

## ROTHERHAM MBC – REPORT TO AUDIT COMMITTEE

1.	<b>Meeting:</b>	<b>Audit Committee</b>
2.	<b>Date:</b>	<b>19th December 2012</b>
3.	<b>Title:</b>	<b>Audit Commission – National Fraud Initiative Review and Developments</b>
4.	<b>Directorate:</b>	<b>Resources</b>

### 5. Summary

This report provides an update to Members on the Audit Commission's National Fraud Initiative (NFI), following the publication of a briefing note by the Audit Commission in the Summer.

The Audit Commission's briefing includes a checklist to allow audit committee members to confirm councils' work on the NFI is being adequately prioritised. Comparison of our arrangements with the checklist shows the Council is taking relevant and proportionate action on the NFI.

### 6. Recommendations

**The Audit Committee is asked:**

- a) **To note the Audit Commission briefing paper.**
- b) **To support the actions taken by the Council to support the National Fraud Initiative.**

## 7. Proposals and Details

### Introduction

The Audit Commission has recently produced a briefing for elected members, which outlines the benefits from participating in the National Fraud Initiative (NFI); the Audit Commission's data matching exercise. It explains how the NFI helps councils fight fraud and sets out how the Commission plans to improve the NFI.

The briefing includes a checklist for members. The questions included in the checklist have been extracted and included in **Appendix 1** to this report.

The full briefing is included at **Appendix 2**.

### Details

Since 1996, the Audit Commission has run the NFI data matching exercise every two years, helping to identify nearly £939 million of fraud, overpayments and error across England, Scotland, Wales and Northern Ireland.

1,300 organisations from across the public and private sectors provide data, and key data sets are provided by government departments and other national agencies.

Participants include all local councils, police authorities, and fire and rescue authorities and local NHS bodies, who are required by law to provide data for the NFI. A number of other public sector and private sector bodies also participate on a voluntary basis.

The briefing shows some of the outcomes and benefits of the NFI. It states that the NFI's full potential is only realised if the bodies that take part (a) supply all the required data on time; and (b) undertake appropriate follow-up investigations of the matches promptly and thoroughly.

The Audit Commission has found that Councils with the most successful counter-fraud strategies are generally those where there is strong support at a senior level, led by elected members, chief executives and directors of finance. The Audit Commission encourages greater involvement and awareness by Members and includes a checklist that members can use to assess, and where appropriate, challenge the robustness of the Council's use of the NFI.

In general the Council has strong arrangements for managing the risk of fraud. It has a robust Anti-Fraud and Corruption Policy and Strategy that is kept up to date to reflect current developments and best practice.

The Council has also participated in every NFI exercise and investigates matches provided by the service dependent upon the risk assessment for each match.

Comparison of our arrangements with the checklist, at Appendix 1, shows the Council is taking relevant and proportionate action on the NFI. In particular:

- There is appropriate Member and officer leadership and support for anti-fraud arrangements

- Appropriate and sufficient resources are allocated to the NFI, including providing all data requested and investigating high risk matches
- Conducting fraud investigations relating to 3 cases of benefits fraud totalling £6,548 and 2 payroll fraud cases totalling £2,302, from matches found in the most recent NFI exercise
- Strengthening systems where weaknesses are highlighted by NFI matches
- Proactively reporting the results of our anti-fraud work.

The government has confirmed it intends to continue the NFI after the Audit Commission's abolition. The Council intends to continue to use the NFI as part of its successful anti-fraud arrangements. There are no additional actions required from the Audit Commission briefing.

## **8. Finance**

There are no direct financial implications arising from this report.

## **9. Risks and Uncertainties**

Failure to keep up to date with anti-fraud and corruption initiatives could expose the Council to increased risks of fraud & corruption as new and emerging risks appear. The Council could also suffer reputational damage if it became victim to any major fraud or corruption. Participation in the National Fraud Initiative helps to reduce these risks.

## **10. Policy and Performance Agenda Implications**

Implementation of effective Anti- Fraud & Corruption Action arrangements contribute towards good governance and support the way the Council does business, by: "Getting it right first time, reducing bureaucracy, and getting better value for money."

## **11. Background Papers and Consultation**

- Audit Commission: The National Fraud Initiative: Council members' briefing, May 2012

### **Contact Name:**

Colin Earl, Director of Audit & Asset Management  
[colin.earl@rotherham.gov.uk](mailto:colin.earl@rotherham.gov.uk) Tel 01709 822033

## The National Fraud Initiative: Checklist for members

Question	Answers / action required
<b>The NFI in our council</b>	
What is the role / post of the senior responsible officer accountable for the NFI in our council?	The Strategic Director of Resources is the senior responsible officer accountable for the NFI in RMBC.
Do we have a lead elected member for counter-fraud activity, including the NFI?	<p>From an 'Executive' viewpoint, Councillor Akhtar (Deputy Leader) has responsibility for ensuring the Council has adequate financial management arrangements, including relating to anti-fraud and corruption.</p> <p>The Audit Committee has a leading role in ensuring the Council's arrangements are adequate and are operating effectively.</p>
What role does our audit committee play?	<p>When approving the Internal Audit Plan the Audit Committee approves the resources allocated to the National Fraud Initiative (NFI).</p> <p>The results of NFI exercises are reported to the Audit Committee on a regular basis in anti-fraud updates and at the year end in the Annual Fraud Report.</p>
How are other elected members or non-executive members kept informed of the NFI?	<p>An Annual Fraud report is produced and published, and is made available to all Members.</p> <p>In addition, the Audit Committee Annual Report is presented to the full Council and contains a summary of work undertaken and outcomes from the NFI.</p>
What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?	<p>Adequate resources are employed across the Council and work is co-ordinated / managed by the Chief Auditor and the Benefits Fraud Manager.</p> <p>The identification of Council Tax Single Persons Discount is done in partnership with Northgate and Experian, providing access to private sector information that can help identify fraud.</p>
Who decides and monitors this approach?	The Strategic Director of Resources has overall responsibility. The Director of Audit and Asset Management, along with the Head of the Benefits Fraud Team, co-ordinates operational activities.

Question	Answers / action required
<b>The NFI in our council</b>	
How is the NFI reflected in the governance training and development provided for officers and board / elected members?	The Council's Anti-Fraud and Corruption arrangements, including the NFI work, have formed part of an Audit Committee information programme.
<b>Maximising results</b>	
What resources do we invest in the NFI?	<p>The Chief Auditor invests significant time in performing the following:</p> <ul style="list-style-type: none"> <li>• Keeping abreast of developments and national requirements</li> <li>• Disseminating information / requirements to all parties taking part in the exercise</li> <li>• Planning, co-ordinating and controlling NFI exercises</li> <li>• Disseminating NFI matches for investigation to a range of officers throughout the Council</li> <li>• Coordinating requests for information / investigations from other organisations</li> <li>• Reporting findings to the Audit Committee</li> <li>• Preparing publicity material relevant to the exercise</li> </ul> <p>An Internal Audit specialist performs the role of preparing and uploading the required datasets.</p> <p>In terms of investigation:</p> <ul style="list-style-type: none"> <li>• The Benefits Fraud Team investigates the Benefits matches</li> <li>• Various Officers throughout the Council investigate certain matches</li> <li>• Internal Audit investigates the remaining matches.</li> </ul>
What were the outcomes from the most recent NFI?	Benefits fraud investigations involved 3 cases totalling £6,548 fraud. Payroll & other investigations involved 2 cases totalling £2,302 fraud / overpayments.
Are we ensuring we maximise the benefits of the NFI – for example, following up data matches promptly, recovering funds and prosecuting where possible?	Yes. The Council commences investigations of matches as soon as they are available and the Council has a “zero tolerance” policy towards fraud.

Question	Answers / action required
<b>Maximising results</b>	
What assurances have we drawn about the effectiveness of internal controls and the risks faced by the organisation?	Apart from very significant Council Tax Single Persons Discount fraud investigation results, which were reported to the Audit Committee in October 2012, the low level of NFI results / outcomes gives significant assurance in respect of the effectiveness of internal controls and risks.
What changes have we made as a result?	The Council reviews the outcomes of all anti-fraud activities and revising its Anti-Fraud and Corruption Policy and Strategy to reflect new developments and outcomes from previous work.
Do those responsible for the NFI in the council feel they get appropriate support from other managers in the council when investigating matches?	Yes. The Council is determined to minimise fraud and all services contribute as appropriate to its anti-fraud and corruption activity.
<b>Broadening our council's engagement with the NFI</b>	
Are we taking advantage of the opportunity to suggest and participate in NFI pilot data matching?	The Council has supported the NFI by participating fully in all NFI activities.  The Council also participated in a pilot exercise on Council Tax Single Persons Discount. We have also looked into other areas such as tenancy fraud.
Have we considered how we could use the new flexible batch and real-time matching services?	The Council has participated in the consultation on the Audit Commission's new services. We will assess the value of participating in any specific services offered.
<b>Data Security</b>	
What is our strategy / policy for data security?	The Council has a robust approach to data security, which is contained in its Data Protection and Information Security Policy.
Is there any specific reference to the NFI data security in the strategy?	NFI data security is captured by the Data Protection and Information Security Policy. It is not separately identified within the Policy as it is expected that the same standards apply to the NFI as they do to any other data held.

Question	Answers / action required
<p><b>The NFI fit with wider counter-fraud policies</b></p>	
<p>How does the NFI influence the focus of our counter-fraud work?</p>	<p>The NFI is a significant element in the Internal Audit and Housing Benefits anti-fraud work. Where NFI investigations reveal internal control weaknesses, further action is taken to ensure any weaknesses are addressed.</p>
<p>Does our counter-fraud policy include reference to the council's participation in the NFI?</p>	<p>Section 10 of the Anti-Fraud Strategy, "Taking Action to tackle the problem", states "The Council participates in the National Fraud Initiative".</p> <p>Section 12 of the Anti-Fraud Strategy, "Keeping Ahead", refers to the NFI as a key source of information to inform the Anti-Fraud Strategy.</p>
<p>Do we publicise the outcomes from the NFI?</p>	<p>Outcomes are included in press releases internally and externally, in the local press.</p>
<p>How does the NFI influence how and what we communicate to the public about our approach to counter-fraud?</p>	<p>The Council specifically publicises the NFI exercises on its website and in the local press.</p> <p>Work undertaken and outcomes are included in the Council's Annual Fraud Report.</p>
<p>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?</p>	<p>Yes, they inform the Internal Audit planning process.</p> <p>This could include reviewing system controls designed to prevent fraud and specific testing designed to identify any potential or actual fraud occurring.</p>