

<b>Subject:</b>	National Fraud Initiative	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit and Accounts Committee	<b>Date:</b>	15 <sup>th</sup> June 2011
<b>Report of:</b>	<b>Head of Internal Audit</b>	<b>Portfolio Holder:</b>	Finance and Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Community Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	<b>Andrew Fox – Principal Auditor</b>	<b>Telephone:</b>	<b>01772 534920</b>
<b>Email:</b>	Andrew.Fox@lancashire.gov.uk		

1.	<b>RECOMMENDATION(S)</b>
1.1	The Committee is invited to consider the report.

## 2. PURPOSE OF REPORT

- 2.1 To provide an overview of the forthcoming National Fraud Initiative (NFI) exercise to be undertaken by the internal audit service during 2011/12.

## 3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A clean and green Rossendale** – creating a better environment for all.
  - **A healthy and successful Rossendale** – supporting vibrant communities and a strong economy.
  - **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

## 4. RISK ASSESSMENT IMPLICATIONS

- 4.1 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.

## 5. BACKGROUND AND OPTIONS

- 5.1 The NFI is a data matching exercise, which began in 1996. It is designed to help participating bodies to detect fraudulent and erroneous payments. The testing relevant to Rossendale Borough Council (RBC) 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 licences. During 2008 this exercise was extended to include insurance claims, personal licences to supply alcohol and concessionary travel passes.
- 5.2 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.
- 5.3 The processing of data by the Audit Commission in a data matching exercise is carried out with statutory authority. It does not require the consent of the individuals concerned under the Data Protection Act 1998. However, we as a public body holding personal data have a duty to inform those individuals that their data will be used for data matching purposes.
- 5.4 The matches for the 2010/11 exercise were received during January and February 2011. Key officers within the authority are currently in the process of investigating the results.
- 5.5 A number of match reports are produced by the Audit Commission for each category of data. The table below indicates the category of data, the number of reports for each category and the number of matches for each category of data that have been received for the 2010/11 exercise.

<u>Rossendale Borough Council</u> <u>2010/11 NFI Exercise - Analysis of reports/ matches</u>		
<u>Category of data</u>	<u>No. of match reports</u>	<u>No. of matches</u>
Housing Benefit	30	768
Payroll	2	6
Concessionary Travel Passes	2	614
Insurance Claimants	2	2
Creditors	4	19
Procurement	0	0
Market Trader licences	0	0
Taxi Driver licences	1	1
Personal Licences to Supply Alcohol	0	0
Total	41	1,410

- 5.6 As can be seen from the table above, no matches were received for Procurement, Market Trader licences and Personal Licences to Supply Alcohol.
- 5.7 To date, good progress has been made in investigating the majority of the matches. Clearly, some will take longer than others because of the sheer differences in the volumes of results produced between different categories of data.

5.8 The following table provides a brief update of progress as at May 2011:

Rossendale Borough Council 2010/11 NFI Exercise - Analysis of reports/ matches						
Category of data	No. of matches	No of matches assessed to date	Resolved - no issue	Assessed matches that require further investigation	Frauds	Errors
Housing Benefit	768	77	15	62	0	0
Payroll	6	6	6	0	0	0
Concessionary Travel Passes	614	567	0	46	0	521
Insurance Claimants	2	2	0	2	0	0
Creditors	19	8	8	0	0	0
Taxi Driver Licences	1	1	1	0	0	0
Total	1,410	661	30	110	0	521

- 5.9 Matches in respect of Taxi Driver Licences and Payroll have been checked and resolved without any issue. This is because either there was an error with the data or there was a valid reason for the data match.
- 5.10 Concessionary travel matches relate to valid bus passes that are in circulation and yet the person to whom it was issued has died. Internal checks are undertaken with council tax records and then the passes are cancelled. Hence the reason why so many have been categorised as errors.
- 5.11 Further information about the process and the timetable of events in respect of the NFI exercise is set out in Appendix 'A'.

#### **COMMENTS FROM STATUTORY OFFICERS:**

#### **6. SECTION 151 OFFICER**

6.1 Any financial implications arising are noted in the report.

#### **7. MONITORING OFFICER**

7.1 Any legal implications are commented upon in the report.

#### **8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)**

8.1 No Human Resource implications.

#### **9. CONSULTATION CARRIED OUT**

9.1 N/A

## 10. CONCLUSION

10.1 The National Fraud Initiative is a mandatory exercise and therefore Rossendale Borough Council is required to fulfil the requirements of this exercise by submitting relevant data sets for data matching purposes and undertaking testing on matches identified. We can confirm that all necessary data requirements have been submitted to the Audit Commission within the specified timescales and action is now being taken to investigate data matches highlighted as part of the NFI exercise.

Background Papers	
Document	Place of Inspection
National Fraud Initiative 2008/09 Handbook: Local Government	Andrew Fox 01772 534920 <a href="mailto:Andrew.Fox@lancashire.gov.uk">Andrew.Fox@lancashire.gov.uk</a>
Statutory Code of Data Matching Practice	Andrew Fox 01772 534920 Andrew.Fox@lancashire.gov.uk