

AUDIT COMMITTEE

24 JUNE 2021

NATIONAL FRAUD INITIATIVE EXERCISE - UPDATE

Report from: James Larkin, Head of Audit & Counter Fraud Shared Service
(Chief Audit Executive)

Summary

This report provides an update on the National Fraud Initiative (NFI) exercise.

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 & 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 & Counter Fraud (A&CF) Service for investigation, or reviewed directly by the A&CF service.
- 2.5. This report provides an update on the 2019-20 exercise, which relates to the council tax single persons discount exercise.
- 2.6. There is also a brief update on the matches received as part of the 2020-21 bi-annual exercise, which includes the data sets described in paragraph 2.3 above.

3. Progress with 2019-20 exercise

- 3.1. In total 3003 matches were received across three reports. These relate to persons with a single person discount where the data match has identified:
 - Report 801 - Electoral roll with more than one person at the address (2,496 matches),
 - Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (121 matches), and
 - Report 803 - Other records showing alternative persons registered at the address (386 matches).
- 3.2. In previous years, the matches relating to single person discount have been checked by the systems team within MRBS; however, the additional pressures created by Covid meant it was unlikely they would be able to undertake this task, so the matches were reviewed by the A&CF Service. The current position for all reports, as of 31 May 2021, is as follows;
- 3.3. Report 801:
 - 656 matches were rejected as not requiring investigation. This is because they have been cleared as part of previous exercises.
 - 63 matches currently open while enquiries are conducted.
 - 1,722 closed with no evidence of fraud.
 - 55 SPD removed.
- 3.4. Report 802:
 - 44 closed with no evidence of fraud.
 - One SPD removed.

- 76 cases with a system marker added to check circumstances at the point additional resident turns 18 to prevent awards continuing in appropriately.

3.5. Report 803:

- 26 matches currently open while enquiries are conducted.
- 359 closed with no evidence of fraud.
- One SPD removed.
- 76 cases with a system marker added to check circumstances at the point additional resident turns 18 to prevent discounts continuing when no longer entitled.

3.6. Overall, this represents a success rate of 4.43% and has led to additional CTAX liability of £19,056 and an additional £11,480 in future years in relation to discounts and council tax reduction that will no longer be applied.

3.7. Action is still being taken to progress the remaining 89 matches and a further update on progress will be provided at a later date.

4. Progress with 2020-21 exercise

4.1 Progress to date has been limited due to investigative resource being redeployed to other parts of the council during the pandemic response and a focus on trying to clear matches from the 2019-20 exercise but this report provides details on the volume of matches received.

4.2 In total, 14,874 matches were received in January 2021 and can be categorised in seven key areas of the council:

- Council Tax – 6,620 matches
- Housing Benefit – 128 matches
- Council Tax Reduction – 968 matches
- Payroll & Procurement – 117 matches
- Housing – 109 matches
- Parking & Travel – 1,888 matches
- Finance – 4,916 matches

4.3 The Cabinet Office also requested data in relation to the Business Support Grants, Retail, Hospitality & Leisure Grants and Discretionary Business Grants awarded during the first National Lockdown in 2020 and the results of that data matching were received in May 2021 in the form of an additional 181 matches.

4.4 Work will shortly be commencing to review these matches and discussions will take place with individual services as necessary as it is unlikely that the A&CF service will have sufficient resource to review all 15,000 in a timely manner.

5. Risk management

- 5.1. 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.

6. Climate change implications

- 6.1. There are no climate change implications in this report.

7. Financial implications

- 7.1. An adequate and effective Audit & 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.

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

• Council Tax additional liability	£19,056
• Council Tax future liability	£11,480
• Total	£30,536

8. Legal implications

- 8.1. The Accounts & Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, 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.

9. Recommendations

- 9.1. The Committee is recommended to note the report.

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Appendices

None

Background papers

None