

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

14 NOVEMBER 2019

REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

NATIONAL FRAUD INITIATIVE UPDATE

1. Purpose of report

1.1 To present to Members a status report on the progress made to date on the National Fraud Initiative.

2. Connection to corporate improvement objectives/other corporate priorities

2.1 This report assists in the achievement of the following corporate priority/priorities:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3. Background

3.1 The National Fraud Initiative (NFI) has run every 2 years since 1996. The exercise is coordinated in Wales by the Wales Audit Office in collaboration with equivalent bodies in England, Scotland and Northern Ireland. Participating organisations, such as other Local Authorities, DWP, NHS & Trusts, Police and Housing Associations submit data to the NFI where it is matched against other data sets using specific criteria. The submitted information is wide ranging and includes data sets relating to housing benefits, council tax, payroll, creditors, licensing, disabled blue badges, concessionary travel, insurance claims, care homes and personal budgets.

3.2 Reports containing potential matches are released to each organisation to investigate. It is important to note that where a match is found it is not in itself evidence of a fraud and may be an error or an inconsistency that requires further investigation or an explanation for a data match prompts the organisation to update their records and/or improve their systems.

3.3 The most recent data extraction and matching exercise was undertaken in September 2018 and the matches were released in January 2019. A total of 8,466 matches have been provided.

4. Current situation/proposal

4.1 A training session has recently been delivered to staff responsible for reviewing the matches to ensure a consistent approach is taken across the Council. This session provided an opportunity for Officers to gain a better understanding of the data matches provided, how to correctly record the findings and also gave an opportunity

to network with other service areas to discuss any data matches which were cross cutting.

- 4.2 A breakdown of the current position is attached at **Appendix A**. To date 4,705 of the 8,466 matches (55.6%) have been processed and work is still on-going on the remaining matches. It is illustrated that a total value of £59,706 has been identified as potential fraud or error with £28,804 being recoverable.
- 4.3 It should be noted that a Cabinet Office estimated savings figure is also listed on Appendix A which amounts to £268,328. This is a notional figure that the Cabinet Office uses to count savings nationally. As an example, the Cabinet Office projected savings for the blue badge permits to Benefits Agency deceased person records match is stated at Appendix A as £228,275. The Cabinet Office advise that £575 per permit can be recorded to reflect the lost parking and congestion charge revenue. After review, 397 of the 402 permits within the match were deemed as no longer valid and were cancelled, hence the notional figure has been applied.
- 4.4 The greatest number of matches are Creditor matches. Creditor matches identify potential duplicates against creditor name, reference, address, and invoice reference or amount. When the matches were initially reviewed it was identified that many of the payments were genuine and this initial sift enabled approximately 50% to be closed. Internal Audit undertook an exercise to review the creditor to employee matches where an employee is linked to a creditor with the same bank account or address. It was soon identified that most of these matches were petty cash reimbursements to school staff. Internal Audit also reviewed the matches whereby an employee or Member is listed as a director to a company with which the Council traded. It was identified that many of these matches were generated through Councillors holding director positions within companies with many of these companies being community based. These matches have been closed following confirmation that a declaration of personal interest has been made by the relevant Member.
- 4.5 Single person discount to electoral register match provided 1,250 potential matches. After an initial check 114 were highlighted for further investigation and letters were issued. To date 44 errors have been identified whereby recovery of £16,224 is being undertaken. To date 35 have not responded and the next stage will be to remove the discount from those accounts; however this may not result in additional income as the majority of these are in receipt of full council tax reduction.
- 4.6 Housing Benefit and Council Tax Reduction matches are ongoing. 20% have been processed and to date 7 investigations are on-going. Appendix A illustrates that £6,477 has been identified as recoverable.
- 4.7 Personal budget and private residential care home matches have been completed and no fraud or error has been identified as the teams were already aware of the information due to timing delays between extracting the data and updating records. It is thought that due to current processes in place to identify movements within care homes very few matches have been provided. Therefore this service area is an example of robust systems and processes being in place which ensures that data is accurate, hence reducing the number of NFI matches being received.
- 4.8 Some NFI matches require liaison between various internal departments or with other organisations. For example some payroll matches identify that employees are being

paid by more than one organisation. Payroll Officers from each relevant organisation then share information to determine if there is any potential fraud or error. It is recognised that there are genuine cases whereby employment can be in more than one organisation and work is on-going with these matches to determine this. Currently there is one match identified whereby a Bridgend Council employee appears to have a 37 hour contract at the same time as having a 40 hour per week contract elsewhere.

5. Effect upon policy framework and procedure rules

5.1 There is no effect upon the policy framework and procedure rules.

6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 Effective Audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

9. Recommendation

9.1 That Members give due consideration to the NFI update report

Mark Thomas
Head of Audit
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Contact Officer: Mark Thomas – Head of Regional Internal Audit Service.

Telephone: (01446) 709572

E-mail: cmthomas@valeofglamorgan.gov.uk

Background Documents

None