

## **Audit Committee**

**31 July 2025**

### **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 2023-24 council tax single persons discount exercise and the 2024-25 bi-annual exercise, which includes the data sets described in paragraph 2.3 above.

#### 4. Progress with 2023-24 exercise

- 4.1. 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).
- 4.2. Report 801:
  - 703 matches rejected as not requiring investigation,
  - 1,549 matches closed with no evidence of fraud/error,
  - 128 matches resulting in corrective action.
- 4.3. Report 802:
  - Nine matches closed with no evidence of fraud/error,
  - 44 matches leading to prevention measures,
  - Nine matches resulting in corrective action.

4.4. Report 803:

- 69 matches rejected as not requiring investigation,
- 221 matches closed with no evidence of fraud/error.
- Four matches resulting in corrective action.

4.5. Report 805

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

4.6. Overall, 141 single person discounts have been removed, 24 of which were replaced with an alternative discount.

4.7. This concludes all activity relating to the 2023-24 exercise and represents a success rate of 4.95% and has led to additional CTAX liability of £73,729 and an additional £49,312 in future years in relation to discounts and council tax reduction awards that will no longer be applied.

5. Progress with 2024-25 exercise

5.1. In total, 19,491 matches have been received since December 2024 and can be categorised in seven key areas of the council:

- Council Tax – 11,429 matches
- Housing Benefit – 72 matches
- Council Tax Reduction – 866 matches
- Payroll & Procurement – 110 matches
- Housing – 400 matches
- Parking & Travel – 1,198 matches
- Finance – 5,416 matches

5.2. Due to the volume of matches received, with the exception of the council tax reports, all matches were passed to the department to which they relate for initial checks to be completed, and necessary actions completed where appropriate. Any suspected fraud would be referred back to the counter fraud team through established channels.

**Council Tax**

5.3. In total 11,429 matches were received across five 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 804 – Council Tax to all datasets (45 matches)
- Report 805 – Council Tax to DDRI Deceased Persons (577 matches)

- Report 815.2 - HMRC data indicates more than one person at the address (3,337 matches)
- 5.4. Matches relating to council tax were reviewed by the counter fraud team and the current position for all reports, as of 30 June 2025, is as follows,
- 5.5. Report 801:
- 15 matches rejected as not requiring investigation,
  - 3,332 matches closed with no evidence of fraud/error,
  - 398 matches open for further enquiries.
- 5.6. Report 802:
- 14 matches open for further enquiries,
  - 11 closed with no evidence of fraud/error,
  - 20 matches leading to prevention measures.
- 5.7. Report 804
- 3,588 matches awaiting initial checks
  - 124 matches closed with no evidence of fraud/error,
  - 23 matches open for further enquiries.
- 5.8. Report 805
- 568 matches closed with no evidence of fraud/error,
  - Nine matches open for further enquiries.
- 5.9. Report 815.2:
- 3,337 awaiting initial checks.
- 5.10. Overall, 20 preventions have been put in place and enquiries remain ongoing for a number of matches. This represents a success rate of 0.17% to date.

### **Housing Benefit**

- 5.11. Results linked to housing benefit (HB) are spread across 15 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.
- 5.12. As of 30 June 2025, enquiries linked to the 72 matches have resulted in the following,

- Two matches open for further enquiries,
- 12 matches referred to DWP for investigation,
- 58 matches closed with no evidence of fraud or error.

### **Council Tax Reduction**

- 5.13. Results linked to Council Tax Reduction (CTR) are spread across 24 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 assessment and a number of those people are also in receipt of HB as part of the same claim.
- 5.14. As of 30 June 2025, enquiries linked to the 866 matches have resulted in the following,
- Ten matches open for further enquiries,
  - 175 matches referred to DWP for investigation,
  - 643 matches closed with no evidence of fraud or error,
  - 38 matches resulting in corrective action.
- 5.15. This represents an overall success rate of 4.39% to date and has led to the identification of Housing Benefit overpayments of £36,859, excess CTR awards of £78,485 and CTR awards have been reduced by a total of £511.94 per week (annual saving of £26,621).

### **Payroll & Procurement**

- 5.16. 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.
- 5.17. As of 30 June 2025, enquiries linked to 110 matches have resulted in the following,
- 74 matches awaiting initial checks
  - 35 matches closed with no evidence of fraud or error,
  - One match open for further enquiries.

### **Housing**

- 5.18. Results linked to housing are spread across 27 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.

5.19. As of 30 June 2025, enquiries linked to 400 matches have resulted in the following,

- 276 matches awaiting initial checks,
- 16 matches open for further enquiries,
- 104 matches closed with no evidence of fraud or error.

### **Parking & Travel**

5.20. 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.

5.21. 664 matches were received in respect of blue badges across six reports and progress as of 30 June 2025 is as follows,

- 81 matches awaiting initial checks,
- 256 matches closed with no evidence of fraud,
- 327 badges cancelled and action to recover.

5.22. The Cabinet Office applies an estimated saving of £650 in respect of any badge cancelled as a result of the exercise. The cancellation of 327 badges represents an estimated saving of £212,950.

5.23. 482 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.

5.24. This resulted in the cancellation of 388 concessionary passes. A further 94 had already been cancelled as the Council had been notified of the death.

5.25. The Cabinet Office now applies an estimated saving of £38 in respect of any concessionary pass cancelled as a result of the exercise. The cancellation of 388 passes represents a notional saving of £14,744.

5.26. 52 matches were received in respect of resident parking permits across three reports and progress as of 30 June 2025 is as follows,

- 51 matches awaiting initial checks,
- One match closed with no evidence of fraud.

## Finance

- 5.27. 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.
- 5.28. A total of 5,416 matches were received however the Council has controls in place to prevent and identify duplicate payments and in the previous NFI exercise, only two duplicate payments totalling just £1,550 were identified from the review of c4,500 matches. As such, progressing these matches is not considered to be a viable use of the limited resources available.

## 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 2023-24 and 2024-25 exercises, which are summarised as follows:

Area of Activity	Outcome to date
Council Tax additional liability	£78,485
Council Tax future liability	£26,621
Housing Benefit overpayments	£36,859
Blue badge removals (notional saving)	£212,950
Concessionary passes (notional saving)	£14,744
<b>Total</b>	<b>£369,659</b>

- 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 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 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.

## Lead officer contact

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## Appendices

None

## Background papers

None