



GA. 13 12/13

Governance & Audit  
Committee

20<sup>th</sup> September 2012

**B**

**Subject: Internal Audit Plan 2012/13 – May to August Progress report**

Report by:

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Purpose / Summary:

The report gives members an update of progress, by the Audit partner, against the annual programme agreed by the Audit Committee on the 12<sup>th</sup> March 2012.

**RECOMMENDATION(S):**

- 1) **Members consider the content of the report and identify any actions required.**

## IMPLICATIONS

**Legal:** None directly arising from the report

**Financial:** None directly arises from the report.

**Staffing:** None.

**Equality and Diversity including Human Rights:**

NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.

None arising from this report

**Risk Assessment:** N/A

**Climate Related Risks and Opportunities:** None arising from this report

**Background Papers:** No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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**Call in and Urgency:**

**Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?**

**Yes**

**No**

**Key Decision:**

**Yes**

**No**



# Internal Audit - Progress Report 2012 / 13



Date: *September 2012*

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## Introduction

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1. The purpose of this report is to:
  - Advise of progress being made with the Audit Plan
  - Provide details of the audit work during the period
  - Provide details of the current position with agreed management actions in respect of previously issued reports
  - Raise any other matters that may be relevant to the West Lindsey Audit Committee role

## Key Messages

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2. Delivery of the Internal Audit plan has been significantly affected a result of the new process to clear all audit terms of reference and final audit reports through the Corporate Strategy and Governance Board. Delays has meant audits could not commence as planned – we have introduced a new protocol to help address this in the future and we aim to re-schedule this audits in quarters 3 and 4. It does however put pressure on delivery of the plan.

## Internal Audit work completed from 1st May to 31st August

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3. The following audit work has been completed and a final report issued:

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
No reports	Financial Strategy	No reports	No reports

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

4. Progress with the implementation of agreed management action on recommendations for audits resulting in ‘No’ or ‘Limited’ assurance is followed up and reported in Appendix 2. Project Management remains an area where agreed actions are outstanding.
5. In the audits given Full and Substantial Assurance, we confirmed that the Council has sound processes in place:

### Financial Strategy

We found the Medium Term Financial Plan is a robust and detailed document, which makes reference to future government funding, Council Tax charges, changes to NNDR and Benefits, Fees and Charges, and Capital and Revenue budgets. It sets out how the plan supports corporate aims and priorities and there

are processes in place for updating, challenging and regular monitoring of the plan.

## **Other Significant Work**

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6. Other audit work undertaken during the period has been

### **Benefit Subsidy Claim**

Our annual work on behalf of the Audit Commission to provide evidence to support their sign off of the 2011/12 Benefits Subsidy claim is well underway. We are pleased to report that no errors that affect the claim have been identified so far.

### **Combined Assurance Mapping**

We have advanced our work on the Combined Assurance Map further by mapping all management assurance, with exception of ICT. This allows us to provide a comprehensive assessment of assurance across the organisation and will inform our audit planning process and the annual audit opinion.

## **Audits in Progress**

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7. The following 2012/13 audits are currently in progress:

### **Progress and Delivery of the Corporate Plan**

This review of the corporate plan is at the draft report stage awaiting confirmation of a closure meeting with the Assistant Chief Executive. Our work has sought to provide assurance on the refreshed plan, in particular that resources are focused on the right priorities for the area and everyone is working together towards delivering the same outcomes. The indicative assurance level for this audit is substantial.

### **Change Programme**

This audit is in the initial stages and will focus on how the 'Organising for Delivery' project has been managed.

### **Localism**

We have just commenced the review of Localism which will focus on the vision and objectives of this programme.

### **Gainsborough Regained**

Our audit will focus on the planning for phase two of this programme of regeneration work. We will also consider lessons learnt from phase one, especially those around partnership governance and managing the programme. This audit is also in the initial stages.

## Performance Information

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8. Our current performance against targets is shown below:

Performance Indicator	Target	Actual @ 31/08/2012
Percentage of plan completed.	100% (revised plan)	6%
Percentage of key financial systems completed.	100%	0%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented.	100% or escalated	0%
Timescales	Draft report issued within 10 working days of completing audit. Final report issued within 5 working days of closure meeting / receipt of management responses. Period taken to complete audit – by exception	100%  100%
Client Feedback on Audit (average)	Good to excellent	Excellent

9. The percentage of plan completed is much lower than planned. The Council has introduced a new procedure whereby all audit brief and final reports have to be considered and signed off by the Corporate Strategy and Governance Board. We prepared briefs for several audits for the May to July meetings of this Board - these were not presented to the board for agreement. This has resulted in delays to the audit programme of work. A new protocol has been introduced to address this and we hope to be able to catch up on this work in quarters two and three.

## Other matters of Interest

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### 10. Audit Committee Forum – 3<sup>rd</sup> October 2012

It is recognised that networking provides an invaluable opportunity for people to share and develop good practice and experiences amongst a peer group.

We have set up an Audit Committee Forum where audit committee members can meet, share experiences and work together to promote good governance and accountability across the public sector bodies.

Information, shared learning and knowledge all helps enhance the effectiveness of audit committees. A meeting has been arranged for the afternoon of the 3<sup>rd</sup>

October – start 1 pm (including working lunch) – at the Think Tank Lincoln.  
Topics include:

- New Public Audit Arrangements (we hope KPMG can attend)
- Getting the most out of your assurance arrangements
- Changing face of good governance - trusting people to deliver and holding them to account

Members of this Committee are invited – please contact Sue Wilson email [sue.wilson@lincolnshire.gov.uk](mailto:sue.wilson@lincolnshire.gov.uk) if you wish to attend.

### **National Fraud Initiative**

The National Fraud Initiative (NFI), the Audit Commissions data matching exercise, helps the Council fight against fraud. Attached is a briefing paper from the Audit Commission for Council Members', which outlines the benefits of NFI and includes a checklist by which members can use to help understand how NFI is used in the Council.

### **Institute of Internal Auditors and CIPFA collaboration**

The two Institutes are working together through the Internal Audit Standards Advisory Board to improve the quality of internal audit in the public sector. The collaboration focus is on the development of unified Internal Audit Standards for the public sector and joint - education, training and development.

The consultation on the new UK Public Sector Internal Audit Standards ends on the 14<sup>th</sup> September 2012. The new code of practice / standards should be published in December 2012 and come into practice from 1<sup>st</sup> April 2013.

### **The developing Internal Audit agenda**

Working with CIPFA, Grant Thornton undertook a survey of UK heads of internal audit at local authorities, police, fire and NHS bodies. The survey covered:

- Provision, skills and professionalism
- The head of internal audit role
- Service delivery

The outcome of this survey provides good benchmarking / comparative information.

### **Local Government Governance Review 2012 – High Pressure System**

Grant Thornton undertook a survey of Local Government governance arrangements. The survey recognises that how local government operates will change and good governance arrangements are vital if Councils are to meet the challenges ahead in this 'high pressure environment'. The survey aims to sound warning alarms where they believe governance arrangements are failing to cope, to suggest areas in need of improvement and provide realistic and practical

guidance where local council arrangements can be made stronger and more effective.

The report in the survey outcome provides a useful insight for an Audit Committee in discharging its role on Good Governance.

### **CIPFA / SOLACE Delivering Good Governance in Local Government – A Framework and Guidance**

CIPFA / SOLACE are currently revising their good practice guidance on good governance. This acknowledges that whilst the principles may not have changed - the guidance needs updating to reflect the current environment. Consultation on the new guidance is planned over the summer with new guidance due to be published in December 2012.

An Addendum to 'Delivering Good Governance in Local Government: Framework 2007' consultation was issued in August 2012. The purpose of the addendum sets out updated guidance on the development of the Annual Governance Statement. The consultation ends on the 21<sup>st</sup> September 2012 and also seeks views on any other issues which should be included in the guidance note to 'Delivering Good Governance in Local Government: Framework'.

### **Draft Local Audit Bill consultation process**

Last year, the Government consulted on its proposals for a new local public audit framework and published its response in January 2012. The draft Local Audit Bill is now published for consultation and pre-legislative scrutiny. Alongside the draft bill, the Department for Communities and Local Government have also published a policy overview including a range of further consultation questions. The deadline for responses to this was the 31<sup>st</sup> August 2012. The Local Government Association will also respond.

The Draft Local Audit Bill is a lengthy document encompassing 208 pages, and contains an overall introduction/summary, the legislation itself which has been divided into 8 parts and 5 schedules, explanatory notes and detailed annexes. The Bill analyses potential new arrangements on the:

- Abolition of the existing audit regime,
- Basic requirements and concepts,
- Appointment of auditors,
- Eligibility and regulation of auditors,
- Conduct of audit,
- Data matching,
- Inspections, studies and information; and,
- General provisions.

Consultation comments are generally supporting of the Bill but still raise concerns or comments on the following key areas:

- Whilst acknowledging the need for appropriate safeguards the new approach should avoid becoming over regulated and prescribed through Government Guidance – sufficient flexibility should be provided to enable councils to explore opportunities for joint procurement.
- One of the main areas of concern continues to be on the requirement of an independent audit panel. Local Government view is that independence around audit arrangements can be maintained through existing arrangements eg Audit Committees. That independent audit panels are unnecessary. Issues around the capacity and capability of independent audit panels were also raised.
- The Draft bill provides for the National Audit Office to undertake “value for money” studies similar to those undertaken in the past by the Audit Commission. This was the other main area of concern - clarification has been requested on the role and remit, agreement of programme, payment for these studies etc.

## Appendix 1 - Assurance Definitions<sup>1</sup>

<p>Full Assurance</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Substantial Assurance</p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<p>Limited Assurance</p>	<p>Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.</p> <p>As a guide there are medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul>
<p>No Assurance</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul> <p>The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

<sup>1</sup> The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

## Appendix 2 - Outstanding recommendations as at 31<sup>st</sup> August 2012

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Audit Area	Date	Assurance	Number of Recs	Implem'd	Outstanding			Not Due Date
					H	M	L	
<b>Business Improvement</b>								
Project Management 11/12	Sept 2011	Limited	16	6	5	5	0	
<b>Planning</b>								
Joint Planning Unit 11/12	March 2012	Limited	5	3	1	1	0	

### Appendix 3 – Internal Audit Plan & Schedule 2012/13

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
<b>Critical Service Activities</b>						
<b>Planning and Regeneration</b>						
Gainsborough Regained	15	Review of projects within Gainsborough Regained considering the integration of projects focusing on growth point, town centre regeneration and deprivation.  Include how Council co-ordinates / works with partners to deliver this initiative / investment	May 2012	August 2012		
<b>Resources</b>						
Financial Strategy	5	To ensure the Council has a sustainable medium to long term finance strategy to address future reduced government funding whilst continuing to meet the needs of the community and effective service delivery.	April 2012	April 2012	May 2012	Substantial
Housing Benefits Subsidy & Systems Review	20	Review of the housing benefit systems in conjunction with	July 2012	July 2012	N/A	N/A

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		testing to support the external audit of the subsidy claim.				
Progress and Delivery	10	To review how effective the corporate governance model for programmes, performance / delivery and financial monitoring is in delivering the Corporate Plan priorities.	May 2012	July 2012		
Sub Total	50					
<b>Due Diligence</b>						
<b>Resources</b>						
Finance Systems – provisional areas: Creditors NNDR Debtors Payroll Income	35	To review systems and test transactions for finance systems feeding into the Council's accounts in liaison with external audit.	January 2013			
Finance Management	10	Identify how effective finance management systems are in allowing managers to manage and monitor their budgets, understand their costs through their cost centre / business centres.	January 2013			
Sub Total	45					

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
<b>Strategic Risks</b>						
Income generation	10	Assess the changes in service demand and legislation on income, including: Car parking Rents Planning fees Building Control Land Charges	November 2012			
Investment decisions	10	Review of the process (due diligence) for major investments decisions , consider: Commercial Strategy Adequacy business cases Decisions Making process Future sustainability / impact of investment I	June 2012			
Sub Total	20					

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
<b>Emerging Risks</b>						
Change programme	10	Review of Organisational Development and how effective this has been to embed: New ways of working Delivery of Corporate Objectives	June 2012	August 2012		
Big Society & localism agenda	10	To Establish how the council is responding to the localism agenda (Big society), including any potential changes to governance arrangements.	August 2012	August 2012		
Emerging risk contingency	5	To audit any significant emerging risks arising in the year.				
Sub Total	25					
<b>Other relevant Areas</b>						
Assurance mapping	5	Update assurance map with service managers and gain management assurances and third party assurances.	May 2012	May 2012	N/A	N/A
Annual Governance Statement	5	Follow up improvements / actions taken by the Council to address the areas in the				

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		2012 statement.				
Sub Total	10					
<b>ICT Audit.</b>						
	20	Our ICT audit strategy is being revised. This includes a risk assessment which will identify areas for audit focus.	December 2012			
Sub Total	20					
<b>Non-Audit</b>						
Advice	5					
Liaison	5					
Annual Report	1					
Audit Committee	5					
Contingency	5					
<b>Sub Total</b>	<b>21</b>					
<b>Total Audit Plan for 2012/13</b>	<b>191</b>					

# The National Fraud Initiative

Council members' briefing, May 2012



**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), local police bodies and other local public services in England, and oversees their work. The auditors we currently appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**

## Introduction

**This briefing for elected members outlines the benefits from participating in the National Fraud Initiative (NFI), the Audit Commission's data matching exercise. It explains how the NFI helps councils fight fraud and sets out how the Commission plans to improve the NFI. It includes a checklist for members on page 9.**

### Fraud is a serious problem

**1** In its recent *Annual Fraud Indicator*, the National Fraud Authority (NFA) estimates that fraud in the public sector costs £20.3 billion a year. This amounts to £390 for every adult in the UK. The cost of fraud to local government is estimated at £2.2 billion a year.

**2** Councils need strong anti-fraud cultures and effective counter-fraud policies and procedures that stress the unacceptability of fraud and its serious consequences. Members have a key role in ensuring that their council checks regularly the effectiveness of its arrangements for preventing and detecting fraud.

**3** The NFI<sup>i</sup> combats the threat of fraud by comparing information held by different organisations to identify potentially fraudulent claims and overpayments.

**4** The key strength of the NFI is that it brings together a wide range of different organisations, working together in partnership to tackle fraud. Fraudsters will often target different organisations at the same time, using the same fraudulent identities.

### The Audit Commission runs the NFI to help detect fraud, overpayments and error

**5** Since 1996, the Audit Commission has run the NFI data matching exercise every two years, helping to identify nearly £939 million of fraud, overpayments and error across England, Scotland, Wales and Northern Ireland<sup>ii</sup>. Of this total, £813 million has been detected in England.

**6** We run the NFI in partnership with the public audit agencies in Northern Ireland, Scotland and Wales. Aggregate outcomes for bodies in Scotland,

<sup>i</sup> The government has confirmed it intends to continue the NFI after the Audit Commission's abolition.

<sup>ii</sup> Where applicable, amounts included in this report have been rounded to an integer, 0.5 and above were rounded up and under 0.5 rounded down.

Wales and Northern Ireland since they first started to run the NFI are £127 million.

**7** Some 1,300 participating organisations from across the public and private sectors provide data, and key data sets are provided by government departments and other national agencies.

**8** Participants include all local councils, police authorities, and fire and rescue authorities and local NHS bodies, who are required by law to provide data for the NFI. A number of other public sector and private sector bodies also participate on a voluntary basis.

**9** Table 1 shows examples of the data matches that we undertake and why. Where a match is found it indicates that there is an inconsistency that requires further investigation by the body. The investigation may detect instances of fraud, over or underpayments, and other errors. For example, payroll to housing benefit matches can identify employees who may be committing benefit fraud by not declaring their earnings; pension matches may identify a person as being listed as dead, but still in receipt of a pension.

**10** A match does not automatically mean there is a fraud. Often there is a straightforward explanation for a data match that prompts bodies to update their records and to improve their systems.

Table 1: **Examples of the data matches the NFI undertakes**

Data match	Possible fraud or error
Pension payments to records of deceased people.	Obtaining the pension payments of a dead person.
Housing benefit payments to payroll records.	Claiming housing benefit by failing to declare an income.
Payroll records to records of failed asylum seekers and records of expired visas.	Obtaining employment while not entitled to work in the UK.
Blue badges records to records of deceased people.	A blue badge being used by someone who is not the badge holder.
Housing benefit payments to records of housing tenancy.	Claiming housing benefit despite having a housing tenancy elsewhere.
Council tax records to electoral register.	A council taxpayer gets single person discount (SPD) because the person is living with other countable adults, which means the council taxpayer does not qualify for a discount.
Payroll records to other payroll records.	An employee is working for one organisation while being on long-term sick leave at another.

Source: Audit Commission

## The NFI operates within a strong legal framework using secure web applications and systems

11 The NFI works within a strong legal framework, including the Data Protection Act 1998, which protects individuals' personal data.

12 Data matching exercises are carried out under statutory powers in Part IIA of the Audit Commission Act 1998, which contains important safeguards on the use and disclosure of data, including the requirement for a statutory *Code of Data Matching Practice*.

13 The Code helps ensure that all those involved in the NFI exercises comply with the law, especially the provisions of the Data Protection Act 1998. It sets out the expected data security and privacy standards that the Commission has always considered essential to the effectiveness of the NFI. It also promotes good practice.

14 The NFI's data matching systems and processes comply with all relevant government information security standards.

### Secure data transfer process

- Datasets are transferred by participants to the Audit Commission via a secure NFI website using an electronic transfer process which encrypts data on upload.
- All the matches are provided back to participants using the same secure tool.
- Access to the tool and NFI matches is controlled by secure password, and strict controls exist to ensure access is only provided to authorised individuals.

## The NFI has helped participants find record levels of fraud, overpayment and error

15 Since we last reported in May 2010, the NFI has identified fraud, overpayments and errors in England totalling almost £229 million. This represents a 25 per cent increase on the total for the previous reporting period (£183 million)<sup>i</sup>.

16 The total comprises outcomes already delivered of £91 million and estimated outcomes of £137 million. These estimated outcomes represent expenditure that would have been incurred in future years had the fraud or errors gone undetected.

17 The main categories of fraud identified by the NFI in England since May 2010 continue to relate to pensions (£90 million), council tax (£50 million) and housing benefit (£31 million).

<sup>i</sup> For national reporting purposes, outcomes are collated at two-yearly intervals as at 31 March. Outcomes submitted by participants after this date are included in subsequent reports.

### **The exercise also produced other significant results**

- 164 employees were dismissed or asked to resign because they had no right to work in the UK.
- 235 properties were recovered for social housing.
- 321 false applications were removed from housing waiting lists following a pilot with London borough councils.
- 731 people were prosecuted.
- 31,937 blue badges and 51,548 concessionary travel permits were cancelled.

## **Making the most of the NFI**

**18** Data matching showing little or no fraud and error assures councils about the effectiveness of their control arrangements. It also strengthens the evidence for their Annual Governance Statement. It can identify fraud, and therefore fraud risks, which the council was unaware of; and help identify fraud against other NFI participants.

**19** The NFI's full potential is only realised if the bodies that take part (a) supply all the required data on time; and (b) undertake appropriate follow-up investigations of the matches promptly and thoroughly.

**20** The more effectively councils follow up their NFI matches, the more benefits they get.

**21** For each exercise we consider how well councils use the NFI taking into account the views of the external auditor. While most councils have sound arrangements in place for managing the NFI and for investigating data matches, there is still scope to do better.

- The NFI matches are not seen by some councils as a valuable source of intelligence and therefore they are not being given appropriate priority.
- Not all councils are making use of the tools within the web application to help them identify high-priority matches linked to local risks.
- Some councils are using alternative matching services from commercial providers before they have followed up their NFI matches.

## **Role of members**

**22** Councils that have the most successful counter-fraud strategies are generally those where there is strong support at a senior level, led by elected members, chief executives and directors of finance. These councils also have an effective anti-fraud culture in place, so employees have a clear understanding of the role they can play in tackling fraud.

**23** We welcome increased engagement by elected members in the NFI. A checklist has been included on page 9, which contains a series of questions that members can put to the director of finance/NFI senior responsible officer. The responses will help members understand how the NFI is being used within their organisation and importantly identify if the benefits of participation are being maximised.

## Looking to the future

**24** Following the announcement, in August 2010, of its intention to abolish the Audit Commission, the government has confirmed it intends to continue the NFI. The Commission will work closely with the Department for Communities and Local Government and other stakeholders to secure the most appropriate home for the NFI.

**25** While the Commission retains oversight of the NFI it will continue to develop the NFI to address emerging fraud risks, with an increasing focus on fraud prevention.

### Real-time and flexible data matching

**26** The NFI launched a real-time service in September 2011, marking an important shift from fraud detection to fraud prevention.

**27** The Commission has consulted councils on how the real-time service should be expanded to help them target fraud prevention – for example, to identify the anomalies that may signal fraud before an application for a benefit or service is approved. The new service will offer a flexible range of options, including real-time and flexible batch data matching, and councils will be able to decide locally on the data they want to supply for matching.

**28** These new approaches to real-time and flexible batch matching could help councils identify potential fraud in a wide range of areas. These could include:

- housing waiting lists – by submitting details of an individual near or at the top of the list for matching against the NFI datasets to confirm the individual is not ineligible for social housing before offering a tenancy;
- housing benefit – by submitting benefit claimant details for matching against the Metropolitan Police’s Amberhill information on known stolen/false identities before awarding benefit; and
- blue badges – by submitting applications for matching against deceased person records before issuing the badge.

**29** These flexible services could be used by councils to deliver many of the recommendations made by NFA in its *Fighting Fraud Locally* strategy.

### New fraud risks

**30** In the Audit Commission’s annual survey of detected fraud in local government, councils have reported significant new fraud risks from the move to personal budgets in social services. In response, we are looking to develop a pilot data match in this area as part of the NFI 2012/13.

### Widening the NFI for other purposes

**31** We believe the NFI could secure even better outcomes if it were extended to cover non-fraud purposes, as the legislation already allows any Secretary of State to do. These other purposes are defined as being to assist in the:

- prevention and detection of crime other than fraud:

- apprehension and prosecution of offenders; and
- recovery of debt owing to public bodies.

### **Want to find out more about the NFI?**

**32** To find out more about the NFI, go to our web page, where you will find a copy of the May 2012 national report as well as other useful information.

[www.audit-commission.gov.uk/fraud/nfi/](http://www.audit-commission.gov.uk/fraud/nfi/)

Table 2: **The NFI – A checklist for members**

Question	Answers/action required
<p><b>The NFI in our council</b></p> <ul style="list-style-type: none"> <li>■ What is the role/post of the senior responsible officer accountable for the NFI in our council?</li> <li>■ Do we have a lead elected member for counter-fraud activity, including the NFI?</li> <li>■ What role does our audit committee play?</li> <li>■ How are other elected members or non-executive members kept informed of the NFI?</li> <li>■ What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?</li> <li>■ Who decides and monitors this approach?</li> <li>■ How is the NFI reflected in the governance training and development provided for officers and board/elected members?</li> </ul>	
<p><b>Maximising results</b></p> <ul style="list-style-type: none"> <li>■ What resources do we invest in the NFI?</li> <li>■ What were our outcomes from the most recent NFI?</li> <li>■ Are we ensuring we maximise the benefits of the NFI – for example, following up data matches promptly, recovering funds and prosecuting where possible?</li> <li>■ What assurances have we drawn about the effectiveness of internal controls and the risks faced by the organisation?</li> <li>■ What changes have we made as a result?</li> <li>■ Do those responsible for the NFI in the council feel they get appropriate support from other managers in the council when investigating matches?</li> </ul>	
<p><b>Broadening our council’s engagement with the NFI</b></p> <ul style="list-style-type: none"> <li>■ Are we taking advantage of the opportunity to suggest and participate in NFI pilot data matching?</li> <li>■ Have we considered how we could use the new flexible batch and real-time matching services?</li> </ul>	
<p><b>Data Security</b></p> <ul style="list-style-type: none"> <li>■ What is our strategy/policy for data security?</li> <li>■ Is there any specific reference to the NFI data security in the strategy</li> </ul>	
<p><b>The NFI fit with wider counter-fraud policies</b></p> <ul style="list-style-type: none"> <li>■ How does the NFI influence the focus of our counter-fraud work?</li> <li>■ Does our counter-fraud policy include reference to the council’s participation in the NFI?</li> <li>■ Do we publicise the outcomes from the NFI?</li> <li>■ How does the NFI influence how and what we communicate to the public about our approach to counter-fraud?</li> <li>■ Are the outcomes from the NFI used to inform our wider decision making – for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?</li> </ul>	