Non-Executive Report of the: **Audit Committee** Tuesday, 23 July 2019	
Report of: Corporate Director, Resources	**Classification:** Open (Unrestricted)
NFI Progress Report	

Originating Officer(s)	Sue Oakley / Paul Rock
Wards affected	(All Wards)

Executive Summary

This report provides details of the background and evolution of the National Fraud Initiative and the National Fraud Initiative (NFI) 2018 exercise. This is a biennial data matching exercise whereby all Local Authorities and some government agencies match their data to prevent and detect fraud and error in their systems.

Recommendations:

The Audit Committee is recommended to:

1. Note the progress made against the National Fraud Initiative Exercise for 2018/19.

1. REASONS FOR THE DECISIONS

1.1 To update the Audit Committee in relation to progress against the National Fraud Initiative and support its role in oversight of counter fraud activity.

2. ALTERNATIVE OPTIONS

2.1 None

3. DETAILS OF THE REPORT

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. The Commission processed the NFI data under its statutory powers under part 2A of the Audit Commission Act (1998) these powers put the matching on a statutory footing for local government and NHS bodies.

3.3   The Serious Crime Act 2007 (SCA) gave the Commission new powers to enable the benefit of NFI to be extended to Central Government and the private sector. The SCA inserted a new paragraph into the 1998 Audit Commission Act.

3.4   The SCA imposed a new regulatory regime alongside existing fair processing and other compliance requirements of the Data Protection Act 1998. Any person or body conducting or participating in the exercise must by law, have regard to a statutory Code of Data Matching Practice.

3.5   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 £1.69bn has been identified in fraud and overpayments over the various exercises across the country.

3.6   The exercise is now managed by the Cabinet Office following the dissolution of the Audit Commission in 2015.

The 2018/19 Exercise

3.7.   The current exercise commenced in late 2018 when data was supplied for matching purposes by all relevant parties, including ourselves. The matched output began to be released at the end of January this year.

3.8.   The list of data sets provided by this authority for matching purposes included:

LBTH Pensions	Supported Care Home Residents
LBTH Payroll	Housing Waiting List applicants
Council Tax Reduction recipients	Right to Buy Applicants
Housing Tenants (THH)	Personal Budget Holders
Alcohol Licence Holders	Creditors (address book)
Market Traders	Creditors (payments)
Resident Parking Permits	

3.9.   Other data such as Housing Benefits, Blue Badges and concessionary passes is supplied directly to the NFI by other government departments or suppliers.

3.10. The matched data is contained on a secure website and access is granted to selected 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. However many of the matches are dealt with by the Corporate Anti-Fraud Team within the Internal Audit, Fraud and Risk Management service

where specialist investigative knowledge can be applied, for instance, the tenancy related matches are reviewed by the Social Housing Fraud Team.

3.11. The NFI system has its own inbuilt risk assessment system and this is used as a guideline to prioritise those matches which need attention, together with the local knowledge of the Council's data systems.

3.12. Each report type is subjected to a preliminary assessment by the Corporate Anti-Fraud Team and the high rated risk matches are reviewed first. There are extremely large volumes of matches received and consequently the risk rating allocated by the NFI is essential in helping prioritise the workload.

3.13. The table below focuses on material risks emerging from the examination to date.

Match type	Total number of matches	number of which are deemed high risk	number of which deemed medium risk
Creditors	14,324	**0**	**0**
Housing Benefit	2,994	16	218
Council Tax Reduction	1,513	64	23
Housing Waiting List	867	75	700
Housing Tenants	708	309	130
Right to Buy	187	100	46
LBTH Pensions	201	110	29
Blue Badge	210	176	34
Procurement/Payroll & Companies House	64	0	0
LBTH Payroll	153	3	20
Resident Parking Permit	62	35	24
Personal Budgets	27	7	5
Private Residential Care Homes	18	6	12
Personal Alcohol Licence	1	0	0
Market Traders	1	0	0
Matches total	**7,006** (creditor matches disregarded*)	**901**	**1241**

*creditor matches not deemed as high risk

Progress on the exercise

3.14. The chart below gives details of the numbers of matches processed to date by services across the council. Progress is dependent on priority and available resources:

Match type	Total number of high and medium risk matches	Progress to date:
Creditors	0	0
Housing Benefit	234	1,242
Council Tax Reduction	87	438
Housing Waiting List	775	56*
Housing Tenants	439	4*
Right to Buy	146	46*
LBTH Pensions	139	77
Blue Badge	210	175
Procurement/Payroll & Companies House	0	64
LBTH Payroll	23	86
Resident Parking Permit	59	52
Personal Budgets	12	8
Private Residential Care Homes	18	17
Personal Alcohol Licence	1	0
Market Traders	1	0
Totals	2,144	2,213

* Cases to be prioritised within existing resources in second quarter.

Monetary values and outcomes to date

3.15. The NFI system requires the users to record outcomes from the matches and place a monetary value where possible to reflect any overpayment or savings arising from the correction of the records. Sometimes this is an actual monetary saving, for instance where a housing benefit overpayment is calculated, and sometimes this can be an estimated saving for instance where a person is removed from the housing waiting list.

3.16. Below are the actual and estimated outcomes for the 2018 exercise so far.

- £4,681 in housing benefit overpayments identified.

- Fourteen Housing Benefit cases have been referred to the Department for Work and Pensions for fraud investigation. These are cases where student status appears not to have been declared on the benefit claims.

- £11,341 has been identified as overpaid LBTH pensions, recovery is being pursued. These cases have occurred where pensioners have died

and the authority has not been notified and an overpaymenrt of the pension has occurred.

- 130 blue badges have been recovered or are in the process of being recovered as a result of the exercise. These are cases where the blue badge recipient has died and the badges are still in circulation.They have a 'notional value' of £8,000 per badge resulting in an estaimted £1.4m in potential future parking income.

- Fifty people have been removed from the housing waiting list with an estimated notional total value, as prescribed by the NFI, of £162,000. These are cases where the waiting list applicant has died and the authority has not been notified.

Timescales

3.17 The 2018 exercise has a two year life span and so work will continue to be carried out until the all the matches that are likely to identify any real risk have been processed.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equalities implications.

5. OTHER STATUTORY IMPLICATIONS

5.1 The Council is required to participate in the National Fraud Exercise by the Cabinet Office which conducts the data matching exercises utilising statutory powers in the Local Audit and Accountability Act 2014.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 The Accounts and Audit Regulations 2015 require relevant authorities to have a sound system of internal control and the responsible financial officer to determine appropriate measures that enable the prevention and detection of inaccuracies and fraud. Participation in the NFI supports this requirement and safeguards the financial position.

6.2 There are no other significant financial implications.

7. COMMENTS OF LEGAL SERVICES

7.1. Since closure of the Audit Commission, the Cabinet Office has held statutory powers to conduct data matching exercises under the Local Audit and Accountability Act 2014 ('the 2014 Act'), known as the National Fraud Initiative (NFI).

7.2. Statutory Guidance pursuant to Schedule 9 of the 2014 Act "The Code of Data Matching Practice" was most recently updated in September 2018 following the introduction of the General Data Protection Regulation (GDPR) and Data

Protection Act 2018 (DPA). 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 GDPR and DPA. It also promotes good practice in data matching.

7.3   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.

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Linked Reports, Appendices and Background Documents

Linked Report
- None

Appendices
- None

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.
- None

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