

## ITEM NO: 6

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	NATIONAL FRAUD INITIATIVE 2008-09		
<b>DATE OF DECISION:</b>	19 <sup>th</sup> March 2009		
<b>REPORT OF:</b>	Neil Pitman – Chief Internal Auditor (Acting)		
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### STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

### SUMMARY

The National Fraud Initiative (NFI) is a data matching exercise run by the Audit Commission which matches electronic data within and between participating bodies to prevent and detect fraud. The NFI is run every two years and is part of the statutory audit process for health, local government 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 2009 - Use of Resources' makes specific reference to the NFI and requires that the council can demonstrate effective participation in the National Fraud Initiative (NFI).

### RECOMMENDATIONS:

The Audit Committee is asked to:-

- (i) Note the initial output from the 2008-09 NFI data matching exercise and the proposed overall approach to the investigation of the matches.

### 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 detect and correct any consequential under or overpayments from the public purse.
5. Nationally, the Audit Commission has reported that the most recent exercise (NFI 2006/07) identified £140 million of fraud and error across the United Kingdom from local government, central government, the NHS and a number of private sector pension bodies.

6. For the council, the outcome of the 2006-07 NFI exercise was as follows:

	Overpayments (both fraud and non fraud)		Overpayment or error
	Housing Benefit & Council Tax Benefit	Income Support & Job Seekers Allowance	Payroll and other investigations
<b>2006-07 NFI</b>	£43,900	£ 2,250	£46
<b>2004-05 NFI</b>	£ 1,550	£15,800	£nil

7. The scope of the 2008-09 NFI exercise has been extended to include residents' parking permits, blue badges and concessionary travel passes, insurance claims, private care home residents, market trader and taxi driver licences. This is addition to the current data sets that include housing benefit, creditors, housing rents, right to buy and payroll. In addition, further data matching is being undertaken relating to Electoral Registration and Council Tax data.
8. In each case, and in advance of the data being supplied, all necessary steps were taken to ensure compliance with the Audit Commission's statutory 'Code of Data Matching Practice' in respect of the notification to data subjects that data held on systems may be used for the prevention or detection of fraud.
9. The 2008-09 NFI exercise has initially identified 9,630 matches compared with 51,000 data matches that were identified in respect of the 2006-07 NFI exercise. The total number of matches for 2008-09 will however increase as the figure currently excludes data matches arising from Electoral Registration and Council Tax data and any matches arising from the Department for Work and Pensions in respect of deceased persons. The Audit Commission is expected to make information available on these matches by the end of April.
10. Although the number of matches initially identified is significantly lower compared with the 2006-07 exercise it is still a significant number. The investigation element, which is devolved to service areas, will therefore require a reasonable level of resources to be committed particularly bearing in mind that approximately 75% of all the identified data matches appear as 'high risk'.

11. The Audit Commission has advised that they “would expect a risk based approach to be adopted and therefore we would not expect any body to review and investigate all their matches”. They have advised however that “the expectation is that the council will review all ‘high risk’ matches” and undertake a review of a sample of matches from those reports that are not high risk”. The audit Commission has further advised that “we would expect bodies to be completing their work by the end of December 2009”.
12. The NFI is considered to be an important part of the council’s overall Anti Fraud and Anti Corruption arrangements however those service areas charged with undertaking the investigations will be expected to adopt a proportional approach in terms of resources able to be committed and taking into account the overall outcome of previous NFI exercises.
13. The scope of the 2008-09 NFI exercise, in terms of the range of data required by the Audit Commission, has significantly expanded. In turn, this has increased the level of resources required from the council to support the exercise. It is hoped however that the final outcome in terms of ‘savings’ will be commensurate with the resources committed to support the exercise.

#### **FINANCIAL/RESOURCE IMPLICATIONS**

##### **Capital**

14. NONE

##### **Revenue**

15. NONE

##### **Property**

16. NONE

##### **Other**

17. NONE

#### **LEGAL IMPLICATIONS**

##### **Statutory power to undertake proposals in the report:**

18. The Audit Commission Act 1998 and the Accounts and Audit (Amendment) (England) Regulations 2006 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:**

19. NONE

#### **POLICY FRAMEWORK IMPLICATIONS**

20. NONE

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	
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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)

1.		
2.		

**Background documents available for inspection at:** n/a

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**FORWARD PLAN No:** N/A

**KEY DECISION? N/A**

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**WARDS/COMMUNITIES AFFECTED:**

NOT APPLICABLE

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Report Tracking

VERSION NUMBER:

V1
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DATE LAST AMENDED:

03/03/2009
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AMENDED BY:

Peter Rogers
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