

**Classification:** Public

**Key Decision:** No

## Gravesham Borough Council

**Report to:** Finance & Audit Committee

**Date:** 09 November 2022

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

**Subject:** NFI Annual 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, 2020-21 and 2021-22.

### Recommendations:

1. None.

<b>Key Implications:</b>	
<b>Item</b>	<b>Implications</b>
<b>Legal</b>	The Section 151 Officer of a local authority is responsible for the proper administration of its financial affairs. The work of the Counter Fraud Team supports this responsibility by identifying and investigating alleged misuse of public money, applying sanctions, and seeking redress as appropriate
<b>Finance and Value for Money</b>	An adequate and effective Counter Fraud function helps to identify fraud and error that could have an adverse effect on the financial statements of the Council. The work undertaken in relation to the data matching from the various National Fraud Initiative Exercises identifies fraud and error, which the council can then seek to recover. The results being reported show cumulative savings of approx £299,257 as of 30 September 2022.
<b>Corporate Plan</b>	The work of the Counter Fraud supports the council in achieving Objective #3 Progress.
<b>Climate Change</b>	There are no direct climate change implications to this report.

## 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,
  - 1.4 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.
  - 1.5 This report provides an update on the 2019-20 council tax single persons discount exercise, the 2020-21 bi-annual exercise, which includes the data sets described in paragraph 1.3 above, and the 2021-22 council tax single persons discount exercise.

## **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.
  - 437 closed with no evidence of fraud.
  - 64 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:

- 72 closed with no evidence of fraud.
  - Six SPD removed.
- 2.6 Overall, 86 single person discounts were removed, eight of which were replaced with alternative discounts. Some of those matches also resulted in amendments to housing benefit and council tax reduction awards.
- 2.7 This represents a success rate of 8.07% and has led to additional CTAX liability of £87,513 and an additional £38,837 in future years in relation to discounts and council tax reduction that will no longer be applied. In addition, 15 civil penalties were issued for negligently failing to report changes that impacted on eligibility for a discount, totalling £1,050.
- 2.8 This concludes all action with the 2019-20 exercise.

### 3. Progress with the 2020-21 Exercise

- 3.1 In total, 3,506 matches have been received since January 2021 and can be categorised in eight key areas of the council:
- Council Tax – 2,282 matches
  - Housing Benefit – 52 matches
  - Council Tax Reduction – 260 matches
  - Payroll & Procurement – 17 matches
  - Housing – 306 matches
  - Parking – 18 matches
  - Finance – 529 matches
  - Business Grants – 42 matches

#### Council Tax

- 3.2 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).
- 3.3 Report 801:
- 711 closed with no evidence of fraud.
  - 68 SPD removed (Three replaced with alternative discount).
- 3.4 Report 802:
- 15 closed with no evidence of fraud.
  - Six SPD removed (One replaced with alternative discount).
- 3.5 Report 803:
- 926 matches were rejected as not requiring investigation.
  - Three matches currently open with ongoing enquiries.

- 540 closed with no evidence of fraud.
  - Three SPD removed (Three replaced with alternative discount).
- 3.6 Overall, 77 single person discounts have been removed, seven of which have been replaced with an alternative discount.
- 3.7 This represents a success rate of 3.37% and to date has led to additional CTAX liability of £58,219 and an additional £31,869 in future years relation to discounts that will no longer be applied.

### **Housing Benefit**

- 3.8 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.
- 3.9 The benefits section has been responsible for reviewing matches and as of 30 September 2022, enquiries linked to those matches has resulted in the following;
- 48 closed with no evidence of fraud or error.
  - One referred to DWP for investigation.
  - Three matches resulting in an overpayment of housing benefit/council tax reduction.
- 3.10 This represents an overall success rate of 5.77% and has led to the identification of housing benefit overpayments totalling £28,183 and excess council tax reduction of £1,162.

### **Council Tax Reduction**

- 3.11 Results linked to Council Tax Reduction (CTR) are spread across 17 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 has been responsible for reviewing matches and as of 30 September 2022, enquiries linked to those matches has resulted in the following;
- 214 closed with no evidence of fraud or error
  - One referred to DWP for investigation.
  - 45 matches resulting in an overpayment of housing benefit/council tax reduction.
- 3.13 This represents an overall success rate of 25.65% and has led to the identification of housing benefit overpayments totalling £4,756.19 and excess council tax reduction of £9,412.06. In addition, HB awards have been reduced by a total of £31.85 per week (annual saving of £1,656.20) and CTR awards have been reduced by a total of £104.54 per week (annual saving of £5,436.08)

### **Payroll**

- 3.14 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.

- 3.15 17 matches were received across seven reports and 17 have been closed with no issues identified.

### **Housing**

- 3.16 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.

- 3.17 As of 30 September 2022, enquiries linked to 306 matches have resulted in the following.

- One match open for further enquiries.
- 313 matches closed with no evidence of fraud or error.
- Two people removed from the housing register.
- One match resulting in the cancellation of a housing benefit claim.

- 3.18 This represents an overall success rate of 0.95% and has led to the removal of two applicants that were no longer eligible to be on the housing register and the identification of a housing benefit overpayment of £1,258.20.

### **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 were reviewed by the finance service. As of 30 September 2022, enquiries linked to these matches have resulted in the following.

- 523 closed with no evidence of fraud or error
- Identification of six duplicate payments.

- 3.23 This represents an overall success rate of 1.13% and has led to the recovery of duplicate payments totalling £12,336.05.

### **Business Grants**

- 3.24 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.

- 3.25 Initially 21 matches were received across two reports but a further 23 matches were then received, giving a total of 44 matches across four reports. These reports identifying potential duplicate payments to recipients and also businesses that may also have received a grant from another authority.
- 3.26 The first 21 matches received were subject to initial assessment by the Revenues Team and all were closed with no evidence of fraud or error. The remaining 23 are yet to be reviewed.

#### **4. Progress with the 2021-22 Exercise**

- 4.1 In total 1835 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 (668 matches),
  - Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (21 matches), and
  - Report 803 - Other records showing alternative persons registered at the address (87 matches).
  - Report 815.2 – HMRC records showing alternative persons registered at the address (1059 matches).
- 4.2 Report 801:
- 100 matches rejected as not requiring investigation.
  - 521 matches closed with no evidence of fraud or error.
  - 47 SPD removed (four replaced with alternative discount).
- 4.3 Report 802:
- Eight matches closed with no evidence of fraud or error.
  - Six SPD removed (two replaced with alternative discount).
  - A marker added to seven accounts to ensure the SPD is reviewed at the appropriate time, preventing potential error.
- 4.4 Report 803:
- One match open for further enquiries.
  - 84 matches closed with no evidence of fraud or error.
  - Two SPD removed, one case resulting in the issue of a caution.
- 4.5 Report 815.2
- Three matches open for further enquiries
  - 971 matches closed with no evidence of fraud or error.
  - 85 SPD removed, one case resulting in the issue of a caution.
- 4.6 This represents a success rate of 8.01% and has led to additional CTAX liability of £86,218.31 and an additional £58,751.37 in future years in relation to discounts and CTR awards that will no longer be applied.

#### **5. Overall Summary**

- 5.1 The report gives details of the NFI activity and outcomes to date relating to the 2019-20, 2020-21 and 2021-22 exercises. The total financial results from these exercises are as follows.

• Council Tax additional liability	£155,011.37
• Council Tax future liability	£96,056.45
• Housing benefit overpayments	£34,197.39
• Reduction in HB awards	£1,656.20
• Duplicate Creditor Payments	£12,336.05
• <b>Total</b>	<b>£299,257.46</b>

## 6. Appendices

6.1 None

## 7. Background Documents

7.1 There are no background documents.

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<b>Secondary Implications</b>	
<b>Risk Assessment</b>	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.
<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. 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 <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. No</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. No</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>Crime and Disorder</b>	The Internal Audit & Counter Fraud Service 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 service 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.