

| <b>REPORT TO</b>     | <b>DATE OF MEETING</b>          |
|----------------------|---------------------------------|
| Governance Committee | 26 <sup>th</sup> September 2012 |

Report template revised June 2008



| <b>SUBJECT</b>                                      | <b>PORTFOLIO</b> | <b>AUTHOR</b>        | <b>ITEM</b> |
|---|------------------|----------------------|-------------|
| National Fraud Initiative Members' Briefing<br>2012 | Not Applicable   | L Roberts/<br>C Ware | 8           |

## SUMMARY AND LINK TO CORPORATE PRIORITIES

The purposes of this report are:

- to remind members of the work undertaken by the Council in respect of the Audit Commission's National Fraud Initiative (NFI);
- to provide members with an NFI briefing note recently issued by the Audit Commission incorporating a checklist which has been completed by Internal Audit on members' behalf;
- to demonstrate that the Council is complying with and contributing effectively to the NFI.

The report links with all of the corporate priorities, in particular to be an 'efficient, effective and exceptional Council'.

## RECOMMENDATIONS

That members note the report.

## DETAILS AND REASONING

### An Overview of the Audit Commission's National Fraud Initiative

The NFI exercise has been carried out every two years since 1996. In 2007 the Audit Commission introduced the Single Person Discount NFI Exercise (Council Tax data matched against the Electoral Register), which is carried out in the interim year. Nationally, a total of £939 million of fraud, overpayments and error has been identified so far. The main categories of fraud continue to relate to pensions, council tax and housing benefit.

The Audit Commission runs the NFI to help detect fraud, overpayments and error. The NFI is a data matching exercise, using sophisticated computer techniques which match data within and between organisations.

Over 1300 public and private organisations are involved. All local councils, police authorities, fire and rescue authorities and local NHS bodies 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.

Various information is compared including: benefits, insurance, payroll, pensions, creditors, taxi and personal alcohol licence, market traders, residents' parking permits; concessionary Now Card data; the electoral register and council tax records.

The following provides a couple of examples of the data matches the NFI undertakes:

**Data Match**

**Possible Fraud or Error**

Housing Benefit payments to payroll records.

Claiming housing benefit by failing to declare an income.

Payroll records to other payroll records.

An employee working for one organisation while being on long-term sick leave at another.

The NFI works within a strong legal framework, namely the Data Protection Act 1998, the Audit Commission Code of Data Matching Practice and the Audit Commission Act 1998. The Council’s Information Services section is involved with the data submission process and all the data is transferred to a secure Audit Commission website, using an electronic transfer process which encrypts data on upload.

NFI is a key weapon in our armoury to tackle fraud and acts as a powerful deterrent. It provides an excellent example of what can be achieved when organisations combine forces to tackle growing fraud risks. Fraud prevention is often beyond the means of individual organisations as they have limited powers and means to share data between departments and with other bodies.

**Roles, Responsibilities and Outcomes at SRBC**

The Senior Responsible Officer for NFI is the Chief Executive, assisted by Internal Audit who co-ordinate the Council’s input. The investigations are undertaken by Internal Audit and the Revenues and Benefits Service. In addition, a great deal of support is provided by services across the Council.

The outcomes achieved from the latest exercises (2010/11) include: benefit fraud investigations identified £35k of overpayments and £19k of council tax discount incorrectly awarded, where recovery is in progress. Further information about the outcomes from the latest exercise is contained in Appendix 2.

**Audit Commission’s National Report**

The Audit Commission is keen to ensure that elected members should be effectively engaged in the NFI exercise. For that reason they produced a Members’ Briefing in May 2012 to provide an overview to members of the contents of the National Report, please refer to Appendix 1. A checklist was also developed to help members understand and assess the Council’s approach to NFI. To assist Members, Internal Audit has completed the checklist, which can be found in Appendix 2.

**WIDER IMPLICATIONS**

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

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| <b>FINANCIAL</b> | There are no financial implications arising directly from this report.   |
| <b>LEGAL</b>     | The use of data by the Audit Commission in a data matching exercise is carried out with statutory authority under its powers in Part 2A of the Audit Commission Act 1998. It does not require the consent of the individuals concerned under the Data Protection Act 1998. |

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| <b>RISK</b> | <p>The full risk assessment forms part of the background papers to this report. The main points for consideration are summarised here:-</p> <ul style="list-style-type: none"> <li>• This briefing mitigates the risk that Members' would not be aware of the impact of the Audit Commissions' NFI.</li> </ul> |
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| <b>THE IMPACT ON EQUALITY</b> | Not applicable. |
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|--------------------------|--|
| <b>OTHER (see below)</b> |  |
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|  |                              |                           |   |
|--|------------------------------|---------------------------|---|
| <i>Freedom of Information/<br/>Data Protection</i> | <i>Human Rights Act 1998</i> | <i>Crime and Disorder</i> | <i>Efficiency Savings/Value<br/>for Money</i> |
| <i>Staffing, Training and<br/>Development</i>      |                              |                           |   |
|  |                              |                           |   |

**BACKGROUND DOCUMENTS**

Risk Assessment  
 Audit Commission NFI National Report May 2012