

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee

Date: 21 September 2021

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 2019-20 and 2020-21

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 an update on the 2019-20 exercise, which relates to the council tax single persons discount exercise.
- 1.6 There is also an update on the matches received as part of the 2020-21 bi-annual exercise, which includes the data sets described in paragraph 1.3 above.

2. Progress with the 2019-20 Council Tax Exercise

- 2.1 In total 934 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 (793 matches),
 - Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (63 matches), and
 - Report 803 - Other records showing alternative persons registered at the address (78 matches).
- 2.2 These matches were reviewed by the A&CF Service. The current position for all reports, as of 31 August 2021, is as follows;
- 2.3 Report 801:
 - 292 matches were rejected as not requiring investigation. This is because they have been cleared as part of previous exercises.
 - 3 matches currently open while enquiries are conducted.
 - 436 closed with no evidence of fraud.
 - 62 SPD removed (six replaced with alternative discount).
- 2.4 Report 802:
 - 47 closed with no evidence of fraud.
 - 16 SPD removed (two replaced with alternative discount).
- 2.5 Report 803:
 - One match currently open while enquiries are conducted.
 - 72 closed with no evidence of fraud.
 - five SPD removed.
- 2.6 To date, this has led to overall additional CTAX liability of £77,777 and an additional £33,440 in future years in relation to discounts and council tax reduction that will no longer be applied. In addition, 16 civil penalties were issued for negligently failing to report changes that impacted on eligibility for a discount, totalling £1,120.
- 2.7 In the coming months, the Cabinet Office will remove access to the data for the 2019-20 exercise as it prepares to release matches for the 2021-22 Council Tax

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 2019-20 exercise itself.

3. Progress with the 2020-21 Exercise

- 3.1 As Members are aware, a large proportion of counter fraud resource was redeployed to assist other services during 2020-21 and as a consequence, activity relating to the 2019-20 exercise was significantly delayed and was ongoing when the matches for the 2020-21 exercise were received. Progress is therefore more limited than we would have normally anticipated at this stage in the year.
- 3.2 The matches received can be categorised in seven key areas of the council and progress as at 31 August 2021 is reported under each of those headings.

Council Tax

- 3.3 The matches relating to council tax (CTAX) are checked by the Audit & Counter Fraud Service and initially 2,282 matches were received across the various 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 (779 matches),
 - Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (21 matches), and
 - Report 803 - Other council records showing alternative persons registered at the address (1482 matches).
- 3.4 Report 801:
- 626 matches yet to be checked.
 - 42 matches currently open while enquiries are conducted.
 - 110 closed with no evidence of fraud.
 - One SPD removed (One replaced with alternative discount).
- 3.5 Report 802:
- 21 matches yet to be checked.
- 3.6 Report 803:
- 1482 matches yet to be checked.

Housing Benefit

- 3.7 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.
- 3.8 The benefits section have been responsible for reviewing the 41 matches linked to the 14 reports received in January 2021. Any instances of potential fraud are

referred directly to the Department for Work and Pensions (DWP) for further investigation.

- 3.9 As of 31 August, enquiries linked to those 41 matches has resulted in the following;
- 17 matches yet to be checked,
 - 23 closed with no evidence of fraud or error,
 - One match resulting in an overpayment of housing benefit/council tax reduction.
- 3.10 This currently represents an overall success rate of 2.44% and has led to the identification of housing benefit overpayments totalling £318.90.

Council Tax Reduction

- 3.11 Results linked to Council Tax Reduction (CTR) are spread across 15 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.
- 3.12 The benefits section are responsible for reviewing the 185 matches linked to the 15 reports received in January 2021. Any instances of potential fraud were referred directly to the Department for Work and Pensions (DWP) for further investigation.
- 3.13 As of 31 August, enquiries linked to those 189 matches has resulted in the following;
- 56 matches yet to be checked,
 - 13 matches open for further enquiries,
 - 109 closed with no evidence of fraud or error
 - Eleven matches resulting in an overpayment of housing benefit/council tax reduction.
- 3.14 This currently represents an overall success rate of 5.82% to date and has led to the identification of HB overpayments totalling £601.09 and excess CTR awards of £555.06. In addition HB awards have been reduced by a total of £7.76 per week (annual saving of £403.52) and CTR awards have been reduced by a total of £53.96 per week (annual saving of £2,805.92)

Payroll

- 3.15 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.
- 3.16 17 matches were received across seven reports and to date 13 have been closed with no evidence of fraud. The remaining four are being checked with Payroll.

Housing

- 3.17 Results linked to housing are spread across 25 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.

- 3.18 There will be discussions with the Housing Department about the review of the 214 matches linked to the 28 reports received in January 2021. To date all 214 are yet to be checked.

Parking

- 3.19 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.
- 3.20 17 matches were received but are yet to be checked.

Finance

- 3.21 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.
- 3.22 A total of 529 matches were received and are going to be reviewed by the finance service but to date all 529 are yet to be checked.

Business Grants

- 3.23 Data relating to the Small Business Grants (SBG), Retail, Hospitality & Leisure Grants (RHLG), and Discretionary Business Grants (DBG), that were issued during the first national lockdown was supplied as part of the submissions for the 2020-21 exercise.
- 3.24 Results linked to these grants are spread across two different reports. These reports identifying potential duplicate payments to recipients and also businesses that may also have received a grant from another authority.
- 3.25 A total of 21 matches were received and have been subject to initial assessment by the Revenues Team with the following identified to date;
- Nine matches open for further investigation,
 - 12 closed with no evidence of fraud or error.
- 3.26 There have been no positive results to date.

Overall Summary

- 3.27 Gravesham received a total of 3748 matches as part of the 2020-21 NFI exercise. Overall performance as of 31 August 2021 is as follows;
- 3222 matches awaiting initial checks (85.97%),
 - 360 matches open for further enquiries (9.61%),
 - 183 closed with no evidence of fraud or error (4.88%)
 - three matches have led to the identification of an error (0.8%)
 - HB awards reduced by £7.76 (annual saving of £403.52)
 - Housing and council tax benefit overpayments of £601.09

- CTR awards reduced by £53.96 per week (annual increase in liability of £2,805.92),
- Excess CTR awards creating additional historic liability of £555.06,
- One single person discount removed but no additional liability created as this was replaced with an alternative discount.

3.28 Progress in relation to the 2020-21 exercise is more limited than we would have hoped at this point in the year but periods of vacancy within the counter fraud team have had a significant impact on resource available. It is hoped that the appointment of a second intelligence analyst will assist with the checking of outstanding matches.

3.29 A further update will be provided to the Finance & Audit Committee in September 2022.

4. BACKGROUND PAPERS

4.1 There are no background papers to this report.

IMPLICATIONS	APPENDIX 1
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 internal control 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.</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. 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>
Corporate Plan	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.
Climate Change	There are no climate change implications to this report.

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