

AUDIT COMMITTEE

23 JUNE 2021

NATIONAL FRAUD INITIATIVE EXERCISE – ANNUAL 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 Internal 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 Internal 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 Counter Fraud Team for investigation; or reviewed directly by the Counter Fraud Team.
- 2.5. This report provides an update on the 2019-20 council tax single persons discount exercise, the 2020-21 bi-annual exercise, which includes the data sets described in paragraph 2.3 above, and the 2021-22 council tax single persons discount exercise.

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 Revenues and Benefits; 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 Counter Fraud Team. The current position for all reports, as of 31 May 2022, 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.
 - 1,760 matches closed with no evidence of fraud.
 - 80 matches resulting in corrective action.

3.4. Report 802:

- 44 matches closed with no evidence of fraud.
- 76 matches resulting in a system marker being added to check circumstances at the point additional resident turns 18 to prevent awards continuing inappropriately.
- One match resulting in corrective action

3.5. Report 803:

- 370 matches closed with no evidence of fraud.
- 16 matches resulting in corrective action.

3.6. Overall, 97 single person discounts were removed, one of which was replaced with an alternative discount. Some of those matches also resulted in amendments to housing benefit and council tax reduction awards.

3.7. This represents a success rate of 5.76% and has led to additional Council Tax liability of £77,123 and an additional £39,215 in future years in relation to discounts and council tax reduction that will no longer be applied; as well as housing benefit overpayments of £12,727.

3.8. This concludes all action with the 2019-20 exercise.

4. Progress with 2020-21 exercise

4.1 In total, 15,462 matches have been received since January 2021 and can be categorised in eight key areas of the council:

- Council Tax – 6,620 matches
- Housing Benefit – 177 matches
- Council Tax Reduction – 1120 matches
- Payroll & Procurement – 118 matches
- Housing – 212 matches
- Parking & Travel – 1,888 matches
- Finance – 4,916 matches
- Business Grants – 230 matches

Council Tax

4.2 Matches relating to council tax were reviewed by the counter fraud team and the current position for all reports, as of 31 May 2022, is as follows,

4.3. Report 801:

- 49 matches currently open with ongoing enquiries.
- 2,705 matches closed with no evidence of fraud.
- 166 matches resulting in corrective action.

4.4. Report 802:

- One match currently open with ongoing enquiries.
- 62 closed with no evidence of fraud.
- 26 matches resulting in corrective action.

4.5. Report 803:

- 2075 matches rejected.
- 81 matches currently open with ongoing enquiries.
- 1,444 matches closed with no evidence of fraud.
- 11 matches resulting in corrective action.

4.6. Overall, 203 single person discounts have been removed, 34 of which have been replaced with an alternative discount.

4.7. This represents a success rate of 3.07% and to date has led to additional Council Tax liability of £117,600 and an additional £68,806 in future years relation to discounts and council tax reduction that will no longer be applied.

Housing Benefit

4.8. Results linked to housing benefit (HB) are spread across 17 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. Any instances of potential fraud are referred directly to the Department for Work and Pensions (DWP) for further investigation.

4.9. As of 31 May 2022, enquiries linked to those matches have resulted in the following,

- 16 matches referred to DWP for investigation,
- 160 matches closed with no evidence of fraud or error
- five matches resulting in corrective action.

4.10. This represents an overall success rate of 2.76% in respect of the matches that have been checked and has led to the identification of housing benefit overpayments totalling £27,742 and excess council tax reduction of £1,040. In addition, housing benefit awards have been reduced by a total of £377.93 per week (annual saving of £19,652).

Council Tax Reduction

4.11. Results linked to Council Tax Reduction (CTR) are spread across 22 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 a number of those people are also in receipt of HB as part of the same claim.

4.12. As of 31 May 2022, enquiries linked to the 1,120 matches have resulted in the following,

- 16 matches open for further enquiries,
- 20 matches referred to DWP for investigation,
- 1082 matches closed with no evidence of fraud or error
- five matches resulting in corrective action.

4.13. This represents an overall success rate of 0.45% in respect of the matches that have been checked and has led to the identification of excess CTR awards of £8,821 and overpayments of housing benefit totalling £12,077. CTR awards have been reduced by a total of £40.00 per week (annual saving of £2,080) and HB awards have been reduced by a total of £29.22 per week (annual saving of £1,519).

Payroll & Procurement

4.14. 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.

4.15. As of 31 May 2022, enquiries linked to 118 matches have resulted in the following,

- one match open for further enquiries,
- 117 matches closed with no evidence of fraud or error.

4.16. To date, no issues have been identified in any cases.

Housing

4.17. Results linked to housing are spread across 22 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.

4.18. As of 31 May 2022, enquiries linked to 214 matches have resulted in the following,

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

4.19. To date, no issues have been identified in any cases.

Parking & Travel

4.20. 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.

4.21. 915 matches were received in respect of blue badges across six reports and progress as of 31 May 2022 is as follows,

- three matches awaiting initial checks
- one match open for further enquiries
- 649 Closed with no evidence of fraud
- 271 badges cancelled and action to recover.

4.22. The Cabinet Office applies an estimated saving of £575 in respect of any badge cancelled as a result of the exercise. The cancellation of 271 badges represents an estimated saving of £155,825.

4.23. 970 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.

4.24. This resulted in the cancellation of 964 concessionary passes. A further three had already been cancelled as the Council had been notified of the death.

4.25. The Cabinet Office applies an estimated saving of £24 in respect of any concessionary pass cancelled as a result of the exercise. The cancellation of 964 passes represents a notional saving of £23,136.

4.26. Three matches were received in respect of resident parking permits, but these have not yet been checked.

Finance

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

4.28. A total of 4,916 matches were received and would normally be reviewed by the finance service. However, the finance service undertakes a periodic review with an external company to identify duplicate payments and as such, it was not felt that it would be an effective use of resources to undertake a manual check of the individual matches.

Business Grants

4.29. Matches linked to Business Grants were intended to identify companies who may have received a grant to which they were not entitled. A total of 230 matches were received across six reports and progress as of 31 May 2022 is as follows,

- 50 awaiting initial checks
- one match open for further enquiries
- 176 Closed with no evidence of fraud
- three grants identified as having been paid in error.

4.30. This represents an overall success rate of 1.30% in respect of the matches that have been checked and has identified £30,000 for recovery.

5. Progress with 2021-22 exercise

5.1. In total 6669 matches were received across four 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).
- Report 815.2 – HMRC records showing alternative persons registered at the address (3167 matches).

5.2. Given the limited successes in relation to reports 803 and 815.2 in previous exercises, checks would only be undertaken on a sample of matches rather than dedicating resource to checking them all. In the event that this produced a higher-than-expected level of returns, the sample would be expanded.

5.3. Report 801:

- 796 matches rejected as not requiring investigation.
- 156 matches open for further enquiries
- 2,234 matches closed with no evidence of fraud.
- 18 matches resulting in corrective action.

5.4. Report 802:

- 21 matches awaiting initial checks

5.5. Report 803:

- 19 matches open for further enquiries.
- 42 matches closed with no evidence of fraud.

5.6. Report 815.2

- 8 matches open for further enquiries
- 42 matches closed with no evidence of fraud

5.7. Overall, 18 single person discounts have been removed to date, three of which have been replaced with an alternative discount.

5.8. This represents a success rate of 0.27% and has led to additional Council Tax liability of £8,308 and an additional £6,082 in future years in relation to discounts that will no longer be applied.

6. Risk management

6.1. 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.

7. Climate change implications

7.1. There are no climate change implications in this report.

8. Financial implications

8.1. An adequate and effective Internal 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.

8.2. The report gives details of the NFI activity and outcomes to date relating to the 2019-20, 2020-21 and 2021-22 exercises, which are summarised as follows:

• Council Tax additional liability	£346,250
• Council Tax future liability	£117,202
• Housing benefit overpayments	£52,546
• Reduction in HB awards	£28,860
• Blue badge removals (notional saving)	£155,825
• Concessionary passes (notional saving)	£23,136
• Business Grants	£30,000
• Total	£753,819

9. Legal implications

9.1. 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.

10. Recommendations

10.1. The Committee is recommended to note the report.

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Appendices

None

Background papers

None