The £215.8m of detected fraud, overpayments and errors in England can be analysed in Table 2 below. The figures for Tameside have been added to the table to show our contribution to the 2020 figures and in total £276,951 represents 0.13%.

Table 2 – Analysis of Value by Risk Area for 2020 Compared to 2018

Risk Area	2018 £m	2020 £m	Direction of Travel	Tameside 2020		
				Amount £	No. of Frauds	No. of Errors
Pensions	136.9	55.5	↓			
Council Tax	32.6	43.9	↑			
Housing Benefit	24.9	35.0	↑	46,047		85
Blue Badges	18.0	26.9	↑	7,475		13
Council Tax Reduction	2.8	6.5	↑			
Trade Creditors	4.3	5.1	↑			
Pilots (Including HMRC)	-	3.5	↑	223,108		65
Personal Budgets	0.5	2.1	↑	321	1	
Payroll	4.0	0.6	↑			
Private Residential Homes	4.4	5.1	↑			
Housing Waiting List	25.5	20.1	↓			
Housing Tenancy	5.5	5.6	↑			
Other	7.9	5.9	↑			
Totals	267.4	215.8		276,951	1	163

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 NFI introduce new data sets and matches and these are usually piloted first to understand the data and the outcomes. During 2018/19 Housing Benefit Claims and Council Tax Reduction Claims were matched to HMRC information and significant saving were identified as shown in the table above by Tameside as part of the pilot. A case study featuring the findings of the pilot can be found on Page 29 of the report.

3 LOOKING FORWARD

3.1 The COVID-19 pandemic has already impacted on the NFI work programme in 2020 and 2021.

Following a consultation NFI have confirmed that the data matching exercise will be extended to support local councils in identifying potential fraud across several government funding initiatives, in particular where local councils administer payments, for example, Business Support Grants.

- 3.2 Alongside this the NFI is also working with government departments on if/how the NFI can support them.

4 EXPANSION OF NFI DATA MATCHING PURPOSES

4.1 Throughout 2019/20 NFI have been working towards passing an important piece of secondary legislation which would allow the NFI to expand the purposes of data matching. The Minister for the Cabinet Office currently has the power to conduct data matching exercises for one purpose: to help in the prevention and detection of fraud.

4.2 The Local Audit and Accountability Act 2014 (LAAA), however, provides that four additional purposes for data matching can be added to Schedule 9 (by affirmative regulations) and the Schedule can also be modified. The NFI is hoping to add all four new purposes for data matching exercises, which are to assist in the:

- Prevention and detection of crime (other than fraud)
- Apprehension and prosecution of offenders
- Prevention and detection of errors and inaccuracies
- Recovery of debt owing to public bodies

4.3 Analysis has already shown that these new data matching purposes could have far reaching benefits across the public sector. During 2020/21 NFI will be looking to implement the purposes, through a parliamentary statutory instrument that will amend the LAAA. They will also develop a plan of appropriate data matching pilots for each purpose successfully included.

5. RECOMMENDATION

5.1 As set out on the front of the report.