

Classification: Part A

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee

Date: 13 November 2019

Reporting officer: James Larkin, Head of Audit & Counter Fraud Shared Service
(Chief Audit Executive)

Subject: National Fraud Initiative Exercise 2018-19 – Progress Report

Purpose and summary of report:

To provide Members with an update on the work completed in relation to the data matches received as part of the National Fraud Initiative Exercise.

Recommendations:

This report is for information only.

1. Background

- 1.1 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.
- 1.2 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.
- 1.3 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,

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.

- 1.4 Matches can be reviewed by the individual services they relate to, with suspicious results referred to the Audit & Counter Fraud (A&CF) Service for investigation, or reviewed directly by the A&CF service.
- 1.5 This report provides an update on the 2018-19 exercise, which includes the matches resulting from all the data sets mentioned above, and gives an overview of the activity undertaken across the council in response to the potential discrepancies identified.

2. Progress

- 2.1 The matches received can be categorised in seven key areas of the council and progress as at 30 September 2019 is reported under each of those headings.

Council Tax

- 2.2 The matches relating to council tax (CTAX) are checked by the Audit & Counter Fraud Service and initially 2,253 matches were received across the various reports. These relate to persons with a single person discount where the data match has identified;
 - Electoral roll with more than one person at the address (757 matches),
 - Electoral roll suggesting an occupant who is about to reach 18 (56 matches), and
 - Other council records showing alternative persons registered at the address (1440 matches).
- 2.3 The matches against other council data sets have not been given priority at this time. This is due to the fact that the majority of the councils data was submitted in October but the CTAX SPD data, on this occasion, was not submitted until the following February. This means there is likely to be a high number of false positives created by residents changing address in the period between data submissions.
- 2.4 To date the work has focused on the matches to the electoral roll and all of the 757 matches indicating more than one individual at an address have been assessed and resulted in the following;
 - 197 matches remain open while enquiries are conducted
 - 419 closed with no evidence of fraud
 - 141 SPD removed (22 replaced with an alternative discount)
- 2.5 This represents a success rate of 18.63% to date and has led to additional CTAX liability of £100,061 and an additional £47,005 in future years in relation to discounts that will no longer be applied.
- 2.6 The 56 matches relating to persons about to turn 18 will be discussed with the CTAX department for a flag to be added to the relevant account for enquiries to be made with the customer at the appropriate time.

- 2.7 In August 2019, the Cabinet office released new matches following a successful pilot for matching against PAYE data held by HMRC. This has produced an additional 2,559 matches where PAYE data indicates there may be additional occupants at addresses where an SPD is in place.
- 2.8 As yet we have not had opportunity to review any of these matches and have no indication as to the age of the HMRC data that was used. It is therefore intended that a sample of those matches will be checked to gauge the likelihood of potential false matches as with the data from other council departments.

Housing Benefit

- 2.9 Results linked to housing benefit (HB) are spread across 26 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.
- 2.10 The benefits section have been responsible for reviewing the 403 matches linked to those reports, using the risk score provided by the Cabinet Office to target the high priority matches first. Any instances of potential fraud are referred directly to the Department for Work and Pensions (DWP) for further investigation.
- 2.11 As of 30 September, enquiries linked to 403 matches have resulted in the following;
- one match awaiting initial checks,
 - three matches open for further enquiries (this includes cases referred to DWP for formal investigation),
 - 335 closed with no evidence of fraud or error
 - 64 matches resulting in an overpayment of housing benefit/council tax reduction.
- 2.12 This represents a success rate of 67.39% to date and has led to the identification of housing benefit overpayments totalling £13,859.15 and excess council tax reduction awards of £4,219.77. In addition housing benefit awards have been reduced by a total of £744.88 per week (annual saving of £38,734) and council tax reduction awards have been reduced by a total of £51.93 per week (annual saving of £2,700)
- 2.13 An additional 112 matches from two new reports were received in August 2019 linked to HMRC data, which identify potential additional occupants or capital in the form of property ownership that may not have been declared. These matches are going to be reviewed by the Audit & Counter Fraud Service.

Council Tax Reduction

- 2.14 Results linked to Council Tax Reduction (CTR) are spread across 25 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 the majority of those people are also in receipt of HB as part of the same claim.
- 2.15 As of 30 September, enquiries linked to 427 matches have resulted in the following;

- 13 matches awaiting initial checks,
 - 17 matches open for further enquiries (this includes cases referred to DWP for formal investigation where housing benefit is also in payment),
 - 352 closed with no evidence of fraud or error
 - 45 matches resulting in an overpayment of housing benefit/council tax reduction.
- 2.16 This represents a success rate of 22.53% to date and has led to the identification of HB overpayments totalling £3,048.93 and excess CTR awards of £7,670.81. In addition HB awards have been reduced by a total of £106.01 per week (annual saving of £5,513) and CTR awards have been reduced by a total of £103.88 per week (annual saving of £5,402)
- 2.17 An additional 304 matches from three new reports were received in August 2019 linked to HMRC data, which identify potential additional occupants or capital in the form of property ownership that may not have been declared. These matches are going to be reviewed by the Audit & Counter Fraud Service.

Payroll

- 2.18 Payroll 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.
- 2.19 16 matches were received across eight reports and to date 13 have been closed with no evidence of fraud. The remaining three, which relate to employees that have been identified as creditors are yet to be reviewed.

Housing

- 2.20 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.
- 2.21 The A&CF service are responsible for checking the 321 matches but to date only six have been checked; all of which have been closed with no evidence of fraud. This is due to the limited resources available in the team since April due to the period of vacancy for the Intelligence Analyst post. Priority was given to the CTAX matches as previous exercises have identified a higher percentage of success in that area.
- 2.22 Following the appointment of a new Intelligence Analyst who commenced employment on 09 September, work to assess these matches will be undertaken in the coming months to determine what action is required.

Parking

- 2.23 Residents Parking Permits are matched to the deceased data held by the DWP to identify any active permits registered to customers who are now deceased.

2.24 38 matches were received but are yet to be checked. This is due to the resource issues mentioned in paragraph 2.21. Assessment of this matches will commence as soon as possible.

Finance

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

2.26 A total of 568 matches were received and have been reviewed by the finance service with the following identified to date;

- 50 matches awaiting initial checks,
- five matches open for further enquiries,
- 502 closed with no evidence of fraud or error
- 11 duplicate payments to creditors identified

2.27 The success rate to date is only 1.94% but the duplicate payments identified total £25,583.26 and steps are being taken to recover monies or have credit notes added to the appropriate accounts for future invoices.

Overall Summary

2.28 Gravesham has received a total of 7057 matches since January 2019 as part of the 2018-19 NFI exercise. Overall performance to date is as follows;

- 4947 matches awaiting initial checks (70%),
- 222 matches open for further enquiries (3%),
- 1627 closed with no evidence of fraud or error (23%)
- 261 matches have led to the identification of an error (4%)

2.29 Work on the outstanding matches continues and a further update will be presented to Members along with the Audit & Counter Fraud Annual Report in June 2020.

3. BACKGROUND PAPERS

3.1 Nil

| IMPLICATIONS | APPENDIX 1 |
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| Legal | 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. Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council to deliver internal audit services through the Shared Service to both authorities. The Public Sector Internal Audit Standards are supported by CIPFA's Local Government Application Note to the Public Sector Internal Audit Standards. |
| Finance and Value for Money | An adequate and effective 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. |
| Risk Assessment | This report, summarising the work of the Audit & Counter Fraud team, provides a key source of assurance for the council on the adequacy and effectiveness of its counter fraud arrangements. |
| Data Protection Impact Assessment | <p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. No</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A</p> |
| Equality Impact Assessment | <p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p> |

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| | <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p> |
| Corporate Plan | <p>The work of the Audit & Counter Fraud Team supports the council in achieving all of its objectives set out in the Corporate Business Plan but is particularly relevant to Progress: Delivering an entrepreneurial authority, commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment.</p> |
| Crime and Disorder | <p>The Audit & Counter Fraud Team provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisations' objectives. The work of the team combined with a sound internal control environment has a positive contribution to community safety in its broadest sense.</p> |
| Digital and website implications | <p>The council's performance management framework includes the publication of the outturns against the Performance Measures and Indicators in the Corporate Business Plan. The proportion of recommendations made by the Audit & Counter Fraud Team that are implemented by Management is one of the council's overall Performance Indicators (PI141) and is therefore reported to the public via the council's Annual Report published on the council's website.</p> <p>The Local Government Transparency Code requires the publication of data relating to Fraud Investigation; this is published in line with the requirements on the council's website.</p> |
| Safeguarding children and vulnerable adults | <p>There are no direct safeguarding implications to this report.</p> |