

**AUDIT AND GOVERNANCE COMMITTEE**

**29 June 2012**

**NATIONAL FRAUD INITIATIVE**

**Report of the Executive Director of Commercial and Corporate Services**

**1. Purpose of Report**

- 1.1 The purpose of this report is to provide members of the Committee with an overview of the Council's participation in the National Fraud Initiative (NFI).

**2. Background**

- 2.1 Since 1996 the Audit Commission has run exercises that match electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.
- 2.2 NFI 2010/11 helped to trace almost £229 million in fraud, error and overpayments nationally.
- 2.3 The use of data for NFI purposes is controlled to ensure compliance with data protection and human rights legislation.

**3. Council Participation in NFI**

- 3.1 The Council has participated in NFI since its inception. A variety of data has been submitted for matching, including that related to Housing and Council Tax Benefits, Council Tax Single Person Discounts, student loans, blue badge parking permits, residential care home payments, insurance claims, licensing and creditor payments.
- 3.2 The Audit Commission compare the data submitted with that provided by other participating bodies, to identify potential cases for investigation to see if fraud is present.
- 3.3 In respect of Sunderland, the potential matches received in February 2011, resulted in:
- 22 housing benefit overpayments of £149,163.26, which is now in the process of being recovered. Six further cases are also ongoing.
  - Nine duplicate creditor payments were found totalling £20,683.78, and the resulting overpayments have all been recovered.

- No other concerns were highlighted in the other areas reviewed.
- 3.4 Work on the Council Tax Single Person Discounts has only recently commenced. Work in this area was initially put on hold because the Council has contracted with a company called Datatank which carries out similar matching but also investigates the matches on the Council's behalf. The Audit Commission matches are to be examined on a sample basis to determine whether any matches have not been investigated by Datatank and, if so, whether it is worth investing resources in investigating the matches internally.
- 3.5 The Audit Commission has recently published a Briefing for Members to outline the benefits of participating in NFI (see Appendix 1). The Briefing includes a checklist with a series of questions, the responses to which will help Members identify whether the benefits of participation are being maximised. The completed checklist is attached at Appendix 2.
- 3.6 It is considered that the arrangements and level of resource currently directed at NFI are appropriate.

#### **4. Recommendations**

- 4.1 Members are asked to note the above and to agree the Council's continued participation in NFI in line with the existing arrangements.

## Appendix 2 – Completed NFI Checklist

Question	Response
What is the role/post of the senior responsible officer accountable for the NFI in our council?	Executive Director of Commercial and Corporate Services
Do we have a lead elected member for counter-fraud activity, including the NFI?	The Cabinet Secretary is the lead member for Resources. It is also considered that the role of the Audit and Governance Committee fulfils this requirement.
What role does our audit committee play?	Receives updates on progress / outcome of NFI data matching
How are other elected members or non-executive members kept informed of the NFI?	The role of the Audit and Governance Committee covers counter-fraud activity. It is not considered necessary or appropriate to inform all other members of the results.
What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?	All activity is coordinated by Audit, Risk and Assurance, including recording and reporting of outcomes.
Who decides and monitors this approach?	Head of Corporate Assurance and Procurement
How is the NFI reflected in the governance training and development provided for officers and board/elected members?	<p>Officers whose areas are subject to matches are advised as to their responsibilities by internal audit.</p> <p>The role of the Audit and Governance Committee covers counter-fraud activity. It is not considered necessary or appropriate to train all other members in this regard. Officers whose areas are subject to matches are advised as to their responsibilities by internal audit.</p>
What resources do we invest in the NFI?	Sufficient Internal Audit, Benefit Investigation and other relevant staff time is invested to investigate matches where sample testing indicates that fraud is likely.
What were our outcomes from the most recent NFI?	22 Housing Benefit overpayments of £149,163.26 were highlighted. Six further cases are also ongoing. Nine duplicate creditor payments were found totalling £20,683.78 which has all been recovered.

Question	Response
Are we ensuring we maximise the benefits of the NFI – for example, following up data matches promptly, recovering funds and prosecuting where possible?	Yes
What assurances have we drawn about the effectiveness of internal controls and the risks faced by the organisation?	The very low level of fraud identified through NFI gives assurance that the system of control is effective.
What changes have we made as a result?	N/A
Do those responsible for the NFI in the council feel they get appropriate support from other managers in the council when investigating matches?	Yes
Are we taking advantage of the opportunity to suggest and participate in NFI pilot data matching?	Not considered necessary given low level of positive matches
Have we considered how we could use the new flexible batch and real-time matching services?	This will be considered in the year ahead
What is our strategy/policy for data security?	The Council has an Information Security Management System in place, in accord with good practice.
Is there any specific reference to the NFI data security in the strategy	It is not considered necessary to specifically mention NFI as the System covers all types of sensitive information.
How does the NFI influence the focus of our counter-fraud work?	It influences our counter fraud work in that we would avoid duplication. NFI is viewed as complementary to other counter fraud work. If a high level of positive matches were identified more internal audit work would be scheduled in that area.
Does our counter-fraud policy include reference to the council's participation in the NFI?	Yes (included in Operational Arrangements document)
Do we publicise the outcomes from the NFI?	The low level of outcomes are not significant enough to justify a publicity campaign.
How does the NFI influence how and what we communicate to the public about our approach to counter-fraud?	See above
Are the outcomes from the NFI used to inform our wider decision making – for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?	If a high level of positive matches were identified more internal audit work would be scheduled in that area.