

<p><i>Non-Executive Report of the:</i></p> <p>Audit Committee</p> <p><i>16th November 2017</i></p>	 <p>TOWER HAMLETS</p>
<p>Report of: <i>Zena Cooke - Corporate Director - Resources</i></p>	<p>Classification: <i>Unrestricted</i></p>
<p>National Fraud Initiative 2016 Progress</p>	

Originating Officer(s)	<i>Sue Oakley</i>
Wards affected	<i>All wards</i>

1 Summary

- 1.1** This report provides details of the background and evolution of the National Fraud Initiative, and the National Fraud Initiative (NFI) 2016 exercise. This is a bi-annual data matching exercise whereby all Local Authorities and some other government agencies match their data to prevent and detect fraud and error in their systems.

2 Recommendations

- 2.1** The Audit Committee is asked to note this report.

3 Background

- 3.1** The NFI compares different sets of data, for example payroll and benefit records against other records held by the same or another organisation, bringing to light potentially fraudulent claims and payments. Where a match is found it may mean that further investigation is required.
- 3.2** The NFI has been running since 1994, and was originally managed by the Audit Commission.
- 3.3** Over time the exercise has evolved to extend its partners to all Local Authorities in England, Wales, Scotland and Northern Ireland, and now includes pension details from the Police, Health Service and Fire Service. To date over £1 billion has been identified in fraud and overpayments over the various exercises across the country.
- 3.4** The exercise is now managed by the Cabinet Office following the dissolution of the Audit Commission.

4 The 2016 (Current) Exercise

- 4.1** The main NFI matching exercise takes place bi- annually, with the current exercise commencing in October 2016 when the data was supplied by all relevant parties. This exercise is now mid-term.
- 4.2** In addition to this there is an annual match of Council Tax data against Electoral Register data. This match is run each January/February.
- 4.3** Below is a list of the 18 data sets provided to NFI for matching purposes:

LBTH Pensions	Transport Passes /Residents Permits
LBTH Payroll	Blue Badge Holders
Housing Benefits	Right to Buy Applicants
Housing Tenants (THH)	Personal Budget Holders
Insurance Claimants	Private Supported Care Home Residents
Market Traders	Creditors Standing/ address book
Alcohol Licence Holders	Creditors Payments
Electoral Register	Council Tax account holders
Waiting List applicants	Council Tax Reduction recipients

- 4.4** In January 2017 the matches from the main exercise were released and for this Authority totals 17,066 individual matches. These are presented in reports collated by type of match and subject matter.
- 4.5** The matched data is contained on a secure website and access is granted to officers from each relevant service so that they can examine their own particular output and evaluate each match for the likelihood of fraud or error.
- 4.6** The majority of the matches are erroneous, and arise because the data held is not completely up to date, has been inaccurately input, or simply that the matching criteria is not as well targeted as it might be . However, ideally each one should be examined to eliminate the non-problem matches.
- 4.7** Because of the sheer volume and spread of matched output there are invariably some reports that are not fully examined. The NFI system has its own inbuilt risk assessment system and this is used as a guideline to prioritise those matches which need attention as a priority. Also, experience and knowledge of previous years' exercises dictates which reports yield results, and which involve less accurate data and therefore contain largely inaccurate matches. This also helps us to prioritise the progress of the exercise.
- 4.8** The Risk Management Section oversees the exercise, and aims to guide each service to completing its batch of NFI reports. Some

reports are dealt with entirely by investigators within the Risk Management Section, since investigators specialising in these areas are based within the team.

- 4.9** Where fraud or error is identified on a particular match the details are recorded on the NFI system, and in most cases recovery of the monies is sought. Where a system weakness is identified, the service in question should seek to resolve the issue by strengthening their controls to prevent recurrence. Similarly matches arising from data errors should prompt the service to improve the quality of its data.
- 4.10** In addition to the main bi-annual exercise, annual matching takes place between Council Tax data and Electoral Register data, which is designed to identify irregularities in those claiming Single Person Council Tax discounts.

5 Progress on the current Exercise

- 5.1** To date 1350 matches have been processed, and a further 163 are in progress. Twenty one cases of fraud have been identified and a further 55 cases of 'error' have been recorded. Matches cleared with no issue amount to 1237.
- 5.2** The total monetary value identified so far on the system amounts to c£78k.
- 5.3** A breakdown of the results raised so far is shown below:

Subject	Monetary value	Number of cases	Details
LBTH Pensions	£55,950.90	20 (not yet categorised as fraud or error)	Recovery is being sought in 20 cases
Blue Badge	Not valued	26 (21 cases of fraud and 5 error)	These Blue Badges have been stopped or recovered
Waiting List	Not valued	50 (all categorised as error)	This is the number of applicants removed from the waiting list as a result of the matches.
Council Tax SPD	£22,265.94	59 (not yet categorised as fraud or error)	Recovery is sought by re-billing via Council Tax

- 5.4** The LBTH Pensions value arose where the matches highlighted pensioners who had died, unknown to the authority. On these cases

recovery is sought by the Pensions Section via their liaison with the deceased's family.

- 5.5 Twenty six Blue Badges have been recovered or stopped to date due to the recipient being deceased, unbeknown to the authority. A further 51 badges are presently under investigation.
- 5.6 Fifty applicants have to date been removed from the housing waiting list as matches have identified they are deceased.
- 5.7 Single Person Discount in 59 case have been removed, which is a result of Revenue Services proactive work with an external provider combined with information provided by the NFI matched output.
- 5.8 In previous exercises the Housing Benefit matches accounted for the bulk of the irregularities found, and these were sifted and investigated by the Authority, sometimes in conjunction with the DWP. However since the transfer of the benefit investigations function to the DWP in February 2016 the responsibility for the investigation now lies with the DWP.

7 Comments of the Chief Finance Officer

- 7.1 This report provides an update on progress with the National Fraud Initiative work as part of the 2016-17 Programme. To date the Council has identified actual savings of around £78,000 from cessation of Pensions and Single Person Discount and further notional savings from cancelation of Blue Badge and removal from house waiting list following successful matches of irregularities (details are provided in 5.3 above).

8 Legal Comments

- 8.1 The Serious Crime Act 2007 gave the Audit Commission new statutory powers to conduct data matching exercises by inserting a new Part IIA into the Audit Commission Act 1998 ('the 1998 Act'). Although the 1998 Act was abolished by the Local Audit and Accountability Act 2014 ('the 2014 Act'), the National Fraud Initiative (NFI) was moved to the Cabinet Office in advance of the closure of the Audit Commission.
- 8.2 Statutory Guidance released pursuant to section 32(g) of the 1998 Act, "The Code of Data Matching Practice" was published in 2008 and most recently updated on 20 March 2015. The statutory basis for this code is now set out in Schedule 9 of the 2014 Act. The purpose of this code is to help ensure that the NFI and everyone involved in NFI data matching exercises comply with the law, especially the provisions of the Data Protection Act 1998. It also promotes good practice in data matching. It includes guidance on:

- the notification process for letting individuals know why their data is matched and by whom
- the standards that apply
- where to find further information

8.3 Additionally, unless certain exemptions within the Data Protection Act 1998 apply, the Council is required to provide fair processing information which complies with the “Fair Processing” Statutory Guidance released on 20 March 2015.

8.4 A consultation is currently underway to revise the code to bring it in line with the current technology used to gather the data and upcoming legislative changes, such as the General Data Protection Regulation which comes into force on 25 May 2018.

8.5 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council’s functions. The consideration by the Audit Committee of this report is consistent with the Council’s obligations and is within the Committee’s functions.

9. One Tower Hamlets

9.1 There are no specific one Tower Hamlets considerations.

9.2 There are no specific Anti-Poverty issues arising from this report

10. Best Value Implications

10.1 This report highlights areas where internal control, governance and risk management can be improved to meet the Best Value Duty of the Council.

11. Risk Management Implications

11.1 This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. The risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority’s exposure to risk.

12. Sustainable Action for a Greener Environment (SAGE)

12.1 There are no specific SAGE implications.

13. Crime and Disorder Reduction Implications

13.1 By having sound systems of controls, the Council can safeguard against the risk of fraud and abuse of financial resources and assets.