

**Audit and Accounts Committee Report:
National Fraud Initiative**

30 June 2009

National Fraud Initiative

APPENDIX A

1.0 Background

- 1.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Audit Commission that compares electronic data from local authorities, health authorities and other public bodies. All these organisations/agencies have a statutory responsibility to submit their data. The data is processed and matched at a central location.
- 1.2 The data sets include:-
- payroll;
 - creditors payment history and standing data;
 - insurance claims; and
 - licences with respect to market traders and taxi drivers and personal licences to supply alcohol.
- 1.3 Housing Benefit is collected, on the Authority's behalf from the Department for Work and Pensions (DWP). The Audit Commission has now included housing associations in the NFI exercise and as the Authority's housing stock has been transferred to a housing association, the Audit Commission will request the housing association to supply the relevant data.
- 1.4 Prior to 2008, the NFI exercise was carried out every two years. Since 2008 the exercise has been extended to include data matching between council tax data and the electoral roll within individual authorities. This new requirement has been dovetailed into the two year cycle so that there is now an exercise every year but with different data sets alternating between years.
- 1.5 In advance of the NFI exercise, usually in May of the relevant year, the Audit Commission sets out the timetable of events.
- 1.6 Authorities are required to submit certain returns by set dates, i.e.
- (i) Details of key contacts; and
 - (ii) A data protection return.
- 1.7 In advance of downloading data, consultation procedures need to be carried out with the relevant staff associations/unions. Details of the NFI exercise are included in employees' payslip notification. At least six weeks before the "data downloading" date, the Payroll Manager is informed of the NFI exercise, to establish exactly what information is to be included and set in motion the payslip notification process. Similarly, the finance team are contacted regarding the creditors data.
- 1.8 At the same time, the ICT team is informed of the technical requirements of the NFI exercise in order to make the necessary arrangements.

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- 1.9 Previously data was downloaded on the specified date and passed to internal audit for onward transmission by a set date. However, due to the problems experienced by some agencies during 2007 when data was lost, which received widespread publicity, the data was uploaded automatically to the Audit Commission secure website for the 2008/09 exercise.
- 1.10 The following January/February, data is received back for internal audit to follow up, either directly, or in conjunction with the relevant service managers. Resources are also needed to respond to requests from other authorities where they have received information relating to Rossendale Borough Council (RBC).

2.0 Timetable of Events

2.1 The following table helps to illustrate the timetable of events:-

<u>National Fraud Initiative</u> <u>Timetable of Events</u>	
May Year 1	Notification issued by the Audit Commission informing all participating bodies of commencement of the next exercise. Data sets to include, payroll, creditors, licences, insurance, etc.
June – October Year 1	Collection and preparation of data relating to payroll, creditors, licences, insurance, etc.
October Year 1	Submission of payroll, creditors, licences, insurance, etc data by secure upload facility to a secure website.
January/February Year 2	Audit Commission releases the results of the matches relating to payroll, creditors, licences, insurance, etc to participating bodies electronically via a secure website.
February Year 2 to January Year 3	Investigation of results by participating bodies. Results of the investigations recorded on the secure website.
May Year 2	Notification issued by the Audit Commission informing all

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	participating bodies of commencement of the next exercise. Data sets include council tax and the electoral role.
June – October Year 2	Collection and preparation of council tax and electoral roll data.
October Year 2	Submission of council tax and electoral roll data by secure upload facility to a secure website.
January Year 3	Conclusion of the first NFI exercise relating to the payroll, creditors, licences, insurance, etc data.
February Year 3	Audit Commission releases the results of the matches relating to council tax and electoral roll matches to participating bodies electronically via a secure website.
February Year 3 to January Year 4	Investigation of results by participating bodies. Results of the investigations recorded on the secure website
May Year 3	Release of the Audit Commission report to Directors of Finance outlining the findings from the first NFI exercise.
May Year 3	The cycle begins again.

2.2 The 2008/09 exercise for the traditional data sets of payroll, creditors, licences, etc commenced in June 2008 with the collection and preparation of the data within RBC. This data was submitted in October 2008 and the resulting matches were received in February 2009 and are currently being investigated.

2.3 As an added complication RBC did not take part in the inaugural submission of the council tax and electoral roll data in October 2007 due to concerns with regard to the legality of submitting electoral roll data raised by the Association of Electoral Administrators. These concerns have now been addressed and RBC submitted the relevant data for these data sets at the beginning of February 2009. The resultant matches were received on 27 April 2009 and are currently under investigation. The matches received highlight potential non entitlement to a single person discount and council tax rising 18s.

2.4 Therefore RBC is slightly out of step with the timetable and are currently investigating both sets of results. However, the council will fall into the

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sequence of the timetable when the council tax and electoral roll data are submitted again in October this year (2009).

3.0 Audit Investigation

- 3.1 The core of NFI is the matching of data to help reduce the level of fraud by bringing together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. These include council tax fraud, housing benefit fraud, occupational pension fraud and tenancy fraud. Therefore for RBC, the high priority matches are likely to be those which relate to current RBC council tax and housing benefit claimants.
- 3.2 Other reports produced include the following, each classified by the Audit Commission according to priority:
- Payroll to payroll (within RBC) i.e. RBC staff with two posts;
 - Pensions to payroll (within RBC) i.e. on pension and RBC salary;
 - Payroll to payroll i.e. RBC full time post and post elsewhere outside RBC, or vice versa; and
 - Payroll to Asylum Seekers.
- 3.3 Depending on the merits of individual cases, consideration is given to referring cases to the Police for further investigation. In less serious cases, attempts are made to recover overpayments by the relevant service.
- 3.4 Periodically, the Audit Commission views each participating bodies' secure website to ascertain whether progress is being made in investigations and whether any errors or frauds have been detected following the investigations. A key role for Internal Audit is to regularly monitor and review the progress of the investigation ourselves and if necessary speak to the officers concerned. The Audit Commission have indicated the key dates for their reviews will be the end of May 2009, the end of September 2009 and the end of January 2010 when the current exercise will end.
- 3.5 At the end of May satisfactory progress was found in all of the areas where matches had been identified as a result of the 2008/09 exercise. It was noted that appropriate action is being taken by management to investigate the data matches and subsequent recovery action is in progress where necessary.
- 3.6 Of the 1,892 data matches identified for the council across the different data matching categories, 493 have been successfully processed. Internal audit will continue to monitor progress with investigating the data matches. As a result of the ongoing investigations, we have identified council tax overpayments totalling £10,300 which are not considered to be frauds but system errors. Efforts are ongoing to recover these overpayments.