



Committee and Date

Audit Committee

19 September 2012

2:00pm

Item

**17**

Public

## THE NATIONAL FRAUD INITIATIVE CHECKLIST FOR MEMBERS

**Responsible Officer** Ceri Pilawski

e-mail: [Ceri.pilawski@shropshire.gov.uk](mailto:Ceri.pilawski@shropshire.gov.uk)

Tel: 01743 252027

---

### 1. Summary

The Audit Commission published "The National Fraud Initiative, Council Members' Briefing in May 2012. This contained a checklist for members to understand how the NFI is being used within their organisation and identify if the benefits of participation are being maximised. A separate report has been provided to members on the outcomes to date of the 2010/11 NFI exercise.

### 2. Recommendations

Members are asked to:

- A. Consider and approve with appropriate comment the attached NFI draft checklist.
- B. Identify if there is any further work, actions or training required as a result of the completion of the checklist.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 Participation in the NFI exercise is an integral part of the Council's counter fraud arrangements and is an essential component of an effective Counter Fraud, Bribery and Anti-Corruption Strategy; the Council proactively encourages the detection of fraud and irregularities and the appropriate management of them.
- 3.2 Effective counter fraud arrangements act as deterrence to fraud and corruption resulting in fewer losses, lower insurance premiums and a reduction in time spent on investigations.

3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

#### 4. Financial Implications

4.1 There are no financial implications.

#### 5. Background

5.1 The Audit Commission published “The National Fraud Initiative, Council Members’ briefing in May 2012. This contained a checklist for Members to understand how the NFI is being used within the Council and to identify if the benefits of participation are being maximised.

5.2 The Audit Service Manager has completed a draft response to the NFI checklist for Members to consider, discuss and amend as they see appropriate. A copy of the draft NFI self-assessment is attached at **Appendix A**.

5.3 The initial outcome of the self-assessment was that whilst our approach to the NFI is good, we identified areas to further improve the effectiveness of our approach as follows:

- 1) To appoint a specific member with counter fraud responsibility.
- 2) Continue to identify and agree data sets for real time matching as resources allow and as greater details on the changed approach become available.

<p><b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b></p>
--

<p>The National Fraud Initiative Council members’ briefing, May 2012</p>
--

<p><b>Cabinet Member (Portfolio Holder)</b></p>
---

<p>Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee.</p>
---

<p><b>Local Member</b> N/A</p>
--------------------------------

<p><b>Appendices</b></p>
--------------------------

<p>The National Fraud Initiative, Council members’ briefing in May 2012 - Draft checklist for members</p>
---

## NFI DRAFT CHECKLIST FOR MEMBERS

	Question	Answer	Action Required
<b>The NFI in our council</b>			
1.	What is the role of the senior responsible officer accountable for the NFI in our council?	The S151 Officer and the Audit Service Manager are responsible for the management and delivery of NFI work within the Council.	None
2.	Do we have a lead elected member for counter fraud activity, including the NFI?	A lead member has not been identified for counter fraud activity.	It is proposed that the Chair of Audit Committee be identified as the Lead Member for counter fraud activity. This would support the Committee's role outlined in its terms of reference that state: "Consider the effectiveness of the authority's risk management arrangements, the control environment and associated counter fraud and anti-corruption arrangements."
3.	What role does our Audit Committee play?	The Audit Committee considers NFI work as part of its role when: <ul style="list-style-type: none"> <li>• Considering the effectiveness of the authority's risk management arrangements, the control environment and associated counter fraud and anti-corruption arrangements.</li> <li>• Considering any reports on any joint projects undertaken by Internal and External Audit.</li> <li>• Considering reports on Internal Audit investigations including frauds and the NFI work and recommendations for strengthening internal controls.</li> </ul>	None

	Question	Answer	Action Required
		<ul style="list-style-type: none"> <li>The annual review and re-affirmation of the authority's Counter Fraud and Anti-Corruption Strategy to ensure on-going training and awareness of all staff regarding Counter Fraud and Anti-Corruption measures is considered.</li> </ul>	
4.	How are other elected members or non-executive members kept informed of the NFI?	Audit Committee reports on NFI work are public and accessible to Members. Where specific investigations are conducted and have an impact at a strategic level, relevant chief officers and members will be informed.	None
5.	What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?	NFI results are entered on to a secure website and are subject to review by the Audit Commission who will challenge any non-activity, in addition regular reports are received and considered by Audit Committee. Investigation outcomes are also monitored by Internal Audit.	None
6.	Who decides and monitors this approach?	Internal Audit and the Audit Commission.	None
7.	How is the NFI reflected in the governance training and development provided for officers and elected members?	Awareness training is included as part of the Council's Fraud Awareness Training for officers and as part of Audit Committee Member training. In addition lead officers in each area have coaching from Internal Audit officers in how to use the systems and respond to the issues raised from the data matching.	None
<b>Maximising results</b>			
8.	What resources do we invest in the NFI?	43 days were spent on NFI work in 2010/11. This time allocation allows for data uploading and investigating matches.	None
9.	What were our outcomes from the most recent NFI?	Regular reports are provided to Audit Committee on the outcomes of NFI work. See report to Audit Committee, on this agenda.	None

	<b>Question</b>	<b>Answer</b>	<b>Action Required</b>
10.	Are we ensuring we maximise the benefits of the NFI – for example, following up matches promptly, recovering funds and prosecuting where possible?	£206,655 of savings to date has been identified and recovery is on-going. Housing Benefits prosecute in accordance with Council policies.	None
11.	What assurances have we drawn about the effectiveness of internal controls and the risks faced by the organisation?	The extent of savings identified indicates that we have strong controls in place. If results highlight any weaknesses in our controls, these would be addressed.	None
12.	What changes have we made as a result?	A number of changes to internal controls have been made or enhanced. These include: <ul style="list-style-type: none"> <li>• Letters to the estate of disabled parking badge holders seeking the return of the badge;</li> <li>• The way information is recorded on CareFirst to ensure better matches and sharing of information;</li> <li>• The enhanced role of Registrars in prompting and collecting the return of Blue Badges and Concessionary Bus Passes.</li> <li>• Review of application forms to improve information being captured to obtain better matches.</li> </ul>	None
13.	Do those responsible for the NFI in the council feel they get appropriate support from other managers in the council when investigating matches?	Yes – time in the Internal Audit Plan has been reduced to reflect increased direct involvement in the process from teams in Housing Benefits; Passenger Transport; Pensions; Payroll; Blue Badge Service; Housing Landlord Services; Revenues; Licensing and Payments, all of whom have investigated matches. This enables areas to learn directly from any control weaknesses and informs the refinement of their systems to prevent the potential for reoccurrences and all managers have provided the necessary support to facilitate this.	None

	Question	Answer	Action Required
<b>Broadening our council's engagement with the NFI</b>			
14.	Are we taking advantage of the opportunity to suggest and participate in the NFI pilot data matching?	Yes, an example of which is where the Council took part in a recent pilot of deceased benefit agency records against pensioners. Officers of the Internal Audit team have also made a number of suggestions on future data matching exercises which are subject to confirmation by the Audit Commission.	Continue to identify and agree data sets for real time matching as resources allow and greater details on the changed approach become available.
15.	Have we considered how we could use the new flexible batch and real-time services?	Work is on-going as more details become available. Please see above.	As above.
<b>Data Security</b>			
16.	What is our strategy for data security?	The Council has a clear Information Risk Policy for the governance of information, a copy of which is on the September Audit Committee agenda. The Audit Committee's responsibilities are outlined in this policy which was approved by Cabinet on 6th June 2012. The Information Risk Policy supports the Corporate Information Security, Data Protection and Records Management Policies.	None
17.	Is there any specific reference to the NFI data security in the strategy?	Whilst there is no specific reference to NFI data security in the Information Risk Policy or associated policies. The Corporate Information Security policy dictates the security level to be in place over sensitive data and NFI data would fall into this category.	None
<b>The NFI fit with wider counter-fraud policies</b>			
18.	How does the NFI influence the focus of our counter fraud work?	As part of the fraud risk assessment, reliance is placed on the participation in the NFI exercise to address some	None

	<b>Question</b>	<b>Answer</b>	<b>Action Required</b>
		fraud risks. This allows counter fraud work to be focused on other fraud risks not covered by NFI.	
19.	Does our counter-fraud policy include reference to the council's participation in the NFI?	Yes, in the Detection section in the Counter-Fraud, Bribery and Anti-Corruption Strategy; participation in the biennial National Fraud Initiative is listed.	None
20.	Do we publicise the outcomes from the NFI?	Regular public reports are made to Audit Committee from which the outcomes are made known	None
21.	How does the NFI influence how and what we communicate to the public about our approach to counter-fraud?	As part of the compliance with the Code of Data matching, we publicise that we participate in the NFI to detect and prevent fraud. The Shropshire Council web page on reporting fraud and corruption also includes reference to participation in the NFI.	None
22.	Are the outcomes from the NFI used to inform our wider decision making – for example, internal audit risk assessments, and data quality improvement work or anti-fraud and corruption policy?	The outcomes of NFI are considered as part of the fraud risk assessment. Any weaknesses in procedures identified as part of the NFI would be addressed immediately and would be followed up. Improvements in data quality have been identified e.g. Blue badge application forms and participation in the NFI is an integral part of the Counter-Fraud, Bribery and Anti-Corruption Strategy.	None