

ISLE OF ANGLESEY COUNTY COUNCIL		
Report to:	Governance and Audit Committee	
Date:	7 December 2023	
Subject:	National Fraud Initiative Outcomes Report 2022-23	
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Nature and Reason for Reporting: This report informs the Governance and Audit Committee of the Council's current outcomes in respect of the National Fraud Initiative (NFI) 2022-23 exercise.		

1. INTRODUCTION

- 1.1 This report informs the Governance and Audit Committee of the work currently being undertaken in relation to the 2022-23 National Fraud Initiative exercise.
- 1.2 The NFI is a UK-wide data matching exercise that helps to detect and prevent fraud. It is conducted in Wales by the Auditor General under his statutory data matching powers set out in Part 3A of the Public Audit (Wales) Act 2004.
- 1.3 The Council's Counter Fraud, Bribery and Corruption Action Plan 2022-2025 identifies making the best use of information and technology by participating in the National Fraud Initiative as an action that minimises the risk of fraud, bribery and corruption occurring within and against the Council.

2. RECOMMENDATION

- 2.1 That the Governance and Audit Committee takes assurance from the contents of the report that the Council is seeking to actively embrace opportunities provided by the National Fraud Initiative to use data analytics to strengthen both the prevention and detection of fraud.

National Fraud Initiative Outcomes Report 2022-23

December 2023



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Introduction

1. The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office that aims to detect and prevent fraud and error. The Isle of Anglesey County Council, along with other local authorities and public sector bodies, is mandated to participate.
2. As acknowledged by Audit Wales, the success of the NFI exercise is dependent on the proactivity and effectiveness of participant bodies in investigating the data matches.
3. However, participation in the NFI is only one element of an effective counter-fraud strategy; a strong counter-fraud culture and effective counter-fraud policies and procedures are also essential.
4. In December 2022, the NFI published its report on its outcomes between 5 April 2020 and 31 March 2022. In total £443 million of fraud and error was identified across the UK.
5. Of this, £417 million was for England, £14.9 million for Scotland, £6.5 million for Wales and £4.4 million for Northern Ireland. This takes the NFI programme’s cumulative savings to £2.4 billion since its creation in 1996.

Overview of the Process

6. The NFI exercise is conducted every two years across the UK. In Wales, it is coordinated by the Auditor General and Audit Wales.
 - Participants submit data to a secure NFI website at the end of the designated calendar year.
 - The NFI system matches data in and between public sector bodies to identify anomalies.
 - Potential anomalies, called ‘matches’, are reported to participants to review, investigate, and record outcomes. Data matches do not in themselves indicate fraud or error, but rather identify cases which may require further analysis.
 - NFI outcomes are to be reported by individual participants and then collected/reported on nationally by the Auditor General.
7. As part of the 2022/23 NFI exercise, in October 2022 the Council submitted data in relation to the following service areas:
 - Housing – Current Tenants and Waiting List
 - Taxi driver licences
 - Payroll data
 - Creditors’ payment history and creditors’ standing data.
 - Council Tax Reduction Scheme
 - Council Tax and Electoral Register (annual submission)
 - Additionally, the Department for Work and Pensions submitted benefit recipient details and the Blue Badge Digital Service submitted Blue Badge holder details.

Previous National NFI Outcomes

8. The Auditor General for Wales’s report on the previous 2020/21 NFI exercise concluded that:
9. “While the majority of Welsh NFI participants display a strong commitment to counter fraud, 13 of the 22 Welsh local authorities identified 95% of the fraud and error outcomes achieved by the sector. This suggests that some local authorities have either failed to recognise the importance of the exercise or are unwilling to allocate adequate, skilled counter-fraud resources to investigate the NFI matches.”¹
10. Notably, seven areas generated almost 97% of the £6.5 million of outcomes across Wales in the 2020/21 exercise:

Category	Value of fraud/error (£)	Number of Cases
Council Tax discounts	£2.6 million	1,987
Blue Badges	£1.4 million	2,717
Housing Waiting Lists	£0.8 million	237
Housing Benefit	£0.6 million	84
COVID-19 business support grants	£0.6 million	43
Council tax reduction scheme	£0.2 million	214
Creditor payments	£0.1 million	9

¹ [The National Fraud Initiative in Wales 2020-21 \(audit.wales\)](https://www.audit.wales/publications/2021-22-national-fraud-initiative-in-wales-2020-21)

Match Reports Provided

11. Between January and March 2023, the Isle of Anglesey County Council received a total of 66 separate reports which contain a total of 2,638 individual matches.
12. To date, we have invested 8 days working on providing the data to the Cabinet Office, analysing and evaluating matches and working with services to investigate the matches and improve their processes.
13. At present, we have analysed and/or coordinated the evaluation of the following reports, the outcomes of which are detailed in a table at [Appendix 1](#):

Payroll to Creditors

14. These matches identify instances where an employee and creditor are linked by the same bank account or the same address in order to find employees with interests in companies with which the Council is trading.
15. Matches may indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details to receive payments to which they are not entitled.
16. Despite the number of matches, none have been identified as examples of fraud or corruption. Typically, they are examples of either employee car loans or a member of the same household being a contractor for the Council. Significantly, however, there are no conflict of interest concerns as the Council employees have no influence over procurement decisions.

Procurement: Payroll to Companies House

17. Payroll data is matched to Companies House information and then with the Council's creditors data to identify potential undeclared interests that may have given a pecuniary advantage. These reports are split between those highlighting employees who appear to be registered directors of companies that the Council has traded with

and those where the employee's address appears to have links to the company directors or the company.

18. These matches identified examples of either Council employees or a member of their household being registered directors for Community Groups and/or Private Limited Companies. However, there are no examples where actual/potential conflicts of interest should be declared as there is no connection between the employment role and the organisation/business.

Housing Tenants to Housing Tenants (within and between bodies)

19. This housing tenant report identifies where an individual appears to be resident at two different addresses suggesting possible cases of subletting or dual tenancies.
20. The matches are explained by overlapping tenancies, either as a result of a prolonged transfer process between properties and/or a tenant fleeing domestic abuse.

Housing Tenants to Department for Works and Pensions deceased data

21. This report identifies cases where a housing tenant has died, but the local authority may not have been notified, so has not removed them from the tenancy or amended their records.
22. A senior housing management officer has analysed 36 matches and confirms that there are no cases of fraud. Tenancies had remained in the name of the deceased whilst survivorship/ succession claims were determined. There was an acknowledgment by the service of delays in resolving some of the cases.

Housing Tenants to Council Tax Reduction Scheme

23. This report identifies possible cases of tenancy fraud and/or incorrect claims for council tax reduction, where an individual appears to be resident at two different addresses.
24. There are no issues for the Council to resolve in relation to these matches. In one example, the tenancy had remained in joint names as

per previous legislation requirements, despite one of the tenants having changed address. Another match whereby the tenancy details are correct but there is a Council Tax reduction issue for a neighbouring local authority to resolve as the claimant no longer lives in their locality.

Housing Waiting List to Housing Waiting List (between local authorities)

25. This report identifies where an individual appears to have registered on a waiting list using two different addresses, suggesting possible undisclosed changes in circumstances or that false information has been provided.
26. Following analysis of three of the matches, one applicant has been removed from the waiting list due to their failure to declare a change in housing circumstances. Eight other matches are currently being investigated and these applicants may also be removed from the Council's waiting list if they have found alternative accommodation or if their housing needs have changed.

Blue Badge Parking Permit to DWP deceased records

27. Individuals who have a 'Blue Badge' are matched to Department of Work and Pensions (DWP) deceased records to identify cases where a permit holder has died, but the local authority may not have been notified.
28. Following discussions with a senior officer that had responsibility for 'Blue Badge' administration, all 299 of these NFI matches were identified as examples of a lack of communication between services, i.e., the 'Blue Badges' had not been closed on the system as the team had not been informed of the permit holder's death.
29. Following this investigation, we were assured by management that internal control processes will be strengthened to ensure that the 'Blue Badge' administrators are able to proactively cross reference permit holders' details with deceased records, ensuring that badges are cancelled promptly.

Creditors

30. These matches highlight possible duplicate payments in excess of £1,000 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.
31. As a result of our NFI analysis, eight previously unknown duplicate payments to creditors have been identified. The NFI matches did highlight more duplicate payments, however, these had already been detected by internal controls/ previous continuous monitoring audit work, therefore, are not acknowledged as an NFI related outcome.
32. We are advised that the Payments team are in the process of recovering these duplicate payments.

NFI 2022/23 Savings Outcomes Summary

33. The NFI system requires users to record outcomes for their match investigations and place a monetary value where possible to reflect any overpayment or savings resulting from the correction of the records.
34. This can be an actual monetary saving, for instance where a housing benefit overpayment is calculated, or it can be an estimated saving, for instance where a person is removed from the housing waiting list, or a 'Blue Badge' is cancelled.
35. In relation to the 299 'Blue Badge' matches that were not cancelled and remained in circulation following a death, the NFI estimate a significant saving of £194,350, i.e., the NFI assigns an estimated loss value of £650 to each 'Blue Badge' that remains in circulation following a death.
36. In relation to the one housing waiting list fraud/error case (applicant not reporting a material change in housing circumstances), the NFI estimate a savings value of £4,283 for removing them off the waiting list.
37. In relation to Creditors (duplicate records by amount and creditor reference), eight previously unidentified duplicate payments amounting to an overpayment of £13,343.21 were detected via the NFI work.

Work in Progress

Council Tax Reduction and Housing Benefit

38. Due to a combination of competing priorities (e.g., administering cost of living support schemes) and insufficient resources, the Revenues Team has yet to analyse these matches.
39. The longer the delay in analysing these matches, the greater the risk of substantial Council Tax Reduction and Housing Benefit overpayments. However, we are advised that some matches will be evaluated.
40. The Revenues Team also receives separate reports, on an annual basis, in respect of Council Tax and Electoral Register data matches. These matches identify cases where taxpayers may incorrectly be in receipt of Single Person Discount, either due to fraud by failure to disclose a change in circumstances or error.
41. For 2022/23, the following NFI Council Tax reports were produced for the Council to investigate:

Council Tax Single Person Discount to Electoral Register

42. This match (1,097 matches) identifies addresses where the householder is claiming a council tax single person discount on the basis that they live alone yet the electoral register suggests that there is more than one person in the household aged 18 or over.

Council Tax Single Person Discount (Rising 18s)

43. This match (116 matches) identifies addresses where the householder is claiming a council tax single person discount on the basis that they are the only occupant over 18 years of age, yet the electoral register suggests that there is somebody else in the household who is already, or is approaching, 18 years of age.

Council Tax Single Person Discount to Other Datasets

44. This match (1,052 matches) identifies addresses where the householder is claiming a council tax single person discount on the basis that they live alone, yet other NFI information suggests that there may be more than one person in the household.
45. The Revenues Team is currently in discussions with an external provider who reviews/validates Single Person Discount entitlement using the latest credit bureau financial information. They plan to conduct this exercise before the end of 2023/24. Consequently, to avoid duplication, these NFI matches are unlikely to be investigated.

Self-assessment Checklist

46. The Auditor General has produced two self-assessment checklists for organisations to self-appraise their involvement in the NFI prior to and during the NFI exercises.
47. One checklist is for officers that are involved in planning and managing the NFI exercise and the other is to assist Governance and Audit Committees to review and seek assurance through challenging the effectiveness of their Council's participation in the NFI and is attached at [Appendix 2](#).
48. This checklist provides assurance to the Committee that the Council is maximising the impact of its involvement in the NFI.

Conclusion

49. We are thankful to the relevant services for their role in analysing the NFI matches and/or responding to our queries. However, we would echo Audit Wales's recommendations that participants in the NFI exercise should ensure that they maximise the benefits of their participation and consider whether it is possible to work more efficiently on the NFI matches.
50. To date, Internal Audit has invested a total of 8 days into this exercise, and some services, such as Housing, have also committed significant resources into analysing their matches. Whilst our NFI financial outcomes i.e., the overall amounts of fraud / overpayments and/or error that is detected by the exercise and an estimate of future losses that it prevents, indicates that the exercise has provided a good return on investment, there are apparent weaknesses in the formulas used by the NFI to calculate such outcomes e.g., the inflated value of a 'Blue Badge' remaining in circulation and lost income to the Council.
51. The opportunity to identify internal control weaknesses and to subsequently discuss ways to strengthen processes with management is one unquantifiable benefit of this process that is not reflected by the NFI financial outcomes.
52. The goal of improving the process of analysing our matches to ensure greater efficiency and effectiveness is something that will be discussed with Heads of Service / senior management moving forward so that future exercises provide greater return on investment.
53. As previously discussed, the Revenues and Benefits Service have not analysed the Council Tax matches due to their intention of using an external provider to carry out a managed bulk review of their discounts and exemptions before the end of 2023/24. Consequently, the Council has not been able to maximise the benefit of their participation in the NFI by investigating the most valuable² NFI data matches.
54. It must be acknowledged that the 'Blue Badge' errors heavily skew the financial outcomes. We would, however, anticipate a significant reduction in 'Blue Badge' errors identified in 2024/25 as we have been assured that internal controls have been strengthened in this area.
55. We will continue to work with the Revenues and Benefits Service and the Housing Service in relation to the Housing Benefit, Council Tax Reduction and Housing Tenants matches.
56. Looking ahead to 2024/25, the NFI is currently exploring policy options on the ability to enable local authorities to match adult social care data, to help detect and prevent potential fraud and error within adult social care services. The NFI previously undertook this form of data matching but had to cease in 2020 when changes to healthcare legislation inadvertently meant that they were unable to continue providing matched data back to local government.

² According to Audit Wales, The National Fraud Initiative in Wales 2020-21

Appendix 1 – NFI 2022/23 Outcomes Summary

Report area	Number of matches	Of which deemed high risk by NFI	Of which deemed medium risk by NFI	Number of matches analysed	Fraud / Error confirmed	Awaiting confirmation	NFI financial outcomes, i.e. the overall amounts of fraud/ overpayments and/or error detected by the exercise and an estimate of future losses that it prevents
Blue Badge Parking Permit	394	1	9	323	299	0	£194,350.00
Council Tax Reduction Scheme	202	12	133	0	0	202	<i>To be confirmed</i>
Creditors	1,646	0	0	1,114 ³	8	0	£13,343.21
Housing Benefit Claimants	23	7	6	1	0	22	<i>To be confirmed</i>
Housing Tenants	137	24	36	46	2	41	<i>To be confirmed</i>
Housing Waiting List	39	27	9	3	1	8	£4,283.00
Payroll	195	2	6	113	0	0	£0.00
Procurement	43	0	0	43	0	0	£0.00
Total	2,679	73	199	1,643	310	273	£211,976.21

³ using data analytics

Appendix 2 – NFI Self-Assessment Checklist

Part A: For those charged with governance	Yes / No / Partly	Management Commentary	Is action required?	Who by and when?
Leadership, commitment and communication				
1. Are we aware of emerging fraud risks, e.g., due to COVID-19, and have we taken appropriate preventative and detective action?	Yes	<ul style="list-style-type: none"> • Membership and active participation in professional networks and groups (North and Mid Wales Counter Fraud Group) • Monitoring and response to fraud alerts (NAFN alerts, wider networks, peers etc.) • Emerging fraud risks are considered in the Counter Fraud, Bribery and Corruption Strategy which is revised annually 	The development of Fraud Risk assessments within services	Head of Audit & Risk / Counter Fraud Working Group (following its establishment) By March 2024
2. Are we committed to the NFI? Have the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	Yes	<ul style="list-style-type: none"> • Participation in the NFI exercise is included in the Council's Counter Fraud, Bribery and Corruption Strategy 2022-2025. • NFI outcomes are reported to the Governance and Audit Committee 	None	n/a

Part A: For those charged with governance	Yes / No / Partly	Management Commentary	Is action required?	Who by and when?
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	Yes	As noted in our Counter Fraud, Bribery and Corruption Strategy and Action Plan, we commit to making the best use of information and technology to prevent and detect fraud and error by participating in the National Fraud Initiative.	None	n/a
4. Have we considered using the point of application data matching service offered by the NFI team, to enhance assurances over internal controls and improve our approach to risk management?	Yes	The Revenues and Benefits Service Manager has considered using <i>AppCheck</i> , but, due to capacity issues, felt that there were insufficient resources available at that time to implement it.	Further consideration of its use within the Council will be discussed by the Counter Fraud Working Group.	Counter Fraud Working Group By March 2024
5. Are NFI progress and outcomes reported regularly to senior management and elected/board members (e.g., the audit committee or equivalent)?	Yes	NFI progress and outcomes are reported to senior management and the Governance and Audit committee.	None	n/a
6. Where we have not submitted data or used the matches returned to us, e.g., council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	Yes	The Council participates in data matching across all data matching categories. However, the Council utilises an external data matching company on a periodic basis to review its Council Tax Single Person Discounts.	None	n/a

Part A: For those charged with governance	Yes / No / Partly	Management Commentary	Is action required?	Who by and when?
8. Do we review how instances of fraud and error arose and use this information to improve our internal controls?	Yes	Any fraud identified would be investigated further. If the cause was due to weak controls, an internal audit would be undertaken to help improve and strengthen the counter fraud controls. For example, the audit of Fuel Cards following the theft and misuse of a Council fuel card.	None	n/a
9. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (e.g., successful prosecutions)?	Yes	Any successful fraud investigations would be publicised.	None	n/a