

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE9 November 2017Report by Head of Business Change & RevenuesNATIONAL FRAUD INITIATIVE - UPDATE**INTRODUCTION**

1. This paper aims to update the Audit and Scrutiny Committee on the biennial National Fraud Initiative (NFI) in Scotland and give an update on the impact of the 2016/17 NFI exercise in East Renfrewshire Council.

BACKGROUND

2. Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise – the National Fraud Initiative (NFI). These exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

3. These exercises are undertaken every two years and are linked to the statutory audits of the participating bodies.

NFI 2016/17 DATA MATCH EXERCISE

4. The success of the NFI comes primarily from the public bodies who:

- Investigate the NFI data matches
- Identify and stop fraud and claimant errors
- Recover overpayments
- Hold fraudsters accountable
- Improve their systems

5. The NFI in Scotland is now in its 6th biennial exercise since 2006/07. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. It remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies.

6. East Renfrewshire has a single point of contact for NFI and a well-established internal network of departmental contacts, covering such areas as Housing Benefit; Council Tax Reduction; Council Tax Single Persons Discount; Blue Badges; Housing waiting lists; civic and taxi licensing; private supported care homes; payroll and creditors history. Each area takes responsibility for comparing their own data sets and for subsequent recovery or follow up action as appropriate.

7. Within the Council 3293 matches were reported in the 2016/17 NFI exercise and, after risk assessments, 100% of those indicated as high risks (1051) were investigated. The remaining cases were categorised as low risk although a sample of these cases were also investigated. The investigation of all the high risk cases resulted in identification of five possible frauds (within Housing Benefits) and 88 claimant errors across a number of Council areas. These areas were mainly Housing & Council tax benefit, invoice payment and residential care homes deceased records. The total potential value of fraud or claimant errors highlighted by NFI for ERC for the 2016/17 NFI exercise for East Renfrewshire Council was £92,365.

8. The largest area of fraud and claimant error continues to be Housing Benefit and Council Tax Reduction, which total 34 cases at a value of £34,087. Recovery action is underway for £33,316 of this (the difference between the two figures is due to the customers appealing the decision to create an overpayment). A significant number of these claimant errors are annual increases in claimant's pensions and their failure to advise our Housing Benefit team. Recovery of Council Tax Reduction may not always be possible if the claimant has moved away from ERC. In line with guidance, five cases were referred to the DWP for further investigation and possible prosecution.

9. Although full recovery of these debts can take a number of years, the Council's Corporate Debt Recovery Team pursue these cases through either long-term payment arrangements or by deductions direct through the Department of Work and Pensions, these arrangements were explained in the Debt Recovery Policy which was approved by Cabinet in June 2016. In Housing Benefit cases where benefit is still in payment, identified overpayments are recovered from ongoing entitlement by prescribed rates of recovery.

10. The main benefit from the NFI exercise is the reduction in ongoing fraud and the deterrent effect gained from regular data matching.

11. Mitigating potential fraud across these areas is a matter for each service area and there are a number of roles across the Council that have specific remits to eradicate or reduce fraud taking place at source (e.g. Tenancy Enforcement Officers, Licensing Enforcement Officer, Internal Audit) and all employees are encouraged through the Code of Conduct and Anti-Fraud and Bribery Strategy to report suspicions of fraud. In respect of Housing Benefit and Council Tax Reduction, robust verification of income at the point of claim greatly reduces fraudulent cases and this is confirmed with the NFI match which indicates that cases of fraud have arisen due to unreported changes in income that have occurred after the initial declaration.

COUNCIL TAX SINGLE PERSONS

12. In 2017/18 the Council has 11,692 live Single Person Discounts (SPD) granted against a Council Tax base of 38,677 households (30%). In monetary terms, this discount amounts to £3.9m per annum (excluding water and waste water).

13. As part of NFI, the Council Tax team reviewed the SPD caseload in September 2014 and again late in 2015. Recent years have seen significant changes to the Electoral Registers with a volume of new people registering to vote. All councils used the new version of the Electoral Register for data-matching purposes and, in particular, to audit their SPD records.

14. The 2016/17 NFI data-matching exercise initially highlighted 291 cases where SPD had been awarded and was no longer valid. That equated to £51,836 in reclaimed 25% discount. Following further investigation with customers and follow-up correspondence, Council Tax admin were satisfied that this resulted in an actual out-turn of 195 SPDs

cancelled, equating to £34,283. In all cases, SPD was cancelled back to the appropriate date and retrospective Council Tax demands were issued and amounts are actively being recovered in line with Council Tax legislation.

15. To strengthen our approach, we have also recently commenced data-matching Council Tax SPD records against financial and banking records held by Experian. This will mean that in the 2016/17 financial year, the Council Tax database will have been robustly verified against up to date versions of the Electoral Register, together with banking, financial, credit card and mobile phone information for all East Renfrewshire dwellings in receipt of this discount. Although the NFI biennial check has been carried out since 2006, this was the first time Council Tax administration have data matched the single persons discount data against financial records from a third party provider such as Experian. This exercise is ongoing and has so far also proved to be very worthwhile, with a further 62 single persons discounts removed at a value of £93,106 and this amount is being recovered. We will look to carry out the Experian data matches on intermittent years between the NFI exercises.

FRAUD & ERROR SERVICE (FES)

16. Under national welfare reforms, the Department of Work and Pensions have now completed a process to set up a Fraud and Error (FES) investigation service. The DWP FES team continue to protect the Council's interests and to mitigate our risk against Housing Benefit fraud. Under these arrangements, the DWP expects each council to nominate a single point of contact for referral of fraud cases for investigation. Our single point of contact also deals internally with our Benefits team to identify potential Council Tax Reduction overpayments and to stop these at source.

17. Council and FES investigations into HB fraud result in Housing Benefit Overpayment (HBO), the imposition of an administration penalty (i.e. half of the amount of the overpayment) and the potential for prosecution for HB fraud. So far in 2016/17 our fraud officer has referred 29 HBO cases to FES to recover a total value of £35,106. The breakdown of these is;

- Administration Penalty 2
- HB Claims ended 4
- No Further Action 8
- HBOP only 13
- Still ongoing 2.

OTHER RELATED INITIATIVES

18. In addition to NFI, the Benefits Section has a well-established electronic interface with HMRC called Real Time Information (RTI). Through this interface, the Council is provided with employment and pension information for Benefit claimants and employees on an ongoing basis. In the current year, approximately 150 cases per month are checked for inconsistencies between income held on the benefits system and that held by HMRC. On average 15% of cases (22 per month) result in adjustments to entitlement. In some cases, there is an overlap with NFI and RTI where the unreported changes are notified by both agencies. Non-disclosure of pension or employment information could lead to a successful investigation which would lead to a cancellation of Housing Benefit/Council Tax Reduction. This is dealt with in conjunction with FES and could create an overpayment that would require FES intervention or action by our Overpayments officer.

NEXT STEPS

19. The NFI website will be available until March 2018 when the majority of investigations will be completed and all outcomes will be recorded and closed off in order that the Cabinet Office can calculate the total outcomes from the 2016/17 exercise.

CONCLUSION

20. East Renfrewshire Council has fully participated in the 2016/17 NFI exercise, investigating 1,051 matches and identifying 37 overpayments of Housing Benefit and Council Tax Reduction totalling £34,087. Through NFI and Experian exercises we have now risk assessed and reviewed the single persons discount database and are recovering £127,000 in additional council tax due to fraudulent or claimant error. The Council takes this issue seriously and has various arrangements in place to mitigate fraud and claimant error. The NFI initiative compliments the Benefits team's existing fraud prevention measures, with a robust verification process at the outset along with intelligence based ongoing checking based on external (HMRC) information. Although on a few occasions, this three-pronged approach does result in an overlap of information it does provide an effective tool to mitigate potential and actual fraud available from electronic intelligence, coupled with standard practitioner verification of claims at outset.

RECOMMENDATION

21. It is recommended that the Committee considers the report and notes the action taken in respect of the NFI audit in East Renfrewshire Council for 2016/17.

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BACKGROUND PAPER

Collection of Council Revenues - Debt Recovery Policy, Cabinet 16 June 2016