



AUDIT COMMITTEE – 15TH OCTOBER 2019

SUBJECT: 2016/18 NATIONAL FRAUD INITIATIVE UPDATE

REPORT BY: INTERNAL AUDIT MANAGER

1. PURPOSE OF REPORT

- 1.1 To inform the members of the Audit Committee of the work carried out by Internal Audit staff on the 2016/18 National Fraud Initiative (NFI).

2. SUMMARY

- 2.1 The results of the 2016/18 NFI exercise were published by the Wales Audit Office in October 2018 and the full document is available for members on the members' portal.
- 2.2 The latest biennial national counter fraud exercise has helped Welsh Public bodies identify £5.4 million of fraud and erroneous payments.
- 2.3 In respect of the work undertaken for Caerphilly CBC, excluding Council tax Single person discount matches there were 6242 individual data matches reported. The exercise returned circa 100 match reports. Following investigations by Internal Audit an amount of £92,684 was identified as fraud or error and action is being taken to recover these sums. £78,472 was already recovered by the time the exercise was concluded and work is continuing in respect of the remaining amount.
- 2.4 The process also matches other data such as concessionary bus passes, blue badges and residents parking permits where there is an indirect effect on public funds, so the results reported for CCBC do not include an estimation of these values.
- 2.5 A different process is now employed within Council Tax to investigate Single Persons Discount issues. This data is now uploaded annually, and an annual checking and reporting process is carried out. The most economically advantageous way of carrying out this work by Caerphilly is to contract this work to a third party who work with Council Tax staff to identify cases where a single person discount is being claimed incorrectly or fraudulently. In 2016, the NFI exercise resulted in 263 claims worth £68,047 being cancelled; in 2017, 202 claims worth £39,729 were cancelled, this generates additional Council Tax revenue that would otherwise be lost.
- 2.6 Due to the separate nature of these 2 NFI matching processes this figure is reported separately in this report.
- 2.7 The results from the NFI exercises that have been carried out, were identified by the Welsh Government Public Accounts Committee who commissioned the WAO to undertake a special review, which CCBC also participated in, and the results have recently been published. This publication has been reported separately for members' information.

3. RECOMMENDATIONS

- 3.1 The Audit Committee note this report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 For the Audit Committee to be aware of the proactive work undertaken to identify fraud and error.

5. THE REPORT

- 5.1 Since 1996, every two years, The National Fraud Initiative matches data across Public Sector organisations and systems in the UK in order to help public bodies identify potentially fraudulent claims, payment errors and other erroneous payments or frauds. This involves all Local Authorities, Local Authority Pension Funds and other Public Sector bodies and employers although their participation is not mandatory (e.g. RSLs, LHBs, Police and Fire Authorities etc.) together with national organisations e.g. DWP and Home Office uploading various data to a national database from which extracted (matched) data is passed back to the originating authorities for detailed interrogation in order to identify fraud and overpayments.
- 5.2 The results of the 2016/18 exercise were published in October 2018, and it stated that this was the most successful exercise to date uncovering over £5.4m of fraud and overpayments across a wide range of public services in Wales.
- 5.3 The published report contains case studies in respect of the findings of Caerphilly's approach to the investigation of data matches as Caerphilly's approach is regarded as good practice. One of these was also highlighted in the NFI quarterly bulletins which are circulated across all participants in the UK
- 5.4 To oversee this work the Cabinet Office requires the Head of Corporate Finance in each participating body to nominate a "key contact" who has responsibility for co-ordinating the scheme, ensuring deadlines are met and giving the appropriate access to the secure database to relevant officers to be able to complete the tasks. As the exercise continues to develop and include data sets from a wide range of service areas Internal Audit Services continues to facilitate the successful outcome of the exercise.
- 5.5 The latest exercise included matches from data such as payroll, deceased persons records, Home Office UK Visa and immigration data, student loans, insurance claimants, taxi licenses, personal alcohol licences, blue badges, concessionary travel passes, pension payments, housing tenancies, housing waiting lists, council tax reduction scheme allowances, residents' parking permits and data on residents in private care homes.
- 5.6 Staff in the various service areas or their IT support initially submit data for matching into a secure portal maintained by the cabinet office. All GDPR requirements were complied with to ensure data is secure. Caerphilly CBC fully complied with the data uploads with all sets of data uploaded to the secure interface by the stipulated deadlines. The data is then matched by the NFI using key unique criteria e.g. name, DOB, NI numbers etc., and the match reports are released usually a few months later.
- 5.7 Internal Audit staff participate by initially controlling and monitoring the data uploads ensuring these are done in line with the NFI requirements and GDPR. The match reports are then released to Internal Audit who liaise with individual service areas to ensure matches are investigated. Internal Audit also undertake the investigative work in relation to a number of data match reports relating to high risk and financial data. The results of the investigative work are fed back into the NFI process. Additionally, operational issues identified are reported in internal audit reports if necessary.
- 5.8 It should be noted that the significant amount of initial review work previously undertaken by the Council's Housing Benefit fraud investigation staff has been absorbed by the Housing Benefit administrative staff following the creation of the Single Fraud Investigatory Service. Initial match screening was carried out by Internal Audit Services with all potential benefit

related frauds identified referred via the in house Benefits team to the DWP Fraud Investigation Service. The investigation and outcome of these are not under the Council's control.

- 5.9 GDPR requires all participating bodies to inform their clients and customers that data collected may be used to detect and prevent fraud. This is carried out via privacy notices which have been completed with appropriate texts being inserted to application forms and letters for areas that are covered under the NFI. The privacy notices are also published on the Council's website with a link to the full text contained on the GOV.UK website.
- 5.10 The responsible Internal Audit officer is also required to make a declaration to the NFI that this process has been complied with.
- 5.11 Data matches were released in late January 2017. For Caerphilly CBC the 2016/18 exercise resulted in circa 100 (76 in 2015) separate reports containing matched data for further examination and investigation. This increase is mainly as a result of new data sources such as Council tax reduction scheme payments, Companies House and Housing waiting lists. These additional match reports required additional investigation work compared to prior years.
- 5.12 Due to issues with data quality in previous years it was decided by WAO that Welsh Government Internal Audit would take responsibility for matches relating to concessionary travel as this is now administered centrally. There were approximately 3000 matches reported in 2015 within this data.
- 5.13 The total data matches for Caerphilly CBC numbered 6242 (10197 in 2015) of which 6172 98.9% (99.8% in 2015) had been closed by the time the exercise was concluded.
- 5.14 As at the 31st October 2018 there were 10 frauds (3 in 2015) identified which were under investigation. There were 41 errors (53 in 2015) identified with a total value of £92,684.
- 5.15 A breakdown of these results are as follows;
- Housing benefits- £5,775, 4 of these relate to frauds (non-declaration of income sources, employment or pensions).
 - Council Tax - £20,685, 8 cases of which there was one major contributor, a former employee who had colluded with a partner to avoid full Council tax liability for several years. This has not been classed as a fraud due to the mode of investigation and sanction chosen by the DWP. They have now left the council's employment. There are also CTRS impacts from the cases referred to in relation to Housing Benefits above.
 - Payroll - £1,518, this related to a school based employee where the resignation was not processed in a timely fashion by the school, and as a result appeared on the Council's payroll data as well as the new employers for one month. Recovery action was prompted by the investigation of the match by Internal Audit.
 - Private care home £4,173, this related to a single case where the home continued to charge for a deceased resident. The overpayment was recovered from subsequent payments to this home.
 - Creditor payment errors - £60,534 this included duplicated payments and other payment errors made by council staff.
 - In addition 133 blue badge errors were recorded where deceased residents records had not been updated. No direct cash value has been recorded for these although misuse of blue badges can lead to losses in parking and other public revenues.

These transactions have either been recovered or are in the process of recovery to a total value of £78,472 (£128,093 in 2015) as a result of this data matching exercise. It is likely that had this exercise not been performed these funds would have been permanently lost.

- 5.16 202 council tax single person discounts have been cancelled amounting to £39,729 and this is additional revenue that would otherwise have remained uncollected. It can be seen that these numbers are reducing which is testament to the ongoing effectiveness of this process and the fact it is now an annual exercise.

- 5.17 The Cabinet Office has been working towards developing further additional fraud prevention and detection solutions to complement the biennial NFI cycle and to support Local Authorities and other Public Sector organisations in reducing fraud and errors. Caerphilly is participating in the use of these solutions where considered beneficial
- 5.18 In addition Caerphilly continues to use a duplicate payment identification software tool which works with purchase ledger data to identify potentially erroneous payments in advance of payment and results are encouraging.

Conclusion

- 5.19 Members note the work done by Internal Audit in coordinating and supporting the NFI exercise and the results that have been reported.

6. ASSUMPTIONS

- 6.1 No assumptions were made in respect of this report.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 To ensure that the Council's resources are used to provide value for money.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 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: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

9. EQUALITIES IMPLICATIONS

- 9.1 There are no equalities implications.

10. FINANCIAL IMPLICATIONS

- 10.1 An amount of £39,729 relating to Council tax single persons discounts and a sum of £92,684 in respect of other frauds and errors has been identified via this exercise and action is being taken to recover these sums. Of the £92,684, £78,472 (85%) has already been recovered, and recovery is ongoing in other cases.
- 10.2 The results of this exercise represents additional revenue that may otherwise have been permanently lost to the council.
- 10.3 Other indirect costs may be reduced or avoided due to other match investigations performed, but these cannot be directly quantified.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no personnel implications as this work is built into the Internal Audit plan, although there may be some workload resource implications where enquiries are required to be performed within other service areas.

12. CONSULTATIONS

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

13. STATUTORY POWER

13.1 Local Government Act 2000

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