

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee

Date: 8 November 2023

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 2020-21, 2021-22 and 2022-23.

Recommendations:

1. None.

Key Implications:	
Item	Implications
Legal	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.
Finance and Value for Money	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 £475,462 as of 30 September 2023.
Corporate Plan	The work of Counter Fraud supports the council in achieving all of its objectives set out in the Corporate Plan 2023-27 but is particularly relevant to the Objective One Council : a well-run and innovative authority, defined by its skilled and valued workforce, committed to developing its local social impact. Financial responsibility : a financially sustainable authority, driven by a strong Medium Term Financial Strategy, enforced by a suite of effective financial monitoring controls.
Climate Change	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 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 and the 2022-23 bi-annual exercise.

2. Progress with the 2020-21 Exercise

- 2.1 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 – 308 matches
 - Parking – 18 matches
 - Finance – 529 matches
 - Business Grants – 42 matches

Council Tax

- 2.2 The matches relating to council tax (CTAX) are checked by the Counter Fraud team and 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).
- 2.3 Report 801:
- 711 closed with no evidence of fraud.
 - 68 SPD removed (Three replaced with alternative discount).
- 2.4 Report 802:
- 15 closed with no evidence of fraud.
 - Six SPD removed (One replaced with alternative discount).
- 2.5 Report 803:
- 936 matches were rejected as not requiring investigation.
 - 541 closed with no evidence of fraud.
 - Five SPD removed (Three replaced with alternative discount).
- 2.6 Overall, 79 single person discounts have been removed, seven of which have been replaced with an alternative discount.
- 2.7 This represents a success rate of 3.46% and has led to additional CTAX liability of £59,869 and an additional £32,240 in future years relation to discounts that will no longer be applied.

Housing Benefit

- 2.8 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.
- 2.9 The benefits section has been responsible for reviewing matches and 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.
- 2.10 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

- 2.11 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.
- 2.12 The benefits section has been responsible for reviewing matches and 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.

2.13 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

2.14 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.

2.15 17 matches were received across seven reports and 17 have been closed with no issues identified.

Housing

2.16 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.

2.17 Enquiries linked to 306 matches have resulted in the following.

- 314 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.

2.18 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

2.19 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.

2.20 17 matches were received but are yet to be checked.

Finance

2.21 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.

2.22 A total of 529 matches were received and were reviewed by the finance service. Enquiries linked to these matches have resulted in the following.

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

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

Business Grants

2.24 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.

2.25 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.

2.26 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 were not reviewed prior to deletion of the data.

2.27 This concludes all activity for the 2020-21 exercise.

3. Progress with the 2021-22 Exercise

3.1 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).

3.2 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).

3.3 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.

3.4 Report 803:

- 84 matches closed with no evidence of fraud or error.
- Three SPD removed, one case resulting in the issue of a caution.

3.5 Report 815.2

- 971 matches closed with no evidence of fraud or error.
- 88 SPD removed, one case resulting in the issue of a caution.

3.6 This represents a success rate of 8.23% and has led to additional CTAX liability of £89,633 and an additional £60,006 in future years in relation to discounts and CTR awards that will no longer be applied.

3.7 This concludes all activity for the 2021-22 exercise.

4. Progress with the 2022-23 Exercise

4.1 In total, 3,202 matches have been received since January 2022 and can be categorised in seven key areas of the council:

- Council Tax – 2,071 matches
- Housing Benefit – 32 matches
- Council Tax Reduction – 160 matches
- Payroll & Procurement – 24 matches
- Housing – 499 matches
- Parking – 6 matches
- Finance – 407 matches

Council Tax

4.2 The matches relating to council tax (CTAX) are checked by the Counter Fraud team and 2,071 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 (501 matches),
- Report 802 - Electoral roll suggesting an occupant who is about to reach 18 (18 matches), and
- Report 803 - Other council records showing alternative persons registered at the address (1552 matches).

4.3 Report 801:

- 422 closed with no evidence of fraud or error.
- 79 SPD removed (Nine replaced with alternative discount).

4.4 Report 802:

- Two closed with no evidence of fraud or error.
- Two SPD removed,
- A marker added to 14 accounts to ensure the SPD is reviewed at the appropriate time, preventing potential error.

4.5 Report 803:

- 1,515 closed with no evidence of fraud or error.
- 37 SPD removed.

4.6 Overall, 118 single person discounts have been removed, nine of which have been replaced with an alternative discount.

4.7 This represents a success rate of 6.37% and has led to additional CTAX liability of £76,144 and an additional £48,635 in future years relation to discounts that will no longer be applied.

Housing Benefit

4.8 Results linked to housing benefit (HB) are spread across eight 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.

- 4.9 The counter fraud team has been responsible for reviewing matches, with the benefits team dealing with any that require further enquiries or assessments. As of 30 September 2023, this has resulted in the following:
- One match open for further action,
 - 30 closed with no evidence of fraud or error.
 - One referred to DWP for investigation.

Council Tax Reduction

- 4.10 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.
- 4.11 The counter fraud team has been responsible for reviewing matches, with the benefits team dealing with any that require further enquiries or assessments. As of 30 September 2023, this has resulted in the following:
- 17 matches open for further action,
 - 137 closed with no evidence of fraud or error,
 - Two referred to DWP for investigation.

Payroll

- 4.12 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.
- 4.13 24 matches were received across six reports and as of 30 September 2023, all 24 have been closed with no issues identified.

Housing

- 4.14 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.
- 4.15 The counter fraud team has been responsible for reviewing the matches, and as of 30 September 2023, this has resulted in the following.
- Three matches currently open for further action,
 - 459 matches closed with no evidence of fraud or error.
 - 15 people removed from the housing register.
- 4.16 This represents an overall success rate of 3.18% to date and has led to the removal of 15 applicants that were no longer eligible to be on the housing register, although none were actively bidding and attempting to gain from the failure to report changes in circumstances.

Parking

- 4.17 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.
- 4.18 6 matches were received, three closed with no evidence of fraud and three resulting in the cancellation of the resident's permit.
- 4.19 This represents an overall success rate of 50%.

Finance

- 4.20 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.
- 4.21 A total of 410 matches were received and were reviewed by the finance service. As of 30 September 2023, enquiries linked to these matches have resulted in the following.
- Three matches open for further enquiries,
 - 401 closed with no evidence of fraud or error,
 - Identification of six duplicate payments.
- 4.22 This represents an overall success rate of 1.46% to date and has led to the recovery of duplicate payments totalling £18,939.23.

5. Overall Summary

- 5.1 The report gives details of the NFI activity and outcomes to date relating to the 2020-21, 2021-22 and 2022-23 exercises. The total financial results from these exercises as of 30 September 2023 are as follows.

• Council Tax additional liability	£235,158
• Council Tax future liability	£145,831
• Housing benefit overpayments	£58,882
• Reduction in HB awards	£4,316
• Duplicate Creditor Payments	£31,275
• Total	£475,462

6. Appendices

- 6.1 None

7. Background Documents

- 7.1 There are no background documents.

Lead Officer: James Larkin

Email: James.larkin@medway.gov.uk

Secondary Implications	
Risk Assessment	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.
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> <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>
Crime and Disorder	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.
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.