

NATIONAL FRAUD INITIATIVE

Audit Commission Checklist for Members - Findings from Self-Assessment

Assessment Question	Finding	Recommended Action
The NFI in our Council		
What is the role/post of the most senior officer accountable for NFI in the organisation?	Head of Finance (as Responsible Financial Officer)	None
Do we have a lead elected/board member for counter fraud and the NFI?	Portfolio Holder for Finance.	None
What role does the audit committee play?	Finance & Audit Scrutiny Committee receives annual Anti-Fraud and Corruption Policy/Strategy Report and approves the Action Plan. Major cases of fraud would be reported individually at the conclusion of investigation irrespective of whether discovered through NFI or other means. The Committee also receives annual reports on the NFI.	None
How are other elected members/ non-executive members kept informed of the NFI?	<p>There are currently two known avenues:</p> <ul style="list-style-type: none"> • 'fair processing' notice enclosed with payslips at the time of payroll data extractions (currently once every 2 years). • publication of minutes of Finance & Audit Scrutiny Committee. 	<p>Brief portfolio holder as part of regular meetings between him and Head of Finance. (From July 2012) <i>(Head of Finance/Key Contact)</i></p> <p>Annual report issued to F&A to also be circulated to all members for information. (From July 2012) <i>(Head of Finance/Key Contact)</i></p>

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What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?	<p>A member of the Internal Audit team acts as Key Contact and reports on all NFI matters directly to the Head of Finance. The Key Contact acts as central co-ordinator for all NFI processes and as local system administrator for the NFI application (including managing user access).</p> <p>Deployment of resources for investigating housing benefit and council tax discount matches is directed by the Benefits and Fraud Manager and Revenues Manager respectively (both report directly to the Head of Finance).</p>	None
Who decides and monitors this approach?	Senior Management Team confirmed the role of Head of Finance as NFI 'champion' for the Council in July 2010. All subsidiary roles, responsibilities, processes, procedures etc. are as directed by the Head of Finance. The Benefits and Fraud Manager and Revenues Manager have effective delegated authority to determine policies and procedures in their respective areas for match investigations within the NFI framework.	None
How is the NFI reflected in the governance training and development provided for officers and board/elected members?	<p>NFI is part of the Moodle fraud and corruption awareness training on the Intranet which all staff are required to undertake.</p> <p>Awareness and understanding could also be promoted through Core Brief, 'Big Button' and a short presentation to Senior Officers' Forum.</p>	<p>Draft and submit item for Core Brief and 'Big Button'. (September 2012) <i>(Head of Finance/Key Contact)</i></p> <p>Prepare short NFI presentation and deliver to Senior Officer's Forum. (circ. October 2012) <i>(Key Contact)</i></p>
Maximising Results		
What resources do we invest in the NFI.	Apart from statutory fees and advertising costs (approximately £1,500 pa), the 'investment' is the deployment of existing staff resources as required. For the Key Contact responsibilities, an allocation of days is built into the Internal Audit Plan (average 17 days per year).	None

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<p>What resources do we invest in the NFI.</p> <p><i>(continued)</i></p>	<p>This allocation includes time taken investigating the 'non-devolved' matches (payroll, housing tenancies, Right to Buy, licensing, insurance and creditors), a function that the Key Contact performs directly. This is being challenged on a cost effectiveness basis with a view to possible further devolvement in future.</p> <p>By far the main burden of workload is in investigating the 'devolved' matches (housing benefit and council tax discount) This entails Revenues and Benefits staff being diverted for substantial periods from normal day-to-day duties, although the actual amount of officer time involved has not been quantified.</p>	
<p>What were our outcomes from the most recent NFI?</p>	<p>Most significant outcome is in Housing and Council Tax Benefit where the NFI investigations found 8 cases of fraud and 43 of error with combined overpayments reported of £56,700. Of the fraud cases (accounting for £20,000 of overpayment), 5 culminated in official cautions and 3 in administrative penalty.</p> <p>Although this is a substantial increase in fraud detections attributed to NFI matches compared with previous cycles, it still represents only a small proportion of fraud detection outcomes achieved by the Council's investigation function as a whole (around 5 per cent).</p> <p>The latest completed round of council tax match investigations resulted in the clawback of £21,000 of overpaid discount.</p> <p>The only other reportable outcomes were:</p> <ul style="list-style-type: none"> • one taxi licence holder with no right to work in UK – legal advice being sought on suspending licence; • small number of duplicate creditor payments totalling £7,900 (ex. VAT) of which £7,700 recovered. 	<p>None</p>

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<p>Are we ensuring we maximise the benefits of the NFI – for example, following up data matches promptly, recovering funds and prosecuting where possible?</p>	<p>The Key Contact reviews all matches as soon as they are released and performs immediate checks on the matches flagged as highest priority under the NFI system’s risk evaluation model. All other non-devolved matches are followed up as permitted by audit plan priorities.</p> <p>Resource issues impacted on the ability to deal promptly with the rush of matches for housing benefits and council tax in the previous round. Further uncertainties are being created by Government plans to create a single integrated fraud investigation service from 2013. Ongoing liaison will be maintained to prepare as best we can for the NFI 2012 matches expected to be released at the end of January 2012.</p>	<p>None</p>
<p>What assurances have we drawn about the effectiveness of internal controls and the risks faced by the organisation?</p>	<p>That the control environment is substantially strong and that risks faced by the organisation are being managed effectively.</p>	<p>None</p>
<p>What changes have we made as a result?</p>	<p>The monitoring of Council Tax Single Person Discount has been enhanced through use of regular reports of electoral register changes and subscribing to a countywide initiative with the facility to match to financial activity data sources. In the latest round, the number of NFI council tax matches has reduced considerably.</p>	<p>None</p>

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Do those responsible for the NFI in the council feel they get appropriate support from other managers in the council when investigating matches?	Previous issues of delays and slow progress in match investigations are being addressed by improved planning and it is intended to build on this during the 2012-3 cycle.	Circulate NFI 2012 timetable to relevant managers and maintain continuous liaison to ensure investigations are undertaken promptly and adequately supported. (From July 2012) <i>(Head of Finance/Key Contact/ Benefits and Fraud Manager/ Revenues Manager)</i>
Broadening our Council's engagement with NFI		
Are we taking advantage of the opportunity to suggest and participate in NFI pilot data matching?	Previous pilot matching schemes have never produced significant results for the Council when rolled out nationally. There is therefore no real incentive to become involved in proposed pilot schemes.	None
Have we considered how we could use the new flexible batch and real-time matching services?	<p><i>See Council Members' Briefing Paragraphs 26 to 29 for summary explanation of these services and potential benefits.</i></p> <p>This has not yet been fully explored. Initial consultation with the relevant managers has elicited a wholly unenthusiastic response, although further consultation is envisaged on possible use for housing benefit before and during the migration to Universal Credit.</p> <p>Based on past NFI history, neither the flexible nor real time matching services are seen as likely to yield significant benefits in the other key areas (housing, human resources, licensing, etc.).</p>	None

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Data Security		
What is our strategy/policy for data security?	<p>Key provisions of Information Security Policy include "Warwick District Council will ensure that:</p> <ul style="list-style-type: none"> § Information will be protected against unauthorised access. § Confidentiality of information will be assured. § Integrity of information will be maintained. § Regulatory and legislative requirements will be met." <p>The Data Handling Policy places strict security requirements where any personal data is shared with other organisations.</p> 	None
Is there any specific reference to NFI data security in the strategy?	Need to consider in context – only a tiny number of staff have access to NFI data (currently 5). Given such a narrow user base and some special provisions relating to NFI data, the preferred approach is to formulate and issue the users with specific instructions on its handling.	Formulate NFI data handling instruction for issue to users. (By January 2013) <i>(Key Contact / Head of Finance)</i>
The NFI fit with wider counter-fraud policies		
How does the NFI influence the focus of our counter-fraud work?	Very little – NFI has always had only a marginal impact on the Council's counter-fraud achievements and has never raised any issues about the Council's general approach to counter-fraud.	None
Does our counter-fraud policy include reference to the organisation's participation in the NFI?	The Anti-Fraud and Corruption Strategy does not specifically mention the NFI but does provide for working with other organisations including data matching. The separate Housing & Council Tax Benefit Anti-Fraud Policy does include a reference to NFI as part of wider provisions for data matching.	None

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Do we publicise the outcomes from the NFI?	<p>Only in the form of the reports to Finance and Audit Scrutiny Committee.</p> <p>In the National NFI Report 2012, the Audit Commission advises audited bodies to:</p> <p>“Use NFI outcomes and successful prosecutions as a deterrent measure by publicising them locally.”</p> <p>Under the Anti-Fraud and Corruption Strategy, the publicity focus is squarely on successful prosecutions. It has to be stated, however, that no prosecution cases at this Council have ever arisen out of NFI matches.</p> <p>It is felt, therefore, that separately publicising NFI may only serve to over-emphasise their contribution to the Council’s counter-fraud achievements. Provision has been made in the Anti-Fraud and Corruption Action Plan to recognise any NFI contribution to future prosecution cases publicised.</p>	None
How does the NFI influence how and what we communicate to the public about our approach to counter-fraud?	See above.	None

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<p>Are the outcomes from the NFI used to inform wider decision making, for example internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?</p>	<p>The Audit Commission cites NFI outcomes showing little or no fraud/error as providing a significant element of assurance to participating bodies about their control arrangements, and as strengthening evidence for their Statements of Internal Control. However, having traditionally operated in isolation from the wider risk, control, counter-fraud and data quality management frameworks, the assurance contribution from NFI has never been formally recognised as such.</p> <p>There may be scope for incorporating NFI outcomes into the relevant Service Assurance Assessments with some reference in the Annual Governance Statement.</p> <p>Exception checks are routinely undertaken on NFI data extractions representing a commitment to ensure the highest quality achievable within the limitations of the source data available.</p> <p>The Audit Commission assessment for data supplied last round concluded that:</p> <p>“The data provided is generally of the required standard but there is an issue with some dataset fields”.</p> <p>The issues identified have been followed up.</p>	<p>Incorporate NFI outcomes in the Annual Governance Statement and or relevant Service Assurance Assessments as appropriate. (March 2013) <i>(Head of Finance/ Audit & Risk Manager/ Key Contact)</i></p>