



## AUDIT COMMITTEE – 26<sup>TH</sup> JANUARY 2021

**SUBJECT:** 2018/20 NATIONAL FRAUD INITIATIVE UPDATE, LOCAL OUTCOMES AND PLANS FOR THE 2021 EXERCISE

**REPORT BY:** ACTING INTERNAL AUDIT MANAGER

### 1. PURPOSE OF REPORT

- 1.1 This report advises members of the publication of the Audit Wales document “The National Fraud Initiative in Wales 2018-2020” Report of the Auditor General for Wales.
- 1.2 The report provides information on the outcomes of the NFI exercise 2018/20 and forward plans for the upcoming NFI exercise in 2021.

### 2. SUMMARY

- 2.1 The report of the Auditor General for Wales “The National Fraud Initiative in Wales 2018-2020” was published in October 2020 and is attached as **Appendix 1**
- 2.2 Since the last NFI report in 2018 the NFI has reported outcomes for £8 million and cumulative outcomes in Wales since 2006 are now £42.9 million and across the UK the cumulative total is £1.93 billion.
- 2.3 The NFI enables data to be matched within public bodies, and across national borders. It has been reported that data submitted by Welsh bodies helped identify 94 cases of fraud and error in other parts of the UK valued at £125,000.
- 2.4 The NFI data released to Caerphilly CBC identified 7,234 matches in the data submitted and errors with a value of £42,263 were identified which are now in the process of being recovered.

### 3. RECOMMENDATIONS

- 3.1 It is recommended that the Audit Committee: -
  - i. Consider the Audit Wales report “The National Fraud Initiative in Wales 2018-2020”.
  - ii. Consider the self-appraisal checklist at **Appendix 2** and the Caerphilly CBC completed checklist at **Appendix 3**.

- iii. Note the local outcomes from the work undertaken by the Internal Audit Section.
- iv. Note the continued participation by Caerphilly CBC in the NFI.

#### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that the Committee is aware that the participation in the NFI is an integral part of the Council's approach to prevention and detection of fraud and error.
- 4.2 To ensure that the Committee is aware of the outcomes of the NFI exercise both locally and nationally, and to provide assurance that the low levels of outcomes shows that that internal control processes are working effectively.

#### **5. THE REPORT**

- 5.1 The report of the Auditor General for Wales "The National Fraud Initiative in Wales 2018-2020" was published in October 2020 and is attached at **Appendix 1**.
- 5.2 Since the last NFI report in 2018 the NFI has reported outcomes for £8 million and cumulative outcomes in Wales since 2006 are now £42.9 million and across the UK the cumulative total is £1.93 billion.
- 5.3 The NFI enables data to be matched within public bodies, and across national borders. It has been reported that data submitted by Welsh bodies helped identify 94 cases of fraud and error in other parts of the UK valued at £125,000.
- 5.4 Participation in the NFI is mandatory however, the recent Audit Wales report "Raising our Game" (also being reported to the Audit Committee on 26<sup>th</sup> January) has identified that some bodies in Wales display a strong commitment to counter fraud but some do not maximise the benefits of their participation.
- 5.5 Data sharing enables NFI to use sophisticated technology to compare information held by different public bodies within Wales and the rest of the UK that might suggest fraud or error may exist. Matches do not automatically mean that this is the case and the matches reported need to be reviewed so that bona fide data can be eliminated and suspicious matches can be investigated further or referred to other matched bodies or organisations such as the Department for Work and Pension's Single Fraud Investigation Service (SFIS) for investigation.
- 5.6 Data from sources such as housing benefits, council tax reduction scheme, blue badges, payroll, residents' parking permits, pensions, creditor payments, Companies House directors, DWP deceased persons records, council tax single persons discount, electoral register, housing tenants, housing waiting lists and residential care homes is uploaded from various public bodies including DWP (nationally), Councils, Health Authorities, Police Forces, Fire and Rescue Authorities and are then matched centrally by the NFI.
- 5.7 Matches are reported to the individual bodies for follow up and if overpayments, errors or frauds are identified the body can take appropriate action to recover the monies, cancel allowances, cancel or amend claims or discounts or refer to other bodies for further investigation. At the end of the exercise the findings are collated and published.

- 5.8 The National results indicate that 7 categories generated almost 98% of outcomes being council tax single person discounts, blue badges, housing benefits, pensions, housing waiting lists, residential care homes and council tax reduction.
- 5.9 4 recommendations have been made nationally arising from the report as follows: -
1. All participants in the NFI exercise should ensure that they maximise the benefits of their participation. They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.
  2. Where local auditors have identified specific areas where improvements could be made, the public bodies should act on these as soon as possible.
  3. Audit committees, or equivalent, and officers leading the NFI should review the NFI self-appraisal checklist. This will ensure they are fully informed of their organisation's planning and progress in the 2020-22 NFI exercise.
  4. All participants should be aware of emerging fraud risks e.g. due to COVID-19 and take appropriate preventative and detective action.
- 5.10 Caerphilly CBC's position in respect of these recommendations is as follows: -
1. The council has for many years been an active participant in the exercise and works closely with both contacts within NFI and in service areas to ensure that all parties are fully aware of requirements. The Acting Internal Audit Manager is the Key Contact and reviews all matches and directs the review and investigations that are performed.
  2. No issues have been identified and reported.
  3. The checklist has been completed and is attached as **Appendix 3**. As already reported all data required to date has been uploaded.
  4. These issues are under review. The Council Tax and Revenues Manager has plans in hand to upload the required COVID-19 grant data in line with the published deadlines (end January 2021), the Acting Internal Audit Manager has joined a number of informal anti-fraud local groups and the S151 Officer is considering subscribing to CIFAS (Credit Industry Fraud Avoidance Service). In addition, the Acting Internal Audit Manager has been made aware of future plans by NFI to roll out a further data matching tool known as "Spotlight" later this year, which is planned to specifically review COVID-19 grants for fraudulent claims and we will participate in this once further details are published.

#### Local Outcomes

- 5.11 The NFI data released to Caerphilly CBC identified 7,234 matches in the data submitted which were reported in around 100 individual match reports.
- 5.12 A considerable amount of work was required to review these matches, and the vast majority 7205 (99.5%) were cleared as being bona fide. This naturally required a large amount of staffing resource. It should also be noted that new matches and comments from other matched bodies continue to appear in the match report so there is some ongoing commitment required to monitor these periodically.
- 5.13 No frauds were identified. The payment errors that were identified were valued at £42,263 and recovery action was taken. Of the £42,263, £35,283 related to private care home payments where notifications of residents' deaths had not been received

and payments had continued. £4,840 relates to duplicated invoice payments and £1,174 related to a VAT error. Where appropriate individual audit reports have been issued to make recommendations for improvements in processes.

- 5.14 It should be noted that the results for duplicated payments has reduced which is pleasing. This is due to the use of the Purchase Ledger software tool “AP Forensics”, which identifies potential duplications and requests service areas to approve the payments as valid. However, this does require resources to run and monitor the reports and apply adequate interventions and it also requires service areas to perform adequate checking in relation to notifications received. Internal Audit plan to undertake some work on this system as part of the 2021 Audit Plan.
- 5.15 There are also 6 matches (not included in the outcomes reported above) where student finance appeared to not have been disclosed in housing benefits assessments and referrals were made to the DWP SFIS service in late 2019/early 2020 so that further investigation for possible fraud could be undertaken. However, no update has been received on these so they are not included in the above reported outcomes. It is understood that DWP SFIS has been reallocating resources due to COVID-19, so these cases have been referred to the council’s Housing Benefits Manager to see if any amendments or disclosures have been made by claimants or DWP in respect of these issues.
- 5.16 It should be noted that the above figures do not include council tax single person discounts as the council engages a third-party contactor to undertake the verification and validation of single person discounts, so these are not reported as part of this process. However, the Council Tax and Revenues Manager is confident that the processes undertaken by the contractor are equally if not more robust than those that would arise from the NFI by checking directly.

#### NFI 2021

- 5.17 The participation in NFI is an integral part of the council’s corporate approach to the prevention and detection of fraud and error and is managed by relevant officers. The Head of Financial Services & S151 Officer is the NFI Senior Responsible Officer and the Acting Internal Audit Manager is the NFI Key Contact, and is responsible for liaising with service areas and NFI to ensure that they are informed of relevant timescales and data requirements.
- 5.18 In response to the COVID-19 pandemic and new government grants additional data sets have been requested this year in respect of NNDR grants and it is anticipated that data relating to the further financial support issued will be required to be submitted in due course later this year.
- 5.19 The 2021 exercise has been underway for several months and all data sets have been uploaded by the council. Matches are due to be published later this month and time has been allocated in the Internal Audit Plan to review and investigate published matches.
- 5.20 As part of the 2021 exercise the NFI published in July 2020 a self-appraisal checklist which participants are encouraged to complete. It is in 2 Sections; Part A to assist Audit Committee members when reviewing and seeking assurance over challenging the effectiveness of their body’s participation in the NFI, and Part B for NFI Senior Responsible Officers and Key Contacts.
- 5.21 The Council Tax and Revenues Manager has confirmed that plans are in hand to extract

and upload data in respect of single person discount data for the 2021 exercise.

### Conclusion

- 5.22 This report presents the key findings of the NFI process 2018-2020.
- 5.23 Specific information is also provided on the results for Caerphilly CBC.
- 5.24 A self-assessment checklist has been completed and is attached at **Appendix 3**.

## **6. LINKS TO RELEVANT COUNCIL POLICIES**

- 6.1 To ensure that the council continues to operate a robust approach to prevention and detection of fraud and error.

## **7. WELL-BEING OF FUTURE GENERATIONS**

- 7.1 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

## **8. EQUALITIES IMPLICATIONS**

- 8.1 No equalities implications have been identified.

## **9. FINANCIAL IMPLICATIONS**

- 9.1 Members note the local financial results and findings that have been reported. Other indirect costs may be reduced or avoided due to other match investigations performed, but these cannot be directly quantified.

## **10. PERSONNEL IMPLICATIONS**

- 10.1 No personnel implications have been identified

## **11. CONSULTATIONS**

- 11.1 Any comments received from consultees have been included within the report.

## **12. STATUTORY POWER**

- 12.1 Local Government Act 2000

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Appendices:

Appendix 1 [The National Fraud Initiative in Wales 2018-20 \(Audit Wales\)](#)  
Appendix 2 [National Fraud Initiative Self-Appraisal Checklist \(Audit Wales\)](#)  
Appendix 3 Completed NFI Self-Appraisal Checklist