

Subject: National Fraud Initiative

Status: For publication

Report to: Audit Committee

Date: 5th June 2008

Report of: Head of Internal Audit

Portfolio

Holder: Finance and Resources

Key Decision: No

NO/YES (Please highlight)

Forward Plan
Relevant Box

General Exception

Special Urgency

"X" In

1. PURPOSE OF REPORT

- 1.1 To provide a summary of the 2006/07 National Fraud Initiative (NFI) exercise completed in January 2008 and an overview of the forthcoming exercise to be undertaken by the internal audit service in 2008/09.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report impact directly on the following corporate priorities and associated corporate objective.

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- Failure to submit or provide relevant data sets may lead to fines or penalties being imposed by the Audit Commission;
 - Inappropriate investigation of data matches may potentially lead to financial loss to the authority or funds owed to the authority not being recovered accordingly; and
 - Failure to take appropriate and timely action may result in the Audit Commission undertaking the inspections and investigations potentially resulting in increased fees.

4. BACKGROUND AND OPTIONS

- 4.1 Internal Audit works closely with the Authority's external auditor, the Audit Commission, to support its work wherever possible. We therefore support the Audit Commission's work proactively to identify potentially fraudulent transactions, known as the National Fraud Initiative (NFI), operated every two years.
- 4.2 The NFI is a data matching exercise, akin to the computer assisted audit techniques now employed within the Audit Service. It is designed to help participating bodies to detect fraudulent and erroneous payments. It began in 1996 and is run every two years. The testing relevant to Rossendale Borough Council is primarily directed towards reducing the level of housing benefit, but testing also addresses other areas including payroll, creditors, market trader licences and taxi driver licenses. The 2006/07 NFI exercise identified and made total savings of £2,128.85 for Rossendale Borough Council.
- 4.3 Whilst the results of the 2006/07 NFI exercise at RBC found no frauds and relatively small savings, in the UK, a record £140 million in fraud and overpayments has been detected. Key outcomes from the 2006/07 exercise include:
- 157 public sector staff ineligible to work in the UK were dismissed or resigned;
 - 69 council properties were recovered as a result of detected tenancy fraud;
 - 2,819 cases were identified where an occupational pension continued to be paid after the death of the pensioner with associated overpayments of £6.4 million;
 - 16,102 deceased persons' blue badges were cancelled;
 - £1.75 million of duplicate payments to suppliers were detected; and
 - In excess of £24 million housing benefit overpayments were detected.
- 4.4 The Audit Commission has designated the NFI to be part of the statutory external audit and authorities are legally obliged to provide the relevant data. The 2008/09 exercise is due to commence shortly. New areas identified by the Audit Commission include Council Tax, Electoral Register, Insurance Claims and 'Personal Licences to Supply Alcohol'.
- 4.5 Further information about the process and the response required from Rossendale Borough Council in respect of the forthcoming 2008/09 exercise is set out in Appendix 'A'.

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

- 5.1 Financial matters are dealt with in the body of the report.

6. MONITORING OFFICER

- 6.1 The summary of the 2006/07 National Fraud Initiative exercise contains data which the Council is legally obliged to provide.

7. HEAD OF PEOPLE AND ORGANISATIONAL DEVELOPMENT (ON BEHALF OF THE HEAD OF PAID SERVICE)

- 7.1 Employees are advised of the exercise via a message on their payslips

8. CONCLUSION

- 8.1 The National Fraud Initiative is a mandatory exercise and therefore Rossendale Borough Council is required to fulfill the requirements of this exercise by submitting relevant data sets for data matching purposes and undertaking testing on matches identified. The results of this exercise indicate that appropriate action has been taken by Rossendale Borough Council to follow up identified data matches, investigate and recover funds owed to the authority.

9. RECOMMENDATION(S)

- 9.1 The Committee is invited to consider the report.

10. CONSULTATION CARRIED OUT

10.1

11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required No

Is an Equality Impact Assessment attached No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required No

Is a Biodiversity Impact Assessment attached No

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Background Papers	
Document	Place of Inspection
National Fraud Initiative 2006/07 Handbook: Local Government	Andrew Fox 01772 534920 Andrew.Fox@fin.lancscc.gov.uk