

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

06 October 2014

Report of the Chief Internal Auditor

Part 1- Public

Matters for Information

1 NATIONAL FRAUD INITIATIVE (NFI) UPDATE

Summary

This report provides Members with an update on the performance of the corporate fraud prevention section in relation to the National Fraud Initiative (NFI) exercises.

It also provides a summary of a recent report issued by the Audit Commission entitled Outcomes and Information for Elected Members and Decision Makers – 2012-13. A checklist for Elected Members was provided alongside the report by way of a series of questions to help them assess their authority's performance in relation to NFI. Suggested answers to these questions have been provided for Members consideration.

1.1 Introduction

- 1.1.1 The Council proactively takes part in the National Fraud Initiative (NFI). This is a nationwide data matching exercise, comparing computer records held by the Council against other computer records held by councils and other bodies, allowing potentially fraudulent claims and payments to be identified.
- 1.1.2 The exercise runs bi-annually matching data relating to housing benefit, payroll, creditors, housing (including right-to-buy), insurance claims and taxi licensing information held by the Council.
- 1.1.3 In alternate years an exercise runs, matching council tax single persons discount to the electoral register to identify potentially false discounts.
- 1.1.4 The following sections are intended to give Members an overview of performance in relation to the exercises currently running and to also provide information for Members to consider alongside a report recently issued by the Audit Commission.

1.2 2012-13 Benefit Exercise

- 1.2.1 The 2012-13 benefit exercise resulted in 974 matches being received by Tonbridge and Malling. These matches covered a variety of different areas,

indicating undeclared income and household residents, as well as connections to council housing in other boroughs.

1.2.2 As of September, checks into 952 of these matches have been concluded and cases identified by the exercise have produced the following results:

- Weekly housing benefit entitlement reduced by £1,262.83.
- Weekly council tax reduction entitlement reduced by £245.93.
- Housing benefit overpayments totalling £72,173.80 and council tax benefit overpayments totalling £3,176.28.
- Excess council tax reduction of £3,405.06.
- 1 person cautioned and 5 accepted administration penalties.

1.2.3 22 cases remain ongoing, 2 of which are to be passed to Legal Services for consideration of criminal proceedings.

1.3 2013-14 Council Tax SPD Exercise

1.3.1 In March 2014, 549 matches in relation to council tax accounts that received a 25% single person discount were received from the 2013-14 exercise.

1.3.2 As of September, checks into 320 matches have been closed and the concluded cases have produced the following results:

- Removal of the single person discount from 64 council tax accounts (alternative equivalent discounts have been applied in 22 cases).
- Additional council tax revenue of £18,934.40 created by the discount removals.
- 2 civil penalties of £70 have been applied for failure to report changes in circumstances.

1.3.3 To date, no sanctions have been applied in relation to criminal offences. This is largely because many of the accounts amended so far were corrected on the basis of information already held within the benefits department.

1.3.4 Enquiries into the remaining 229 matches are continuing and it is anticipated that there will be further cases suitable for penalties or sanctions as enquiries into these outstanding matches progress.

1.4 Audit Commission Report

- 1.4.1 In September 2014, the Audit Commission sent reports to Members at each local authority entitled Outcomes and Information for Elected Members and Decision Makers – 2012-13. A copy of which can be found at **[Annex 1]**.
- 1.4.2 The report outlines the position of the NFI 2012-13 exercise and the level of fraud identified nationally as of 31 March 2014. Further cases may have been concluded since this date but are not factored into this report. It also provides performance statistics for Tonbridge and Malling individually in relation to:
- Number of matches in progress or completed.
 - Number of recommended matches in progress or completed.
 - Value of overpayments identified.
 - Value of monies being recovered.
 - Value of Council Tax liability identified in the 2011-12 exercise.
- 1.4.3 Tonbridge and Malling's performance in these areas has been compared against 14 other local authorities that are considered to be the nearest neighbours under CIPFA modelling and against the average for all district councils as a whole in relation to matches progressed.
- 1.4.4 In relation to matches in progress or completed, Tonbridge and Malling showed a figure of 94% as at 31 March 2014. This compares to an average of 54% amongst CIPFA Neighbours and an average of 46% for all district councils
- 1.4.5 100% of recommended matches had been dealt with and this compared with an average of 82% amongst CIPFA neighbours and an average of 69% for all district councils.
- 1.4.6 The bar chart for total NFI outcomes suggests that as of 31 March 2014, Tonbridge and Malling had identified approximately £60,000 of overpayments. This is fourth in the group of CIPFA nearest neighbours and compares with an average of approximately £32,000.
- 1.4.7 The bar chart for total NFI recovery suggests that as of 31 March 2014, Tonbridge and Malling had sought to recover approximately £52,000 of overpayments. This is fifth in the group of CIPFA nearest neighbours and compares with an average of approximately £25,000.
- 1.4.8 The bar chart for NFI Council Tax Outcomes suggests that Tonbridge and Malling had identified approximately £35,000 of additional council tax as part of their 2011-12 exercise. This is sixth in the group of CIPFA nearest neighbours and compares with an average of approximately £30,000.

1.5 Checklist for Elected Members and Decision Makers

- 1.5.1 Alongside the Outcomes report, the Audit Commission also provided a checklist for Members and Decision Makers by way of a series of questions to help them assess their authority's performance in relation to NFI and how well the NFI is integrated into the Council's processes and counter fraud policies. A copy of these questions and the suggested answers can be found at **[Annex 2]**.

1.6 Conclusion

- 1.6.1 Members will be able to see from the statistics in this report that the corporate fraud team have made significant progress with both the benefit exercise and the council tax SPD exercise. While some matches remain outstanding, they are linked to ongoing investigations with possible criminal action to be taken in relation to offences committed.
- 1.6.2 The Audit Commission report also demonstrates that Tonbridge and Malling is performing above average in all the areas identified and our own records for the current council tax exercise suggest that we are continuing to maintain that high standard approach.
- 1.6.3 Historically, the investigation team has only been responsible for the investigation of benefit related matches and the responsibility for checking the data received in other areas passed to individual departments. When the 2014-15 exercise commences, the investigation team will liaise with other departments and undertake investigations into suspicious activity identified in other areas of the Council to identify any instances of fraud.
- 1.6.4 Members will receive a further update on NFI work at the end of the financial year.

1.7 Legal Implications

- 1.7.1 The Audit Commission have legal powers to require local authorities to supply the data for the NFI.

1.8 Financial and Value for Money Considerations

- 1.8.1 The number of cases where fraud and error is identified forms only a small percentage of the referrals received, which means that the Council can place assurance on the systems that prevent fraud. However, significant savings can be identified from that limited number of cases.

1.9 Risk Assessment

- 1.9.1 Failure to investigate the referrals could lead to fraud not being discovered, allowing it to continue for a long period of time. This in turn could lead to large overpayments or a repetition of smaller value occurrences.

Background papers:

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Audit Commission Report

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