

Audit Committee

15 July 2024

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. Recommendations

1.1. The Committee is recommended to note the report.

2. Budget and policy framework

2.1. 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.

3. Background

3.1. 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.

3.2. 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.

3.3. 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.

- 3.4. 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.
- 3.5. 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.

4. Progress with 2022-23 exercise

- 4.1. In total, 14,123 matches have been received since January 2023 and can be categorised in seven key areas of the council:
- Council Tax – 6,917 matches
 - Housing Benefit – 119 matches
 - Council Tax Reduction – 603 matches
 - Payroll & Procurement – 125 matches
 - Housing – 444 matches
 - Parking & Travel – 1,980 matches
 - Finance – 4,934 matches

Council Tax

- 4.2. In total 5,918 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 (1,927 matches),
 - Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (71 matches),
 - Report 815.2 – HMRC data indicates more than one person at the address (3,920 matches)
- 4.3. Matches relating to council tax were reviewed by the counter fraud team and the current position for all reports, as of 31 May 2024, is as follows,

4.4. Report 801:

- Eight matches rejected as not requiring investigation,
- 1,714 matches closed with no evidence of fraud/error,
- 205 matches resulting in corrective action.

4.5. Report 802:

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

4.6. Report 815.2:

- 3,710 matches rejected as not requiring investigation (initially 1884 but further 1826 rejected after sample of 200 identified only two positive results),
- 26 matches open for further investigation,
- 182 matches closed with no evidence of fraud/error,
- Two matches resulting in corrective action.

4.7. Overall, 209 single person discounts have been removed to date, 39 of which were replaced with an alternative discount.

4.8. This represents a success rate of 4.58% to date and has led to additional council tax liability of £144,442 and an additional £72,056 in future years relation to discounts and council tax reduction that will no longer be applied.

Housing Benefit

4.9. Results linked to housing benefit (HB) are spread across 14 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.

4.10. As of 31 May 2024, enquiries linked to the 119 matches have resulted in the following,

- 32 matches yet to be reviewed,
- Seven matches open for further enquiries,
- Five matches referred to DWP for investigation,
- 75 matches closed with no evidence of fraud or error.

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 2024, enquiries linked to the 603 matches have resulted in the following,

- 263 matches yet to be reviewed,
- Four matches open for further enquiries,
- 61 matches referred to DWP for investigation,
- 272 matches closed with no evidence of fraud or error,
- Three matches resulting in corrective action.

4.13. This represents an overall success rate of 0.50% to date and has led to the identification of excess CTR awards of £7,649 and CTR awards have been reduced by a total of £25.02 per week (annual saving of £1,301).

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 2024, 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.

4.16. 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

4.17. Results linked to housing are spread across 24 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.

4.18. As of 31 May 2024, enquiries linked to 444 matches have resulted in the following,

- One match open for further enquiries,
- 432 matches closed with no evidence of fraud or error,

- 11 matches resulting in corrective action.

4.19. This represents an overall success rate of 2.48% to date and has led to 11 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

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. 1015 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.

4.22. 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.

4.23. 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.

4.24. 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.

4.25. 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.

4.26. 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

- 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 4,934 matches were received and were reviewed by the Counter Fraud Team to determine whether there had been duplicate payments.
- 4.29. As of 31 May 2024, enquiries linked to the 4934 matches have resulted in the following,
- 494 matches awaiting initial checks,
 - 14 matches open for further enquiries,
 - 4424 matches closed with no evidence of fraud,
 - Two duplicate payments identified.
- 4.30. This represents an overall success rate of 0.04% to date and has led to the recovery of duplicate payments totalling £1,550.
- 4.31. In addition, a number of suppliers have been identified who should have been through procurement processes due to the sums received over time. Details of these suppliers has been passed to Category Management for them to consider what action may be required.

5. Progress with 2023-24 exercise

- 5.1. In total 3735 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 (2,380 matches),
 - Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (62 matches), and
 - Report 803 - Other records showing alternative persons registered at the address (294 matches).
 - Report 805 – Records identifying deceased persons with liability (999 matches).
- 5.2. Report 801:
- 703 matches rejected as not requiring investigation,
 - 119 matches open for further enquiries,
 - 1,544 matches closed with no evidence of fraud/error,
 - 14 matches resulting in corrective action.
- 5.3. Report 802:
- eight matches closed with no evidence of fraud/error,

- 11 matches open for further enquiries,
- 42 matches leading to prevention measures,
- one match resulting in corrective action.

5.4. Report 803:

- 69 matches rejected as not requiring investigation,
- 6 matches open for further enquiries,
- 219 matches closed with no evidence of fraud/error.

5.5. Report 805

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

5.6. Overall, 15 single person discounts have been removed, one of which was replaced with an alternative discount.

5.7. This represents a success rate of 1.53% and has led to additional CTAX liability of £5,236 and an additional £5,864 in future years in relation to discounts and council tax reduction awards 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 2022-23 and 2023-24 exercises, which are summarised as follows:

Area of Activity	Outcome to date
Council Tax additional liability	£157,327
Council Tax future liability	£79,221
Blue badge removals (notional saving)	£483,050
Concessionary passes (notional saving)	£49,045
Employee resignations (notional Saving)	£5,685
Duplicate Creditor Payments	£1,550
Total	£775,878

- 8.3. Additional council tax liabilities are applied to accounts on completion of the case and incorporated into the Council Tax income projections for the budget each year. Where duplicate creditor payments are identified, these credits have been applied to the service budgets from which the payments were made and are reflected in the 2023/24 budget outturn position. Where the table indicates a notional saving, there is no direct/quantifiable impact on the Council's budget position as a result.
- 8.4. Participation in the NFI is mandatory and local authorities are charged a fee by the Cabinet Office who administer the exercises. The exercise is run over a two year period with the fee for the 2022/23 and 2023/24 period of £4,000 being met from the Council's budget for Audit Fees.

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.

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Appendices

None

Background papers

None