

ISLE OF ANGLESEY COUNTY COUNCIL		
Report to:	Governance and Audit Committee	
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Subject:	National Fraud Initiative 2022-24 Outcomes – Progress Report	
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Nature and Reason for Reporting: The Committee’s Terms of Reference require it to have oversight of the Council’s arrangements for managing the risks from fraud and corruption, providing assurance that they are fit for purpose and will champion good counter fraud and anti-corruption practice to the wider organisation (3.4.8.9.2). In doing so, the Committee will consider the assurance provided by internal audit (3.4.8.9.6). This report informs the Committee of the Council’s recent progress and outcomes in respect of its participation in the National Fraud Initiative (NFI).		

1. INTRODUCTION

- 1.1 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, in conjunction with the Cabinet Office.
- 1.2 The Council’s Counter Fraud, Bribery and Corruption Strategy 2022-2025 recognises that making the best use of information and technology by participating in the National Fraud Initiative can mitigate the risk of fraud, bribery and corruption occurring within and against the Council.
- 1.3 Audit Wales recommends that participants in the NFI exercise should fully leverage their participation for maximum benefit.
- 1.4 While the Revenues team provided valuable assistance in analysing matches and responding to queries, the Benefits team was unable to allocate resources to analyse matches, leading to missed counter-fraud opportunities and potential benefits.
- 1.5 While the NFI financial outcomes do not capture the unquantifiable benefit of identifying and strengthening internal control weaknesses, reports have generally been helpful in preventing fraudulent or mistaken claims.
- 1.6 Participation in a pilot matching exercise involving the matching of council tax and Disclosure of Death Registration Information highlighted known process weaknesses, stressing the need to review exemption entitlements. We have provided feedback to the Cabinet Office, noting both issues and successful matches that helped improve service records.

2. RECOMMENDATION

- 2.1 That the Governance and Audit Committee takes assurance from the report that the Council, taking account of the need to prioritise its resources, 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 (NFI) 2022-2024 Progress Report July 2024



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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. The Council's Counter Fraud, Bribery and Corruption Strategy 2022-2025 recognises that making the best use of information and technology by participating in the National Fraud Initiative can mitigate the risk of fraud, bribery and corruption occurring within and against the Council.
3. 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. 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 2023, as required, the Council uploaded up-to-date Council Tax data and Electoral Register data to the NFI's web application for data matching purposes.
5. Since submitting our previous NFI outcomes report to this Committee in December 2023, the NFI have also refreshed and/or released some new reports in relation to Council Tax Reduction and Housing Benefit.
6. In January 2024, the Council agreed to take part in a pilot exercise to receive the outcome of Council Tax records matched with Disclosure of Death Registration Information (DDRI). These matches were released for analysis in March 2024.
7. This update report will inform the Committee on the progress made by the Council in analysing these latest matches and detail the relevant outcomes (see [Appendix 1](#) for overview table).

Council Tax Single Person Discount - Rising 18s (121 matches)

8. This NFI report identifies addresses where the taxpayer is claiming a council tax single person discount on the basis that they are the only adult living at the property, however, electoral register data suggests that there is somebody else living at the address who is approaching 18 years of age.
9. On the 08/12/23, the NFI released 121 new matches of this type. The Council's Tax Compliance Officer has analysed all 121 matches and has either cancelled the single person discount, if applicable, or applied a provisional end date to the discount in line with the date that the other resident(s) turns 18-year-old.
10. It is difficult to calculate the exact value/outcome of this NFI exercise as, in many cases, the 25% single person discount is amended to a 25% 'disregard' discount because the resident turning 18 (usually the son/daughter of the taxpayer) is still in Further Education.
11. However, the exercise is beneficial to ensure the accuracy and integrity of council tax records. Also, a full council tax charge would likely be payable following the end of their Further Education course, unless they subsequently vacate / enrol on a full-time Higher Education course. Therefore, applying a provisional end date to the single person discount will ensure that the correct amount of council tax is charged in the medium to long term, likely resulting in increased revenues for the Council.

Council Tax -Single person discount to Electoral Register (1,123 groups of matches)

12. This NFI report identifies addresses where the householder is claiming a council tax single person discount on the basis that they live alone yet the electoral register indicates that there is more than one person in the household aged 18 or over.
13. Revenues have reviewed a small sample of these matches and have noted significant issues with mismatches/false positives. For example, regarding matches linked to private rental properties, the name of the previous tenant(s) remains on the electoral register despite them having vacated the property some years ago. This then leads to a false match as it suggests that multiple adults are living at the property when there are not.
14. The Revenues team are still currently in the process of procuring a fully managed Single Person Discount review by an external provider. This review will use data analytics, up-to-date credit bureau financial data and traditional human investigation skills to continually monitor all existing Single Person Discount entitlements and review all new claims, over an agreed time period.
15. Consequently, due to the likely high number of false positives / mismatches within this NFI match report and given the forthcoming fully managed Single Person Discount review, management has decided that resources will not be allocated to assess these latest matches.

Council Tax to Other Datasets (1,141 matches)

16. This NFI report identifies addresses where the householder is claiming a council tax single person discount on the basis that they live alone, yet other information/datasets (e.g. Blue Badge holders, Council Tax Reduction Scheme recipients, Housing Benefit Claimants, Housing Tenants, Housing Waiting List, Payroll) suggests that there may be more than one person in the household.
17. As this report compared the latest Council tax data with older datasets submitted in November 2022, the NFI acknowledges that this report could include matches that are no longer applicable.
18. As a result, resource has not been allocated to analyse these matches.

Council Tax Reduction Scheme to HMRC - Household Composition (40 matches)

19. Council Tax Reduction Scheme (CTRS) data has been matched to HMRC Household Composition information to identify cases where the CTR recipient has failed to declare that other persons are living in the household.
20. We have provided the Service with a copy of the NFI report for analysis, but we have not yet been provided with the outcome of their review.

Council Tax Reduction Scheme to HMRC- Property Ownership (97 matches)

21. Council Tax Reduction Scheme (CTRS) data has been matched to HMRC Property Ownership information to identify cases where the CTR recipient has failed to declare that they own another property / property.
22. We have provided the Service with a copy of the NFI report for analysis, but we have not yet been provided with the outcome of their review.

Council Tax Reduction Scheme to HMRC - Earnings and Capital (9 matches)

23. Council Tax Reduction Scheme (CTRS) data has been matched to HMRC Earnings and Capital information to identify cases where the CTR recipient has failed to declare relevant earnings and capital.
24. We have provided the Service with a copy of the NFI report for analysis, but we have not yet been provided with the outcome of their review.

Housing Benefit Claimants to Student Loans (9 matches)

25. Housing Benefit and Student Loan data have been compared to identify individuals who are claiming housing benefit, but, whose student loan payments result in them potentially being ineligible.
26. We have provided the Service with a copy of the NFI report for analysis, but we have not yet been provided with the outcome of their review.

Council Tax to Disclosure of Death Registration Information (DDRI) matches (Pilot)

27. The aim of matching Council Tax records with Disclosure of Death Registration Information (DDRI) is to enable the Council to identify council tax accounts that require amendment following the death of the liable person i.e. the person legally responsible for paying the council tax.
28. The NFI report identifies cases where the Council has either not been notified by the relatives/next of kin/executors/ landlord of the deceased, or instances where there has been an internal administrative error in dealing with such information.
29. The clear benefit of ensuring the correct council tax liability is that it ensures that records are accurate for billing and collection purposes. In terms of revenue outcomes, changes could lead to the removal of a discount/exemption which is being claimed fraudulently/incorrectly, but they could also lead to the award of a council tax exemption (Class F) or to a change in liability. Therefore, depending on the circumstances, the matches may lead to increased or reduced amounts of council tax revenue.
30. The absence of a unique identifier, such as a National Insurance Number, resulted in some erroneous matches being returned where, for example, a father and son or mother and daughter having the same name were matched as being the same person.

Pilot matches and outcome

31. The NFI pilot provided the Council with a report containing a total of 535 matches.
32. Following our data analysis, we identified 351 of the matches as “no issue”, i.e. council tax liability had already been correctly amended. In relation to these 351 matches, the liable person’s

name is preceded by the title “Executors of”, which signifies that the Council has already been informed of the death of the liable person and amended the account accordingly. This is an evident weakness in the NFI data matching pilot process and feedback has been provided to the Cabinet Office.

33. Notably, 255 of the 351 “Executors of” accounts are currently in receipt of Class F exemption. Class F exemption is awarded to “an unoccupied dwelling in relation to which a person is a qualifying person in his capacity as personal representative, if either no grant of probate or of letters of administration has been made, or less than six months have elapsed since the day on which such a grant was made;” Typically, Class F exemption is awarded when the deceased is the sole freehold owner of the property, but, it can also be awarded in relation to leases/tenancies.
34. It is acknowledged that the probate process generally takes between three and 12 months to complete but may take longer in more complex cases. However, 50 of the 255 accounts in receipt of Class F exemption relate to individuals who passed away more than two years ago.
35. This indicates that more robust exemption reviewing arrangements may be necessary to ensure entitlement is correct. However, we acknowledge that it can be challenging for the department to determine the true situation / liability if there is no further information on the Land Registry or probate records, and no executor/ legal representatives have come forward to clarify the position.
36. Internal processes are currently being strengthened by management and correspondence will shortly be sent to all applicable accounts in receipt of Class F exemption requesting further information. If no response is received, exemption will be revoked.

37. Based on an analysis of a sample of the remaining 184 matches, the Service determined that no further resources would be allocated to evaluating all these results.
38. Five of the sample matches analysed were data mismatches as the data related to different people, i.e. same name, same date of birth but not the same person.
39. There were also examples of where the Council had been notified of the death of a liable taxpayer, but it had been administered following the submission of the data to the NFI.
40. However, the sample did offer some reliable, valuable matches that have assisted the Revenues team to correct their records:
 - **Match number 242** - the Disclosure of Death Registration Information highlighted that the taxpayer had passed away in December 2022. The landlord had not informed the Council of this and the subsequent end of the tenancy. The recovery / enforcement process had not uncovered this information either. Council tax liability has now been amended and the landlord made liable since December 2022. Following an initial 12-month exemption period for an unoccupied and unfurnished property undergoing renovation, the landlord is now liable for £3,837.72 relating to 2023/24 and 2024/25 financial years.
 - **Match number 315** - the Disclosure of Death Registration Information highlighted that the liable person passed away in May 2023. However, the daughter continued to live at the address and has continued to pay the council tax bill, despite it being in the name of the deceased. Council tax liability will be corrected but this will not lead to increased revenue for the Council in this instance as payments have been kept up to date. However, this match has helped the Council ensure accurate billing and administration.

Next steps

41. In July 2024, the preparatory stages for the National Fraud Initiative 2024-25 exercise will begin. Audit Wales have recently been in contact to confirm Key Contact and other administrative details.
42. We expect that the usual datasets will be required from the Council e.g. Blue Badges, Payroll, Trade Creditors, Council Tax, Electoral Register, Housing Tenants/Waiting List, Taxi Licences.
43. However, the NFI has also proposed to mandate the social care datasets of residential care homes and personal budgets in the NFI 2024-25 exercise, once the Legislative Reform Order to enable a legal gateway for sharing this data is complete. Our Social Services department has already acknowledged that it could prove difficult to meet the NFI data specification requirements if, for example, they request unique details such as National Insurance number.

Expected NFI 2024-25 timetable:

- July 2024- the Council will receive the final data specifications for each data set. Work will start with services to ensure they can meet the data specifications for data extraction
- September 2024- completion of privacy notice compliance declaration
- September 2024- co-ordination of data extraction with services
- October/November 2024 -data upload
- January 2025- new matches available for review
- September 2025 – progress report to the Governance and Audit Committee

Conclusion

44. We are grateful to the Revenues service for their assistance in analysing some of the matches and responding to our queries. However, we would once more echo Audit Wales's recommendations that participants in the NFI exercise should ensure that they maximise the benefits of their participation.
45. The Benefits team were unable to commit resource to analyse the Council Tax Reduction (CTR) to HMRC related matches and the refreshed Housing Benefit related matches. Whilst there would inevitably be some mismatches and false positives, there would also undoubtedly be some valuable matches. Consequently, the Council is not maximising its counter-fraud opportunities and obtaining the potential benefits of the NFI.
46. The Council Tax Single Person Discount - Rising 18s report has been beneficial and has enabled the department to set provisional end dates on discounts, thereby preventing any opportunity for taxpayers to either fraudulently or mistakenly continue to claim the discount.
47. The opportunity to identify internal control weaknesses and to subsequently strengthen processes is an unquantifiable benefit that is not reflected by the NFI financial outcomes ([Appendix 1](#)). However, the Council Tax to DDRI pilot has emphasised already known process weakness and has given further impetus to the need to review Class F exemption entitlement.
48. We have provided feedback to the Cabinet Office on our use of the report i.e. informing them of the "Executors of" issue and mismatches but also giving credit for the accurate matches that have enabled the service to amend their records.

Appendix 1 – NFI outcomes table

Report area	Number of matches	Number of matches analysed by service / Internal Audit	Fraud / Error confirmed	Other	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
Council Tax to Electoral Register	1,123	0	n/a	n/a	n/a
Council Tax Rising 18s	121	121	None	<i>Provisional end date added to the accounts in receipt of Single Person discount, in line with the date that the other occupier turns 18 years old</i>	Difficult to quantify future revenue gains due to likely 25% disregard discount linked to further/higher education etc. However, the average Council Tax for a Band D property in IoACC in 2024/25 is £1,982.09 a year. Therefore, the average 25% Single Person Discount is worth £495.50 a year.
Council Tax to Other Datasets	1,141	0	n/a		n/a
Council Tax to HMRC household composition	809	0	n/a		n/a
Council Tax Reduction to HMRC Property ownership	97	0	n/a		n/a
Council Tax Reduction to HMRC earnings and capital	9	0	n/a		n/a
Council Tax Reduction to HMRC household composition	40	0	n/a		n/a
Housing Benefit Claimants to Student Loans	9	0	n/a		n/a
Council Tax to DDRI Deceased Persons (pilot)	535	358	2		£3,838.72
Total	3,884	479	2		£3,838.72