Derby City Council

Update on Anti-Fraud Activities

SUMMARY

1.1 This report provides an update on the anti-fraud activities being undertaken during Quarter 3 (1 October 2017 to 31 December 2017) within the Council.

1.2 It also provides an update on any notifications/investigations that have taken place under the following legislation:

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017)

- Bribery Act 2010

- Public Interest Disclosure Act 1998

- Regulation of Investigatory Powers Act 2000

RECOMMENDATION

2.1 To note the actions and the progress being made on the clearance of National Fraud Initiative matches and associated anti-fraud activities.

REASONS FOR RECOMMENDATION

3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

SUPPORTING INFORMATION

4.1 **National Fraud Initiative (NFI)**

The NFI brings together a wide range of organisations from across the UK to tackle fraud. By using data matching/analytics to compare different datasets across these organisations, the NFI is able to identify potentially fraudulent claims and overpayments. For example, the matching may identify that a person is listed as working while also receiving benefits and not declaring any income. The relevant organisation should then investigate and, if appropriate, amend or stop benefit payments.

4.2   High levels of fraud detection through the NFI data matching exercise are likely to indicate weaknesses in underlying controls within an organisation that need to be investigated and strengthened. In contrast, data matching showing little or no fraud and error provides assurance about the effectiveness of controls. It is important to note that a match does not automatically mean fraud. There may be an explanation for a data match that prompts the organisation to update their records and/or improve their systems.

4.3   The Council submitted all the required datasets for the 2016/17 National Fraud Initiative in October 2016. The data matches became available to the Council from late January 2017.

4.4   Table 1 below shows the number of matches reported. The Cabinet Office's NFI team do not expect 100% clearance of all matches, but they have identified "recommended matches" that they want the Council to investigate. The number of matches increases during the exercise when the Cabinet Office NFI Team release "supplementary matches" which have been generated from datasets provided after the cut-off date for previous matching runs. The final supplementary release was made at the end of September 2017. However, there are also periodic refreshes of individual reports where the Cabinet Office compare the data we provided to updated data from other sources.

4.5   Table 1: NFI Matches

Service	Total number of matches	Recommended matches
Housing Benefit	1,071	92
Payroll	277	82
Blue Badges	378	289
Residential Care Homes	51	24
Creditors	3,110	251
Residents Parking	6	3
Personal Budgets	47	6
Council Tax	1,403	146
Housing Tenants	811	148
Insurance	7	1
Right to Buy	9	1
Housing Waiting Lists	857	830
TOTAL	8,027	1,873

4.6   An additional 55 Housing Benefit matches have been added since the last report to Committee on 31st October 2017, increasing the total number of NFI matches from 7,972 to 8,027. This has resulted in an additional 5 recommended matches for Housing Benefit.

4.7   As at 15th January 2018, the number of cases cleared were:

Table 2: Total cleared cases:

Service	Total number of matches	Total Number of Matches Processed (inc Closed)	% Cleared for each dataset
Housing Benefit	1,071	189	18%
Payroll	277	244	88%
Blue Badges	378	361	96%
Residential Care Homes	51	51	100%
Creditors	3,110	3,110	100%
Residents Parking	6	6	100%
Personal Budgets	47	47	100%
Council Tax	1,403	355	25%
Housing Tenants	811	163	20%
Insurance	7	7	100%
Right to Buy	9	3	33%
Housing Waiting Lists	857	316	37%
TOTAL	8,027	4,852	60%

4.8   Table 3: Total recommended matches cleared:

Service	Total number of recommended matches	Total Number of Recommended Matches Cleared (inc Closed)	% Cleared for each dataset
Housing Benefit	92	71	77%
Payroll	82	68	83%
Blue Badges	289	274	95%
Residential Care Homes	24	24	100%
Creditors	251	251	100%
Residents Parking	3	3	100%
Personal Budgets	6	6	100%
Council Tax	146	143	98%
Housing Tenants	148	92	62%
Insurance	1	1	100%
Right to Buy	1	0	0%
Housing Waiting Lists	830	298	36%
TOTAL	1,873	1,231	66%

4.9   The number of matches processed has increased by 184 since the last update report. Of these 119 were recommended matches. The main areas where matches have been closed are Housing Waiting Lists and Housing Tenants. Committee should note that the low number of processed matches for Housing Benefit (1 case) and Council Tax (9 cases) is due to the Counter Fraud team concentrating its efforts on the local Single Person Discount (SPD) data matching exercise.

4.10 As at the 15th January there were 18 NFI cases in progress. These are:

        Housing Benefit   5 cases
        Payroll   9 cases
        Council Tax   3 cases
        Housing Tenants   1 case

4.11 Progress on the 2016/17 NFI to date compared to the overall performance on the 2014/15 exercise is shown in Table 4 below.

Table 4: Comparison of Progress to date (NFI 2016/17) with that of NFI 2014/15

Matches	2016/17		2014/15	
	Number	Percentage of Total	Number	Percentage of Total
Total Matches	8,027		9,494	
Recommended to Investigate	1,873		2,884	
In Progress	18			
Processed	3,001	37%	1,593	17%
Closed but not designated as processed	1,851	23%	138	1%
Total Processed/ Closed	4,852	60%	1,731	18%
No Action	3,175	40%	7,763	82%

4.12 It should be noted that the priority in the 2014/15 NFI exercise was to investigate the mandatory (recommended) matches. There was a significantly higher number of matches in 2014/15.

4.13 The total amount of error/fraud identified remains the same as reported at the meeting on 31st October 2017. A total of £23,840.42 error/fraud has been identified (NFI Matches generating £5,359.08 and ReChecks generating £18,481.34).

4.14 ReChecks account for an additional 19,827 matches of which 1,017 have been processed. A total of 48 frauds and 4 errors have been identified in the 1,017 cases processed. At the time of this report there were 64 ReCheck cases in progress.

Note:
ReChecks are 3 reports that match Council Tax data against Electoral Register, Rising 18s and other sources (e.g. blue badge, HB, Housing Tenants, Payroll). These figures are not included in Tables 1 to 4.
NFI ReCheck provides matches based on Councils uploading the latest version of their Council Tax and Electoral Register data. Over short periods of time, existing customers personal and financial circumstances change, affecting their entitlement to a benefit or service provided. ReCheck allows the Council to proactively check their existing customer records to establish and monitor these changes.

4.15 A ReCheck refresh was done in December 2017 when the Council submitted Council Tax and Electoral Registration data and the Cabinet Office issued updated ReCheck matches. These are reflected in the 19,827 matches mentioned in paragraph 4.10.

4.16 **Public Interest Disclosure Act 1998**

There has been 1 disclosure made under the Council's Whistleblowing policy in quarter 3 of 2017/18.

4.17 **Money Laundering Regulations 2007**

There have not been any reports of potential Money Laundering made under the Council's Anti-Money Laundering Policy in the period 1 October 2017 to 31 December 2017.

4.18 **Bribery Act 2010**

There have been no reports of suspicions of bribery made under the Council's Anti-Bribery Policy in the period 1 October 2017 to 31 December 2017.
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4.19 **Regulation of Investigatory Powers Act 2000**

The Council has a statutory obligation to provide a quarterly update to Elected Members in respect of its use of covert surveillance. During quarter 3 of 2017/18, there have been no applications for use of directed surveillance, covert human intelligence sources (CHIS) or to access communications data.

4.20 Following the last Council inspection by a commissioner from the Office of the Surveillance Commissioner, when the need for targeted training for investigating officers and statutory officers involved in the use of the Regulation of Investigatory Power Act 2000 was recommended, seven training sessions were held between October and December 2017. Three of these were in respect of directed surveillance and the use of covert human intelligence sources, three were in respect of the use of communication data and the last was specifically targeted at the statutory officers – the Chief Executive, the Monitoring Officer (as the Senior Responsible Officer), the Head of Legal Services (as corporate RIPA administrator), the two statutory 'authorising officers' – the service directors for Communities, Environmental and Regulatory Services and Adults and Health, along with a number of other heads of service whose roles include involvement in regulatory work.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer	N/A
Financial officer	N/A
Human Resources officer	N/A
Estates/Property officer	N/A
Service Director(s)	N/A
Other(s)	N/A

For more information contact:	Richard Boneham, Head of Audit Partnership, 01332 643280 richard.boneham@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

1.1   The charge for Unitary Councils participating in the National Fraud Initiative 2016/17 is £3,650. The fees are the same as for the previous NFI exercise. The cost of using ReCheck is £600.

Legal

2.1   The NFI is conducted under statutory powers set out in the Local Audit and Accountability Act 2014 (Part 6, Schedule 9). The legislation provides safeguards on the use and disclosure of data, including the requirement for a statutory Code of Data Matching Practice which helps ensure that all those involved in the NFI exercises comply with the law, especially the provisions of the Data Protection Act 1998. It sets out the expected data security and privacy standards appropriate to the NFI.

Personnel

3.1   None directly arising

IT

4.1   None directly arising

Equalities Impact

5.1   None directly arising

Health and Safety

6.1   None directly arising

Environmental Sustainability

7.1   None directly arising

Property and Asset Management

8.1   None directly arising

Risk Management

9.1   None directly arising

Corporate objectives and priorities for change

10.1   The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.