

AUDIT COMMITTEE

7 JANUARY 2020

NATIONAL FRAUD INITIATIVE PROGRESS REPORT

Report from: James Larkin, Audit & Counter Fraud Shared Service Manager

Summary

This report provides Members with an update on the work and outputs from the National Fraud Initiative Exercise for the period 1 September to 30 November 2019.

1. Budget and Policy Framework

- 1.1 The Audit and Counter Fraud Shared Service are responsible for the National Fraud Initiative exercise across council services. Council delegates responsibility for the oversight and monitoring the effectiveness of the Audit and Counter Fraud Shared Service to the Audit Committee.

2. Background

- 2.1 The Council proactively takes part in the National Fraud Initiative (NFI) exercise, which is co-ordinated by the Cabinet Office. This is a nationwide data matching exercise, comparing computer records held by the Council against other computer records held by councils and other public bodies, with a view to identifying potential instances of fraud or irregularity.
- 2.2 There are two separate exercises, one matches council tax single person discount (SPD) to the electoral register and is run on an annual basis. Data is submitted between December, once the electoral register has been published, and February the following year, with the results received within hours.
- 2.3 The second exercise takes data from the Council in relation to;
- housing (tenancies, right to buy, waiting list),
 - housing benefit,
 - council tax reduction,
 - residents parking permits,
 - creditors (historic and standing),
 - market traders,
 - personal alcohol licences,
 - payroll, and
 - private hire (taxi) licences,

- blue badge,
- private residential care homes,
- personal budgets
- concessionary passes,

and is run on a bi-annual basis with data submitted in October and the results identified from the subsequent data matching released to the authority in January the following year.

- 2.4 Matches can be reviewed by the individual services they relate to, with suspicious results referred to the Audit and Counter Fraud (A&CF) Service for investigation, or reviewed directly by the A&CF service.
- 2.5 This report provides an update on the 2018-19 exercise, which includes the matches resulting from all the data sets mentioned above, and gives an overview of the activity undertaken across the council in response to the potential discrepancies identified.

3. Progress

- 3.1 The matches received can be categorised in eight key areas of the Council and progress as at 30 November 2019 is reported under each of those headings.

Council Tax

- 3.2 The matches relating to council tax (CTAX) are checked by the systems team within MRBS and initially 5,765 matches were received across the various reports. These relate to persons with a single person discount where the data match has identified;
- Electoral roll with more than one person at the address (2,357 matches),
 - Electoral roll suggesting an occupant who is about to reach 18 (187 matches), and
 - Other council records showing alternative persons registered at the address (3,221 matches).
- 3.3 The matches against other council data sets have not been given priority at this time. This is due to the fact that the majority of the council's data was submitted in October but the CTAX SPD data, on this occasion, was not submitted until the following February. This means there is likely to be a high number of false positives created by residents changing address in the period between data submissions.
- 3.4 To date the work has focused on the matches to the electoral roll and all of the 2,348 matches indicating more than one individual at an address have been assessed and resulted in the following;
- One match remains open while enquiries are conducted
 - 2,144 closed with no evidence of fraud
 - 203 SPD removed (10 replaced with an alternative discount)

- 3.5 This represents a success rate of 8.61% to date and has led to additional CTAX liability of £123,364 and an additional £72,722 in future years in relation to discounts that will no longer be applied.
- 3.6 The 187 matches relating to persons about to turn 18 have had the accounts updated for enquiries to be made with the customer at the appropriate time.
- 3.7 In August 2019, the Cabinet office released new matches following a successful pilot for matching against PAYE data held by HMRC. This has produced an additional 6,458 matches where PAYE data indicates there may be additional occupants at addresses where an SPD is in place.
- 3.8 As yet we have not had opportunity to review any of these matches and have no indication as to the age of the HMRC data that was used. It is therefore intended that a sample of those matches will be checked to gauge the likelihood of potential false matches as with the data from other council departments.

Housing Benefit

- 3.9 Results linked to housing benefit (HB) are spread across 27 different reports. These reports identify potential employment, other income and additional residents that may not have been declared for the purpose of the benefit assessment. It should be noted that the majority of these people are also in receipt of council tax reduction as part of their claim.
- 3.10 The benefits section have been responsible for reviewing the 1,071 matches linked to those reports, using the risk score provided by the Cabinet Office to target the high priority matches first. Any instances of potential fraud are referred directly to the Department for Work and Pensions (DWP) for further investigation.
- 3.11 As of 30 November, enquiries linked to those matches have resulted in the following;
- 903 match awaiting initial checks (all recorded as low priority risk by Cabinet Office),
 - five matches open for further enquiries (this includes cases referred to DWP for formal investigation),
 - 159 closed with no evidence of fraud or error
 - five matches resulting in an overpayment of housing benefit/council tax reduction.
- 3.12 This represents a success rate of 37.88% to date in respect of the matched that have been checked and has led to the identification of housing benefit overpayments totalling £5,078.06 and excess council tax reduction awards of £860.01. In addition housing benefit awards have been reduced by a total of £51.30 per week (annual saving of £2,668).
- 3.13 An additional 253 matches from two new reports were received in August 2019 linked to HMRC data, which identify potential additional occupants or capital in the form of property ownership that may not have been declared. These matches are going to be reviewed by the Audit & Counter Fraud Service.

Council Tax Reduction

- 3.14 Results linked to Council Tax Reduction (CTR) are spread across 26 different reports. As with the HB dataset matches, these reports identify potential employment, other income and additional residents that may not have been declared for the purpose of the benefit assessment and the majority of those people are also in receipt of HB as part of the same claim.
- 3.15 As of 30 November, enquiries linked to 1,132 matches have resulted in the following;
- 930 matches awaiting initial checks(all recorded as low priority risk by Cabinet Office),
 - 11 matches open for further enquiries (this includes cases referred to DWP for formal investigation where housing benefit is also in payment),
 - 191 closed with no evidence of fraud or error
 - 5 matches resulting in an overpayment of housing benefit/council tax reduction.
- 3.16 This represents a success rate of 0.62% to date in respect of the matched that have been checked and has led to the identification of excess CTR awards of £11,222.42. In addition CTR awards have been reduced by a total of £39.87 per week (annual saving of £2,073)
- 3.17 An additional 537 matches from three new reports were received in August 2019 linked to HMRC data, which identify potential additional occupants or capital in the form of property ownership that may not have been declared. These matches are going to be reviewed by the Audit & Counter Fraud Service.

Payroll & Procurement

- 3.18 Payroll & procurement matches are aimed at identifying employees who may have undeclared secondary employment that could lead to a failure to work their contracted hours and also any employees that are creditors providing services to the council, which could lead to potential undeclared interests or procurement corruption.
- 3.19 235 matches were received across eight reports. These matches are going to be reviewed by the audit & counter fraud team but are yet to be reviewed.

Housing

- 3.20 Results linked to housing are spread across 25 different reports. These reports identify individuals who potentially have tenancies with more than one authority, discrepancies that suggest right to buy applications may be fraudulent, and individuals on the council waiting list that appear to have tenancies with other local authorities/Housing Associations or are on the waiting list of other local authorities.
- 3.21 The A&CF service are responsible for checking the 458 matches received and as of 30 November, enquiries have resulted in the following;
- 20 matches awaiting initial checks,
 - five matches open for further enquiries,

- 402 closed with no evidence of fraud or error
- One match resulted in the individual being removed from the housing waiting list

3.22 An additional 81 matches from three new reports were received in August 2019 linked to HMRC data, which identify potential undeclared property ownership and household occupants. 24 of these new matches have been checked to date and have so far resulted in four being closed with no evidence of fraud and enquiries to be made in respect of 19 to establish whether any offences have been committed.

Parking & Travel

3.23 Residents Parking Permits, Blue Badges and Concessionary Passes are all matched to the deceased data held by the DWP to identify any active permits, badges or passes registered to customers who are now deceased. Blue badges are also matched against blue badge data from other authorities to identify instances where people have two badges from different authorities.

3.24 625 matches were received in respect of blue badges across three reports and results to date are as follows;

- 294 matches awaiting initial checks,
- one match open for further enquiries,
- 330 closed with no evidence of fraud or error

3.25 819 matches were received in respect of Concessionary Passes. With the assistance of the Council's software provider, a batch exercise was undertaken to cancel all passes where the subject was now known to be deceased and activity data indicated that the pass had not been used since the date of their death. This resulted in the cancellation of 630 permits.

3.26 A further 179 had already been cancelled as the council had been notified of the death and five matches remain open for further enquiries.

3.27 Five matches were received in respect of resident parking permits but these are yet to be reviewed.

Finance

3.28 Results linked to finance are spread across ten different reports. These reports identify potential duplicate payee records in the system, duplicate payments to creditors and overpayments of VAT.

3.29 A total of 4,405 matches were received and would normally be reviewed by the finance service. However, the finance service undertake a periodic review with an external company to identify duplicate payments and as such, it is not felt that it would be an effective use of resources to undertake a manual check of the individual matches.

Social Care

3.30 Results linked to Social Care are spread across five different reports. Private Residential Care Home residents and individuals in receipt of direct payments

matched are matched to the deceased data held by the DWP to identify any failure to notify the Council of a customer's death and direct payments are also matched to pension data to identify potentially undeclared income.

- 3.31 A total of 78 matches were received across the three reports and the audit & counter fraud service will be working with the adult social care teams to address these matches. The vacancy for an intelligence officer that was only filled from 1 September has caused some delay in getting matches checked.

An additional 32 matches from two new reports were received in August 2019 linked to HMRC data, which identify potential undeclared property ownership, earnings and capital for those in receipt of direct payments. As with the earlier matches received, the audit & counter fraud service will be working with the adult social care teams to address these matches as soon as possible

Overall Summary

- 3.32 Medway has received a total of 21,877 matches since January 2019 as part of the 2018-19 NFI exercise. Overall performance to date is as follows;

- 17,389 matches awaiting initial checks (79%),
- 47 matches open for further enquiries (1%),
- 3,596 closed with no evidence of fraud or error (16%)
- 844 matches have led to the identification of an error (4%)

- 3.33 Work on the outstanding matches continues and a further update will be presented to Members along with the Audit and Counter Fraud Annual Report in June 2020.

4. Risk management

- 4.1 This report, summarising the NFI activity and outcomes, provides a key source of assurance for the council on the adequacy and effectiveness of its internal control arrangements to identify and tackle fraud and error.

5 Financial implications

- 5.1 An adequate and effective Audit and Counter Fraud function provides the council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the Council.

- 5.2 The report gives details of the NFI activity and outcomes to date which are summarised as follows:-

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|--|----------|
| • Council Tax additional liability | £123,364 |
| • Council Tax future savings | £72,722 |
| • Housing Benefit overpayments | £5,078 |
| • Housing benefit reduced annual saving | £2,668 |
| • Council Tax Reduction reduced saving | £860 |
| • Council Tax Reduction awards | £11,222 |
| • Council Tax Reduction reduced annual saving | £2,073 |
| • Concessionary Passes cancellation of 630 permits | |

6 Legal implications

- 6.1 The Accounts and Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance. The Section 151 Officer of a local authority is responsible for establishing the internal audit service; Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council.

7 Recommendation

- 7.1 Members are requested to note the performance of the Audit and Counter Fraud Team and other services in relation to the National Fraud Initiative.

Lead officer contact

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Appendices

None.

Background papers

None