

AUDIT COMMITTEE

29 JUNE 2023

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 2020-21 bi-annual exercise, which includes the data sets described in paragraph 2.3 above, the 2021-22 council tax single persons discount exercise and the 2022-23 bi-annual exercise.

3. Progress with 2020-21 exercise

- 3.1 In total, 15,290 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 – 181 matches,
 - Council Tax Reduction – 1123 matches,
 - Payroll & Procurement – 118 matches,
 - Housing – 214 matches,
 - Parking & Travel – 1,888 matches,
 - Finance – 4,916 matches,
 - Business Grants – 230 matches.

Council Tax

- 3.2 In total 6,620 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 (2,920 matches),
 - Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (89 matches), and
 - Report 803 - Other records showing alternative persons registered at the address (3,611 matches).
- 3.3 Matches relating to council tax were reviewed by the counter fraud team and the current position for all reports, as of 31 May 2023, is as follows,
- 3.4 Report 801:
 - 2,710 matches closed with no evidence of fraud/error.

- 210 matches resulting in corrective action.

3.5 Report 802:

- 63 closed with no evidence of fraud/error.
- 26 matches resulting in corrective action.

3.6 Report 803:

- 2,075 matches rejected,
- 1,510 matches closed with no evidence of fraud/error,
- 26 matches resulting in corrective action.

3.7 Overall, 262 single person discounts have been removed, 39 of which were replaced with an alternative discount.

3.8 This represents a success rate of 3.96% and led to additional council tax liability of £163,178 and an additional £89,741 in future years relation to discounts and council tax reduction that will no longer be applied.

Housing Benefit

3.9 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.

3.10 As of 31 May 2023, enquiries linked to the 181 matches have resulted in the following,

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

3.11 This represents an overall success rate of 2.76% 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

3.12 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.

3.13 As of 31 May 2023, enquiries linked to the 1,123 matches have resulted in the following,

- 20 matches referred to DWP for investigation,
- 1,089 matches closed with no evidence of fraud/error,
- 14 matches resulting in corrective action.

3.14 This represents an overall success rate of 1.25% and has led to the identification of excess CTR awards of £25,301 and overpayments of housing benefit totalling £13,262. CTR awards have been reduced by a total of £159.47 per week (annual saving of £8,292) and HB awards have been reduced by a total of £96.75 per week (annual saving of £5,031).

Payroll & Procurement

3.15 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.

3.16 As of 31 May 2023, enquiries linked to 118 matches have resulted in the following,

- 118 matches closed with no evidence of fraud/error.

3.17 No issues were identified in any cases.

Housing

3.18 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.

3.19 As of 31 May 2023, enquiries linked to 214 matches have resulted in the following,

- 213 matches closed with no evidence of fraud/error,
- One match resulting in corrective action.

3.20 This represents an overall success rate of 0.47% and has led to the identification of an overpayment of housing benefit of £19,280, and excess CTR award of £2,506.

Parking & Travel

- 3.21 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.
- 3.22 915 matches were received in respect of blue badges across six reports and progress as of 31 May 2023 is as follows,
- 643 Closed with no evidence of fraud/error,
 - 272 badges cancelled and action to recover.
- 3.23 The Cabinet Office applied an estimated saving of £575 in respect of any badge cancelled as a result of the exercise. The cancellation of 272 badges represents an estimated saving of £156,400.
- 3.24 970 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.
- 3.25 This resulted in the cancellation of 965 concessionary passes. A further three had already been cancelled as the Council had been notified of the death.
- 3.26 The Cabinet Office applied an estimated saving of £24 in respect of any concessionary pass cancelled as a result of the exercise. The cancellation of 965 passes represents a notional saving of £23,160.
- 3.27 Three matches were received in respect of resident parking permits and all were closed with no evidence of fraud.

Finance

- 3.28 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.
- 3.29 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

- 3.30 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 2023 is as follows,

- 177 Closed with no evidence of fraud,
- three grants identified as having been paid in error,
- 50 matches removed prior to checks.

3.31 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.

3.32 This concludes all activity in relation to the 2020-21 exercise.

4. Progress with 2021-22 exercise

4.1 In total 6712 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 (3,204 matches),
- Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (64 matches), and
- Report 803 - Other records showing alternative persons registered at the address (277 matches).
- Report 815.2 – HMRC records showing alternative persons registered at the address (3167 matches).

4.2 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.

4.3 Report 801:

- 796 matches rejected as not requiring investigation,
- 2,241 matches closed with no evidence of fraud/error,
- 167 matches resulting in corrective action.

4.4 Report 802:

- 11 matches closed with no evidence of fraud/error,
- 53 matches resulting in corrective action.

4.5 Report 803:

- 267 matches closed with no evidence of fraud/error,
- Ten matches resulting in corrective action.

4.6 Report 815.2

- 3,067 matches closed with no evidence of fraud/error,
- 100 matches resulting in corrective action.

4.7 Overall, 278 single person discounts were removed, 31 of which were replaced with an alternative discount.

4.8 This represents a success rate of 4.92% and has led to additional CTAX liability of £165,664 and an additional £107,784 in future years in relation to discounts and council tax reduction awards that will no longer be applied.

4.9 This concludes all activity relating to the 2021-22 exercise.

5. Progress with 2022-23 exercise

5.1 In total, 9,9662 matches have been received since January 2023 and can be categorised in seven key areas of the council:

- Council Tax – 1,998 matches,
- Housing Benefit – 87 matches,
- Council Tax Reduction – 340 matches,
- Payroll & Procurement – 125 matches,
- Housing – 203 matches,
- Parking & Travel – 1,980 matches,
- Finance – 4,934 matches.

Council Tax

5.2 In total 1,998 matches were received across two 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 (1,927 matches),
- Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (71 matches), and

5.3 Matches relating to council tax were reviewed by the counter fraud team and the current position for all reports, as of 31 May 2023, is as follows,

5.4 Report 801:

- Eight matches rejected as not requiring investigation,
- 55 matches open for further enquiries,
- 1,706 matches closed with no evidence of fraud/error,
- 158 matches resulting in corrective action.

5.5 Report 802:

- Seven closed with no evidence of fraud/error,
- 61 matches leading to prevention measures,
- Three matches resulting in corrective action.

5.6 Overall, 161 single person discounts have been removed to date, 37 of which were replaced with an alternative discount.

5.7 This represents a success rate of 10.61% to date and has led to additional council tax liability of £106,166 and an additional £52,349 in future years relation to discounts and council tax reduction that will no longer be applied.

Housing Benefit

5.8 Results linked to housing benefit (HB) are spread across 12 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.

5.9 As of 31 May 2023, enquiries linked to the 87 matches have resulted in the following,

- Seven matches open for further enquiries,
- Five matches referred to DWP for investigation,
- 54 matches closed with no evidence of fraud or error.

Council Tax Reduction

5.10 Results linked to Council Tax Reduction (CTR) are spread across 18 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.

5.11 As of 31 May 2023, enquiries linked to the 340 matches have resulted in the following:

- Six matches open for further enquiries,
- 61 matches referred to DWP for investigation,
- 272 matches closed with no evidence of fraud or error,
- One match resulting in corrective action.

5.12 This represents an overall success rate of 0.29% to date and has led to the identification of excess CTR awards of £1,194 and CTR awards have been reduced by a total of £13.83 per week (annual saving of £719).

Payroll & Procurement

- 5.13 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.
- 5.14 As of 31 May 2023, enquiries linked to 125 matches have resulted in the following,
- 124 matches closed with no evidence of fraud or error,
 - One match resulting in the employee resigning.
- 5.15 This represents an overall success rate of 0.80% and the Cabinet Office have attached an estimated saving of £5,685 as a consequence of the resignation.

Housing

- 5.16 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. These were checked by the relevant Housing teams.
- 5.17 As of 31 May 2023, enquiries linked to 203 matches have resulted in the following,
- Four matches referred to the fraud team for further enquiries,
 - 188 matches closed with no evidence of fraud or error,
 - Ten matches resulting in corrective action.
- 5.18 This represents an overall success rate of 4.93% to date and has led to ten people being removed from the waiting list, although none had attempted to benefit from their failure to report a change. While the Cabinet office associate a notional saving of £4,283 with each waiting list removal, we only consider inclusion of the saving where the individual has tried to benefit from the failure to report a change. Accordingly we have not recorded any savings with the removals to date.

Parking & Travel

- 5.19 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.

5.20 1,015 matches were received in respect of blue badges across six reports and progress as of 31 May 2023 is as follows,

- One match rejected as not requiring investigation,
- 214 matches awaiting initial checks,
- 299 matches closed with no evidence of fraud,
- 501 badges cancelled and action to recover.

5.21 The Cabinet Office applies an estimated saving of £650 in respect of any badge cancelled as a result of the exercise. The cancellation of 501 badges represents an estimated saving of £326,650.

5.22 949 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.

5.23 This resulted in the cancellation of 835 concessionary passes. A further 114 had already been cancelled as the Council had been notified of the death.

5.24 The Cabinet Office now applies an estimated saving of £31 in respect of any concessionary pass cancelled as a result of the exercise. The cancellation of 835 passes represents a notional saving of £25,885.

5.25 16 matches were received in respect of resident parking permits. Resulting in the cancellation of 13 permits linked to deceased residents. The remaining three matches were closed with no evidence of fraud/error.

Finance

5.26 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.

5.27 A total of 4,934 matches were received and would normally be reviewed by the finance service. In previous years these matches have not been checked as the finance service undertakes a periodic review with an external company to identify duplicate payments, so would be a duplication of effort. However, this exercise has not been run for several years and we are now exploring the possibility of the counter fraud team reviewing these matches.

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 2020-21, 2021-22 and 2022-23 exercises, which are summarised as follows:

Area of Activity	Outcome to date
Council Tax additional liability	£465,049
Council Tax future liability	£258,885
Housing benefit overpayments	£60,284
Reduction in HB awards	£24,683
Blue badge removals (notional saving)	£483,050
Concessionary passes (notional saving)	£49,045
Business Grants	£30,000
Employee resignations (notional Saving)	£5,685
Total	£1,376,681

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