

Subject: National Fraud Initiative

Status: For publication

Report to: Audit and Accounts Committee

Date: 30th June 2009

Report of: Head of Internal Audit

Portfolio

Holder: Finance and Resources

Key Decision: No

NO/YES (Please highlight)

Forward Plan
Relevant Box

General Exception

Special Urgency

"X" In

1. PURPOSE OF REPORT

- 1.1 To provide an update on the 2008/09 National Fraud Initiative (NFI) exercise and work to be undertaken in this area during 2009/10.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report impact directly on the following corporate priorities and associated corporate objective.

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- Failure to submit or provide relevant data sets may lead to fines or penalties being imposed by the Audit Commission;
 - Inappropriate investigation of data matches may potentially lead to financial loss to the authority or funds owed to the authority not being recovered accordingly; and
 - Failure to take appropriate and timely action may result in the Audit Commission undertaking the inspections and investigations potentially resulting in increased fees.

4. BACKGROUND AND OPTIONS

- 4.1 Internal Audit works closely with the council's external auditor, the Audit Commission, to support its work wherever possible. We therefore support the Audit Commission's work proactively to identify potentially fraudulent transactions, known as the National Fraud Initiative (NFI).
- 4.2 The NFI is a data matching exercise, which began in 1996, akin to the computer assisted audit techniques now employed within the Audit Service. It is designed to help participating bodies to detect fraudulent and erroneous payments. The testing relevant to Rossendale Borough Council is primarily directed towards reducing the level of housing benefit, but testing also addresses other areas including payroll, creditors, market trader licences and, taxi driver licences. During 2008 this exercise was extended to include the electoral roll register, insurance claims, council tax and personal licences to supply alcohol. The 2006/07 NFI exercise identified and made total savings of £2,128.85 for Rossendale Borough Council.
- 4.3 Whilst the results of the 2006/07 NFI exercise at RBC found no frauds and relatively small savings, in the UK, an estimated £450 million in fraud and overpayments was detected. In October 2008 data was submitted to the Audit Commission for matching purposes and the associated results from this data were obtained in February 2009. Council tax and electoral roll data was submitted to the Audit Commission in February 2009 and the results were received at the end of April 2009. The highlighted data matches are currently under review and the results of the investigations will be reported in due course.
- 4.4 New powers given to the Audit Commission by the Serious Crime Act 2007 enable the benefits of NFI to be extended to central government and the private sector. The Serious Crime Act 2007 imposes a new regulatory regime which requires any person or body participating in the NFI exercise to have regard to a statutory Code of data matching practice. Following consultation a revised Code of data matching practice was published and laid before parliament on 21 July 2008 and this replaces the previous Code published by the Audit Commission in 2006.
- 4.5 The processing of data by the Audit Commission in a data matching exercise is carried out with statutory authority. It does not require the consent of the individuals concerned under the Data Protection Act 1998.
- 4.6 Further information about the process and the timetable of events in respect of the NFI exercise is set out in Appendix 'A'.

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

- 5.1 Financial implications are noted in the report

6. MONITORING OFFICER

- 6.1 “The Council is required by law to protect public funds. It may share information which it has acquired with other bodies responsible for auditing or administering public funds in order to protect and detect fraud.

The use of data in this way is carried out under powers granted by the Audit Commission Act 1998; the consent of individuals affected is not required under the Data Protection Acts.”

7. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

- 7.1 No HR Implications

8. CONCLUSION

- 8.1 The National Fraud Initiative is a mandatory exercise and therefore Rossendale Borough Council is required to fulfill the requirements of this exercise by submitting relevant data sets for data matching purposes and undertaking testing on matches identified. We can confirm that all necessary data requirements have been submitted to the Audit Commission within the specified timescales and action is now being taken to investigate data matches highlighted as part of the NFI exercise.

9. RECOMMENDATION(S)

- 9.1 The Committee is invited to consider the report.

10. CONSULTATION CARRIED OUT

- 10.1 N/A

11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required No

Is an Equality Impact Assessment attached No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required No

Is a Biodiversity Impact Assessment attached No

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Background Papers	
Document	Place of Inspection
National Fraud Initiative 2008/09 Handbook: Local Government	Andrew Fox 01772 534920 Andrew.Fox@lancashire.gov.uk
Statutory Code of Data Matching Practice	Andrew Fox 01772 534920 Andrew.Fox@lancashire.gov.uk