Medway Council
Serving You

Audit Committee

30 July 2026

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) exercises.

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 exercises 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 2024-25 bi-annual exercise, which includes the data sets described in paragraph 3.3 above, and the 2025-26 council tax single persons discount exercise.

4. Progress with 2024-25 exercise

4.1. In total, 19,552 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 – 867 matches
- Payroll & Procurement – 110 matches
- Housing – 403 matches
- Parking & Travel – 1,198 matches
- Social Care – 17 matches
- Finance – 5,416 matches

4.2. 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

4.3. 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 (3,735 matches),

- Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (45 matches),
- Report 804 – Council Tax to all datasets (3,735 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)

4.4. Matches relating to council tax were reviewed by the counter fraud team and the current position for all reports, as of 30 June 2026, is as follows,

4.5. Report 801:

- 15 matches rejected as not requiring investigation,
- 3,385 matches closed with no evidence of fraud/error,
- 335 matches resulting in corrective action.

4.6. Report 802:

- 15 matches closed with no evidence of fraud/error,
- 20 matches leading to prevention measures being put in place,
- Ten matches resulting in corrective action.

4.7. Report 804

- 413 matches closed with no evidence of fraud/error,
- 3,322 matches rejected as not requiring investigation.

4.8. Report 805

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

4.9. Report 815.2:

- 3,337 matches rejected as not requiring investigation.

4.10. This represents a success rate of 3.23% with the removal of 349 single person discounts, 58 of which were replaced with an alternative discount, and 20 preventions put in place. The activity has led to additional CTAX liability of £298,871 and an additional £142,277 in future years in relation to discounts and council tax reduction awards that will no longer be applied

Housing Benefit

4.11. 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.

4.12. As of 30 June 2026, enquiries linked to the 112 matches have resulted in the following,

- 40 matches awaiting initial checks (these were received after the HB team completed work on all 72 matches originally received)
- 12 matches referred to DWP for investigation,
- 60 matches closed with no evidence of fraud or error.

Council Tax Reduction

4.13. 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.

4.14. As of 30 June 2026, enquiries linked to the 867 matches have resulted in the following,

- 175 matches referred to DWP for investigation,
- 646 matches closed with no evidence of fraud or error,
- 46 matches resulting in corrective action.

4.15. This represents an overall success rate of 5.31% and has led to the identification of Housing Benefit overpayments of £36,859, excess CTR awards of £102,865 and CTR awards have been reduced by a total of £659.72 per week (annual saving of £34,305).

Payroll & Procurement

4.16. 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.

4.17. As of 30 June 2026, enquiries linked to 110 matches have resulted in the following,

- 109 matches closed with no evidence of fraud or error,
- One match open for ongoing investigation.

Housing

4.18. Results linked to housing are spread across 28 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.

4.19. As of 30 June 2026, enquiries linked to 403 matches have resulted in the following,

- 398 matches closed with no evidence of fraud or error.
- One match resulting corrective action.

4.20. This represents a success rate of <1% and has led to one individual being removed from the Housing Waiting List, giving a notional saving of £4,283.

Parking & Travel

4.21. 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.

4.22. 664 matches were received in respect of blue badges across six reports and progress as of 30 June 2026 is as follows,

- 337 matches closed with no evidence of fraud,
- 327 matches resulting in corrective action.

4.23. The Cabinet Office applies an estimated saving of £794 in respect of any badge cancelled as a result of the exercise. The cancellation of 327 blue badges represents an estimated saving of £259,638.

4.24. 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.

4.25. 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.

4.26. 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.

4.27. 52 matches were received in respect of resident parking permits across three reports and progress as of 30 June 2026 is as follows,

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

4.28. This represents a success rate of 59.68% across all parking and travel matches, with projected savings of £374,382 overall.

Finance

4.29. 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.

4.30. 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.

5. Progress with 2025-26 exercise

5.1. In total 5,836 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 (3,257 matches),
- Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (68 matches), and
- Report 803 - Other records showing alternative persons registered at the address (2,196 matches).
- Report 805 – Records identifying deceased persons with liability (315 matches).

5.2. Matches relating to council tax were reviewed by the counter fraud team and the current position for all reports, as of 30 June 2026, is as follows;

5.3. Report 801:

- 224 matches open for further investigation,
- 3,030 matches closed with no evidence of fraud/error,
- three matches resulting in corrective action.

5.4. Report 802:

- Two matches closed with no evidence of fraud/error,
- 66 matches leading to prevention measures being put in place.

5.5. Report 803:

- 1,915 awaiting initial checks (potentially rejected on the basis of sample already checked)
- Two matches open for further investigation,
- 280 matches closed with no evidence of fraud/error.

- One match resulting in corrective action.

5.6. Report 805

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

5.7. To date four single person discounts have been removed, and 58 preventions have been put in place.

5.8. This currently represents a success rate of 1.2% and has led to additional CTAX liability of £3,924 and an additional £2,040 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 2024-25 and 2025-26 exercises, which are summarised as follows:

Area of Activity	**Outcome to date**
Council Tax additional liability	£405,660
Council Tax future liability	£178,622
Housing Benefit overpayments	£36,859
Waiting List Removals	£4,283
Blue badge removals (notional saving)	£259,638
Concessionary passes (notional saving)	£14,744
Total	**£899,806**

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 fees 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