

DECISION-MAKER:	AUDIT COMMITTEE		
SUBJECT:	NATIONAL FRAUD INITIATIVE 2008-09		
DATE OF DECISION:	24 SEPTEMBER 2008		
REPORT OF:	CHIEF INTERNAL AUDITOR		
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

Since 1996 the Audit Commission has run the 'National Fraud Initiative' ("NFI") which is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. The NFI is run every two years and is part of the statutory audit process for local government, health, and the other public sector providers that the Audit Commission is responsible for. Approximately 1,500 organisations supply data in areas like housing benefit, payroll and pensions which is then cross-matched to identify inaccuracies or potential fraud.

The 'Internal Control' section of the 'Comprehensive Performance Assessment 2008: Use of Resources' makes specific reference to the NFI. It requires that the Council provides the required data, establishes a comprehensive process to review the data matches and takes action as appropriate.

RECOMMENDATIONS:

The Audit Committee is asked to:

- (i) Note the scope and timing of the 2008-09 NFI exercise.

REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee is the member body with responsibility for oversight of and provision of assurance to the Standards and Governance Committee on 'the scope and effectiveness of the internal control systems established by management to identify, assess, manage and monitor financial and non-financial risks (including measures to protect against, detect and respond to fraud)'.

CONSULTATION

2. Not applicable

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. No alternative options have been considered.

DETAIL

4. The NFI is the Audit Commission's data matching exercise that runs every two years and is designed to help participating bodies identify possible cases of fraud and to detect and correct any consequential under or overpayments from the public purse.
5. In July 2008 the Audit Commission's Code of Data Matching Practice was laid before Parliament. This document governs exercise of the Audit Commission's new data matching powers conferred by the Serious Crime Act 2007. The Code of Data Matching Practice is a statutory code that sets out best practice standards both for the Audit Commission and for all organisations that take part in its data matching exercises
6. Data matching involves comparing sets of data, such as payroll or benefits records of a body, against other records held by the same or another body to see how far they match. This allows potentially fraudulent claims and payments to be identified. Where a match is found it indicates that there is an inconsistency that requires further investigation by the participating body
7. The 2006-07 NFI exercise identified £140m of fraud and error across the UK from local government, central government, the NHS and a number of private sector pension bodies. The Committee will recall the report presented to the March 2008 Audit Committee meeting which summarised the outcome of the 2006-07 NFI exercise from the council's perspective. This report noted that £33,300 had been identified in overpayments (both fraud and non fraud) relating to Housing Benefit and Council Tax Benefit and a further sum of £2,250 was identified in relation to overpayment (both fraud and non fraud) of 'Income Support' and 'Job Seekers Allowance'. The related value of overpayments where recovery is in progress is £26,500 with a further sum of £5,300 subject to ongoing investigation.
8. The 2008-09 NFI exercise includes a number of new 'data sets' which now form part of the core mandatory element. These new 'data sets', which comprise transport passes and permits (including residents' parking, blue badges and concessionary travel), insurance claimants, private supported care home residents and licences (market trader/operator, taxi driver and personal licences to supply alcohol), were previously optional elements in the 2006-07 NFI exercise.
9. The original 'data sets' (Payroll, Pensions Payroll, Trade creditors' payment history and standing data, Housing, Housing Benefits and Students eligible for a loan) still form part of the core mandatory element.
10. In accordance with the timetable issued by the Audit Commission the data is required to be provided on 6th October 2008 with the matches available from 28th January 2009. In the meantime the Council is required to complete and return a 'Fair Processing Compliance Return' confirming that appropriate steps have been taken to ensure that data subjects were notified that data held on systems may be used for the prevention or detection of fraud
11. Data is transmitted to the Audit Commission via their secure, password protected and encrypted website. The data matches are also made available via this facility.
12. The council's Internal Audit, Risk & Assurance Service is responsible for co-ordinating the overall exercise however the relevant service areas are responsible for the review and investigation of individual data matches. Meetings have been held with the relevant service areas to explain the nature

and purpose of the NFI as part of the preparatory work.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

13. None.

Revenue

14. None.

Property

15. No specific property implications have been identified in this report.

Other

16. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

17. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

18. In accordance with the Audit Commission's 'Code of Data Matching Practice 2008' "all mandatory participants (i.e. the council) must provide data for data matching exercise as required by the Commission. Failure to provide data without reasonable excuse is a criminal offence under section 32B of the Audit Commission Act 1998".

POLICY FRAMEWORK IMPLICATIONS

19. None.

SUPPORTING DOCUMENTATION

Appendices

1.	None
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Documents In Members' Rooms

1.	None
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Background Documents

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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Background documents available for inspection N/A

FORWARD PLAN No: N/A **KEY DECISION?** N/A

WARDS/COMMUNITIES AFFECTED: N/A