

Report to: Audit Committee

Date of Meeting: 30 July 2019

Report Title: Chief Auditor's Summary Audit and Risk Report

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform the Audit Committee of the key findings from the National Fraud Investigation (NFI) Data Matching Exercise.

Recommendation(s)

1. That the Audit Committee accepts the report.

Reasons for Recommendations

To monitor levels of control within the organisation.

Summary Report to Audit Committee
National Fraud Initiative Data Matching Exercise – 2018/19

Background

The purpose of the National Fraud Initiative (NFI) data matching exercise is to prevent and detect fraud, whilst also identifying potential errors caused by duplicate payments made to suppliers.

The NFI data matching exercise is conducted every two years and compares computer records held by Hastings Borough Council with data from organisations such as the Department for Work and Pensions (DWP), National Health Service, Companies House and other local authorities.

Data matching is also conducted by cross-checking the Council's own records in the following areas:

Council Tax Reduction Scheme;
Housing Benefit claims;
Creditor payments;
Payroll transactions;
Licencing;
Procurement.

A total of 1,226 matches were identified from the 2018/19 exercise. Included within this figure were 107 matches which were scored as potential 'high risk' cases.

Approximately 46% of these 'high risk' cases related to Housing Benefit claims. The majority of these specific matches involved data compared against Benefits Agency Deceased Persons records. Five additional cases were referred to the Single Fraud Investigation Service (SFIS) as potential instances of fraud.

The remaining 'high risk' matches related to Council Tax Reduction (16%), Creditor (21%), Procurement (13%) and Payroll (4%) records. A summary showing a breakdown of total matches by risk level and category can be seen at Appendix (i).

Audit Conclusion

Overall Audit Assessment: A – Good.

The comparatively low number of 'high risk' matches and subsequent results from the audit investigation indicate that controls are in place and are working effectively. There are no significant audit concerns.

Key Findings

Internal Audit fully investigated all 107 recommended 'high risk' matches and an additional 15 'medium risk' and 12 'low risk' Payroll, VAT overpaid and Creditor matches. In total, 134 matches were examined but only one error was identified within any of these cases.

The case in question involved a recipient of Council Tax Reduction who had since passed away but continued to receive the allowance for a period of nine months. Hastings Borough Council would normally have been made aware of this situation by means of an electronic update from the DWP computer system.

On this occasion, the Council's interest in the case had not been registered on the DWP system and the electronic update, produced by DWP following notification of an individual's death, was not issued. This resulted in a Council Tax Reduction being awarded beyond the date that the individual had deceased. Although the Council Tax reduction was recharged to the Council Tax Account, no additional payment was due because an unoccupied property, regardless of furnishings, is exempt from Council Tax from the date of death to six months beyond the date of probate or letters of administration is granted.

The NFI exercise identified several Creditor matches where possible duplicate payments may have been made to suppliers. The investigation confirmed that, where necessary, duplicate payments had been promptly corrected at the time of processing the transaction.

However, in one instance, a duplicate payment had been paid to a supplier following receipt of an identical copy invoice. The invoice contained a number of zeros at the start of the invoice number which had been omitted when it was entered onto the finance system. Consequently, the system did not flag this up as a duplicate invoice (as the original invoice number and duplicate invoice number did not match) and the payment was processed.

The error was identified and the supplier returned the duplicate payment. Nevertheless, this example does highlight the need for invoice numbers to be entered exactly as they appear on any invoice in order to reduce the possibility of duplicate payments. Audit has discussed this finding with the appropriate finance staff.

The NFI exercise also identified a number of cases where Creditor payments were made to staff members or relatives within their household. Inspection of these transactions confirmed that most of the payments related to reimbursement of expenses; payments for staff renting out properties under the 'Letstart' scheme; or salary advances. For those matches where payments were made to staff relatives for the provision of services, the audit confirmed that each respective staff member was not involved in the requisitioning or authorisation process.

Wards Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

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