

**Classification:** Public

**Key Decision:** No

## **Gravesham Borough Council**

**Report to:** Finance & Audit Committee

**Date:** 11 November 2020

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

**Subject:** National Fraud Initiative 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 Exercises 2018-19 and 2019-20

### **Recommendations:**

1. This report is for information only.

## **1. Introduction**

- 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 a further 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.
- 1.6 There is also a brief update on the matches received as part of the 2019-20 exercise relating to Council Tax, as described in paragraph 1.2.

## **2. Progress with the 2018-19 exercise**

- 2.1 The matches received can be categorised in seven key areas of the council and progress as at 30 September 2020 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 In August 2019, the Cabinet office released new matches following a successful pilot for matching against PAYE data held by HMRC, which produced an additional 2,559 matches where PAYE data indicates there may be additional occupants at addresses where an SPD is in place
- 2.4 As detailed in the last progress report, the work was focused on the matches to the electoral roll and all of the 757 matches indicating more than one individual at an address had been assessed. As of 30 September 2020 this work has resulted in the following;
  - Three matches remain open for ongoing investigations
  - 485 closed with no evidence of fraud
  - 269 SPD removed (36 replaced with an alternative discount)
- 2.5 This represents a success rate of 35.54% to date and has led to additional CTAX liability of £183,909.35 and an additional £90,958.61 in future years in relation to discounts that will no longer be applied.
- 2.6 The matches against other council data sets were not given due to the fact that the majority of the councils data was submitted in October 2018 but the CTAX SPD data, on this occasion, was not submitted until the following February. This

meant there was likely to be a high number of false positives created by residents changing address in the period between data submissions.

- 2.7 As with the matches against other council datasets, it has been established through the checking of other reports that the age of the HMRC data used in the matching process was much older than the council tax data, meaning that the potential for false positives was extremely high.
- 2.8 The shutdown of the service during the emergency response period has meant that little progress has been made with those outstanding matches; with resources directed to other areas. Instead, it is intended to use the data for comparison with any matches received as part of the 2019-20 exercise, with any of the new matches identified as requiring investigation being checked against the list of HMRC matches. This will identify individuals linked to the address by more than one data source, allowing for more effective investigation.

### **Housing Benefit**

- 2.9 Results linked to housing benefit (HB) are spread across 28 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 were responsible for reviewing the 424 matches linked to the 26 reports received in January 2019, using the risk score provided by the Cabinet Office to target the high priority matches first. Any instances of potential fraud were referred directly to the Department for Work and Pensions (DWP) for further investigation.
- 2.11 As of 30 September, enquiries linked to those 424 matches has resulted in the following;
  - nine matches referred to DWP for formal investigation,
  - 350 closed with no evidence of fraud or error
  - 65 matches resulting in an overpayment of housing benefit/council tax reduction.
- 2.12 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 were reviewed by the Audit & Counter Fraud Service.
- 2.13 As of 30 September, enquiries linked to those 112 matches has resulted in the following;
  - ten matches remain open for further enquiries,
  - three matches referred to DWP for formal investigation,
  - 99 closed with no evidence of fraud or error.
- 2.14 This represents an overall success rate of 12.13% and has led to the identification of housing benefit overpayments totalling £20,819.83, and excess council tax reduction awards of £4,219.77. In addition housing benefit awards have been reduced by a total of £796.95 per week (annual saving of £41,441) and council tax reduction awards have been reduced by a total of £51.93 per week (annual saving of £2,700)

## **Council Tax Reduction**

- 2.15 Results linked to Council Tax Reduction (CTR) are spread across 28 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.
- 2.16 The benefits section were responsible for reviewing the 427 matches linked to the 25 reports received in January 2019, using the risk score provided by the Cabinet Office to target the high priority matches first. Any instances of potential fraud were referred directly to the Department for Work and Pensions (DWP) for further investigation.
- 2.17 As of 30 September, enquiries linked to those 427 matches has resulted in the following;
- Four matches remain unchecked,
  - three matches referred to DWP for formal investigation where housing benefit is also in payment,
  - 364 closed with no evidence of fraud or error
  - 56 matches resulting in an overpayment of housing benefit/council tax reduction.
- 2.18 An additional 304 matches from three new reports were received in August 2019 linked to HMRC data. These matches were reviewed by the Audit & Counter Fraud Service.
- 2.19 As of 30 September, enquiries linked to those 304 matches has resulted in the following;
- 23 matches remain open for further enquiries,
  - one match referred to DWP for formal investigation where housing benefit is also in payment,
  - 279 closed with no evidence of fraud or error,
  - one match resulting in an overpayment of housing benefit/council tax reduction
- 2.20 This represents an overall success rate of 7.80% to date and has led to the identification of HB overpayments totalling £3,048.93 and excess CTR awards of £16,706.97. 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 £138.62 per week (annual saving of £7,208)

## **Payroll**

- 2.21 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.
- 2.22 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 have not been reviewed.

## **Housing**

- 2.23 Results linked to housing are spread across 31 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.
- 2.24 The Housing Department were responsible for reviewing the 310 matches linked to the 28 reports received in January 2019 and progress as of 30 September, is as follows;
- 286 matches remain unchecked,
  - one match open for further enquiries
  - 23 closed with no evidence of fraud or error,
- 2.25 An additional 69 matches from three new reports were received in August 2019 linked to HMRC data. These matches were reviewed by the Audit & Counter Fraud Service.
- 2.26 As of 30 September, the 69 matches have been assessed and resulted in the following;
- 25 matches remain open for further enquiries,
  - 44 closed with no evidence of fraud or error,
- 2.27 The Housing Department has been through a period of significant changes within their senior management, the Intelligence Analyst post being vacant up until September 2019 and the shutdown of the Audit & Counter Fraud service early in 2020 are all factors that have contributed to the limited progress in this area.

### **Parking**

- 2.28 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.
- 2.29 38 matches were received but are yet to be checked. This is due to the resource issues within Audit & Counter Fraud that are mentioned in paragraph 2.26.

### **Finance**

- 2.30 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.
- 2.31 A total of 568 matches were received and have been reviewed by the finance service with the following identified to date;
- 543 closed with no evidence of fraud or error
  - 25 duplicate payments to creditors identified
- 2.32 The success rate to date is only 4.40% but the duplicate payments identified total £46,093.77 and steps are being taken to recover monies or have credit notes added to the appropriate accounts for future invoices.

### **Overall Summary**

2.33 Gravesham received a total of 7080 matches as part of the 2018-19 NFI exercise between January 2019 and August 2019. Overall performance as of 30 September is as follows;

- 4386 matches awaiting initial checks (62%),
- 62 matches open for further enquiries (<1%),
- 2,216 closed with no evidence of fraud or error (37%)
- 416 matches have led to the identification of an error (<5.8%)
  - HB awards reduced by £902.96 (annual saving of £46,953.92)
  - Housing and council tax benefit overpayments of 23,868.76
  - CTR awards reduced by £190.55 per week (annual increase in liability of £9,908.60),
  - Excess CTR awards creating additional historic liability of £20,926.74,
  - 268 single person discounts removed, creating additional historic liability of £183,909.35 and annual increase in liability of £90,958.61,

2.34 This demonstrates an overall success rate of 5.88% in respect of the matches checked and total financial values identified as £376,525.98.

2.35 Work to review the matches received ceased on 30 September 2020, to allow resources to be directed to checking the matches received as part of the 2019-20 SPD to the electoral register exercise and preparation for the 2020-21 exercise, which will have fresh data linked to the areas detailed in this report.

2.36 While 4386 matches were unchecked, 1440 relate to potentially false SPD cases, where previous exercises have already identified that the quality of the matches is poor due to the time lag between submissions. In addition, the 2,559 matches that relate to SPD's matched to HMRC data, will be used to inform the working being undertaken as part of the 2019-20 exercise This leaves a net figure of just 387 matches that could not be checked.

2.37 In the coming months, the Cabinet Office will remove access to the data for the 2018-19 exercise as it prepares to release matches for the 2020-21 exercise. Anything that remains open at this time, is subject to ongoing investigations and will be reported to the Committee along with other counter fraud activity in the audit & counter fraud update reports but there will be no further update in respect of the 2018-19 exercise itself.

### **3. Progress with the 2019-20 Council Tax Exercise**

3.1 In January 2020, 934 matches were received across three reports, the largest of which (793) related to those with a single person discount where another individual was identified on the electoral role.

3.2 The shutdown of the service has meant that detailed work in this area could not commence prior to 01 October as resources were directed to clearing matches from the 2018-19 exercise. However, it was possible to identify matches that had been cleared during previous exercises and consequently 295 were rejected as not being suitable for investigation.

3.3 Work has now commenced on more detailed checking of the matches received and as mentioned previously in this report, any matches identified for investigation will be cross checked against the matches relating to HMRC data to see if the individuals are linked by more than one data source.

3.4 A further update on this latest exercise will be provided to Members in the future.

#### **4. BACKGROUND PAPERS**

4.1 There are no background papers to this report.

IMPLICATIONS	APPENDIX 1
<b>Legal</b>	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.
<b>Finance and Value for Money</b>	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.
<b>Risk Assessment</b>	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 internal control arrangements
<b>Data Protection Impact Assessment</b>	<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 <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>? A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</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 <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>. N/A</p>
<b>Equality Impact Assessment</b>	<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. N/A</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. 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>
<b>Corporate Plan</b>	The work of the Audit & Counter Fraud Team supports the council in achieving all of its objectives set out in the Corporate Plan but is particularly relevant to Objective #3 Progress.
<b>Climate Change</b>	There are no climate change implications to this report.

<b>Crime and Disorder</b>	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.
<b>Digital and website implications</b>	There are no digital/website implications to this report.
<b>Safeguarding children and vulnerable adults</b>	There are no direct safeguarding implications to this report.