

 Finance & Audit Scrutiny Committee - 29 March 2011		Agenda Item No. 9
Title	National Fraud Initiative	
For further information about this report please contact	Ian Wilson, Senior Internal Auditor	
Service Area	Finance	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	24 th August 2010, Minute 41	
Background Papers	The National Fraud Initiative 2008/09 (Audit Commission National Report Full Version – May 2010) Code of Data Matching Practice (Audit Commission 2008) NFI Referrals Database (Audit Commission) NFI Internal Working Papers (Internal Audit) NFI Reports to Head of Finance (24/5/10) and Senior Management Team (28/7/10) NFI Report to this Committee 24/8/10	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors' relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director	15 March 2011	Andy Jones
Chief Executive		
CMT		
Section 151 Officer	15 March 2011	Mike Snow
Legal		
Finance	15 March 2011	Mike Snow
Portfolio Holder(s)	15 March 2011	Councillor Mobbs
Consultation Undertaken		
Final Decision?	Yes	

1. **SUMMARY**

- 1.1 This report is being presented to the Committee in accordance with the Work Programme item requiring an update on the National Fraud Initiative (NFI).
- 1.2 The previous report presented on 24th August 2010 introduced the Audit Commission's National Fraud Initiative (NFI) Report 2008/9 and associated Members' Briefing document with a self-assessment checklist.
- 1.3 The findings of the self-assessment are reproduced in Appendix 1.

2. **RECOMMENDATION**

- 2.1 That this Committee notes the progress to date on meeting the requirements of the National Fraud initiative.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 The National Fraud Initiative is a rolling data matching exercise undertaken by the Audit Commission and requiring the participation of all audited bodies under their remit. The Council experienced difficulties over the last cycle in meeting the ever increasing demands of the NFI, especially processing the matches found and referred back to the Council for investigation.
- 3.2 A new tranche of matches was issued at the end of January 2011 and the Audit Commission will continue to monitor progress with the expectation that the Council acts promptly in following up the referrals and completes all investigations arising by December 2011. The Head of Finance has overall responsibility for the management of the NFI, although the designated Key Contact undertakes day-to-day monitoring.
- 3.3 Since the previous report, priority has been given to ensuring that:
 - the data extractions due to be run in October 2010 were of best achievable quality and submitted within the requisite timescale;
 - the new tranche of match referrals is being followed up promptly.
- 3.4 All the datasets were extracted, quality checked and submitted before the required deadline last October, and the referrals issued by the Audit Commission on 25th January 2011. A summary of the referrals with progress to date is attached as Appendix 2.
- 3.5 In a change to the previous arrangements, an Assessment Officer and a Visiting Officer in Customer and Information Services have been assigned to perform initial checks on the housing benefit matches to isolate cases for further investigation. These checks are now progressing and will be monitored to ensure completion by December 2011.
- 3.6 All non-housing benefit matches flagged by the Audit Commission for priority attention (indicated by the 'Total Recommended' column in Appendix 2) have been investigated. There have been no outcomes from these indicating any fraud or other irregularity, although there are outstanding queries on a small number of items. The remainder of the non-housing benefit matches will be followed from April 2011.

3.7 Since the previous report (24th August 2010), there have been some additional results from the 2008/9 NFI round, though not greatly significant (£2,473 benefit overpayments and £3,330 council tax discount recouped). A communication has been received from the Audit Commission commenting favourably on the results that the Council has achieved overall from the council tax discount investigations.

3.8 A new round of matching for council tax discounts will commence in October 2011 with the results expected to be received in March 2012. In the meantime, the Council has joined a consortium with the other Warwickshire Districts in utilising an external single person discount validation service. This service screens Council data against credit bureau data to detect potential cases of multiple occupancy. The first screening process has been completed the first letters to the households referred sent out early this month.

3.9 It is intended to start addressing the action items arising from the NFI governance self-assessment from April 2011, aiming to complete by December 2011.

4. **ALTERNATIVE OPTIONS CONSIDERED**

4.1 Not applicable

5. **BUDGETARY FRAMEWORK**

5.1 There are no direct budgetary implications arising.

6. **POLICY FRAMEWORK**

6.1 The Council has a statutory obligation to participate in the NFI under the Audit Commission Act 1998. Participation also helps to deliver the objectives of the Anti-Fraud and Corruption Policy and is specifically provided for in the Housing and Council Tax Benefit Anti-Fraud Policy.

7. **BACKGROUND**

7.1 The National Fraud Initiative (NFI) is a national inter-organisational data matching exercise undertaken by the Audit Commission over continuous two-year cycles as part of the statutory audit of all public bodies under its remit. The NFI is chiefly concerned with tracking benefit fraud, although fraud and irregularities are also targeted in respect of:

- employment
- social housing tenancies
- right to buy
- occupational pensions
- student loans
- trade creditors
- council tax discounts
- licensing (taxi and alcohol)
- concessionary travel and resident parking permits
- insurance claims.

- 7.2 To meet its obligations under the NFI, Warwick District Council has to:
- § extract and supply data to the Audit Commission;
 - § review and, where appropriate, investigate output referred back from the data matching processes and report the outcomes to the Audit Commission.
- 7.3 To comply with law and best practice in handling and sharing personal information, the process is governed by a Code of Data Matching Practice published by the Audit Commission.
- 7.4 The Audit Commission regards the Responsible Financial Officer as having overall management responsibility for the NFI at each local authority and, as part of this responsibility, is required to designate a suitable council officer as named 'Key Contact'. Ian Wilson (Senior Internal Auditor) is designated Key Contact for Warwick District Council.