CEREDIGION COUNTY COUNCIL

Report to: **Governance and Audit Committee**

Date of meeting: **19 January 2022**

Title: **National Fraud Initiative (NFI) – Self-Appraisal**

Purpose of the   **To inform Members of the Committee of the**
report: **Council's participation in the NFI exercise**

Cabinet Portfolio and **Cllr Ray Quant MBE, Deputy Leader of the Council**
Cabinet Member: **and Cabinet Member for Legal and Governance,**
                       People and Organisation, and Democratic Services

Audit Wales published 'The National Fraud Initiative in Wales 2018-20' report of the Auditor General for Wales on 13 October 2020:

[The National Fraud Initiative in Wales 2018-20 | Audit Wales](#)

The report notes that 'the success of NFI is dependent on the proactivity and effectiveness of participating bodies in investigating data matches. Most participating Welsh public bodies managed their roles in the 2018-20 NFI exercise well. However, some bodies could be far more pro-active'.

It therefore recommended that 'Audit Committees, or equivalent, and officers leading the NFI should review the NFI self-appraisal checklist'.

Attached is a copy of the self-appraisal undertaken, following the 2021 NFI exercise, to provide assurance to the Committee that Ceredigion County Council is fully supportive of the exercise.

Recommendation: **To note the self-appraisal**

Reasons for   **As recommended by Audit Wales**
decision:
Appendices: **NFI Self-Appraisal**

Head of Service: Elin Prysor
                       Corporate Lead Officer Legal & Governance Services /
                       Monitoring Officer

Reporting Officer: Alex Jenkins
                       Corporate Manager – Internal Audit

Date: 7 December 2021

NFI - Self-appraisal checklist

Part A: For those charged with governance	Yes / No / Partly	Management Commentary	Is action required?	Who by and when?
Leadership, commitment and communication				
1. Are we aware of emerging fraud risk, eg due to COVID-19, and have we taken appropriate preventative and detective action?	Yes	Activities and actions in place: • Monitoring and response to fraud alerts (NAFN, wider networks, peers, etc); • Membership and active participation in professional networks and groups (Tisonline, KHub, etc); • Council has a Strategy to Counter Fraud, Corruption and Bribery (to include Anti-Money Laundering); • Internal audit (IA) offer advice to services on implementation of new systems and processes to ensure effective internal controls maintained; • Nominated Council Officers undertake various fraud training to maintain knowledge and expertise; • Covid-19 grant payments audited prior to payment (as easier to stop a payment than recover it); • Key financial control audits added to audit plan, to check controls, governance & risks whilst staff working from home.	• On-going review of audit plan; • On-going assessment of risk of fraud.	Internal audit / all services. In place and on-going.
2. Are we committed to the NFI? Have the council/board, audit committee and senior management expressed support for the exercise and has this been	Yes	Activities and actions in place: • Active participation in NFI exercise, which is co-ordinated by the Audit Manager (AM) for the whole Council. IT prepare the data-sets' uploads. Nominated officers throughout the Council have access to the system to investigate and report on matches;	• No additional actions required.	n/a

Part A: For those charged with governance	Yes / No / Partly	Management Commentary	Is action required?	Who by and when?
communicated to relevant staff?		• A number of audit days are included in the IA annual audit plan to address NFI requirements; • NFI participation noted in IA quarterly progress reports to Governance & Audit Committee (GAC); • Report on each NFI exercise included in the HIA's Annual Counter Fraud Report, which is presented to Leadership Group (LG) and GAC (and available on Council website).		
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	Yes	Activities and actions in place: • References made to the NFI exercise in the Council's Strategy to Counter Fraud, Corruption and Bribery (to include Anti-Money Laundering); • A number of audit days are included in the IA annual audit plan to address NFI requirements; • Report on each NFI exercise included in the HIA's Annual Counter Fraud Report, which is presented to LG and GAC (and available on Council website).	• No additional actions required.	n/a
4. Have we considered using the point of application data matching service offered by the NFI team, to enhance assurances over internal controls and improve our approach to risk management?	Yes	Activities and actions in place: • AppCheck is an additional service to the mandatory NFI exercise. There were additional fees attached when this was first introduced but these were withdrawn due to lack of uptake. At the moment, it is not considered of any additional benefit to the processes currently in place.	• No additional actions required.	n/a

Part A: For those charged with governance	Yes / No / Partly	Management Commentary	Is action required?	Who by and when?
5. Are NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?	Yes	Activities and actions in place: • NFI participation noted in IA quarterly progress reports to GAC; • Report on each NFI exercise included in the HIA's Annual Counter Fraud Report, which is presented to LG and GAC (and available on Council website).	• No additional actions required.	n/a
6. Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	Yes	Activities and actions in place: • Datatank is being used by CCC in 2021 for the Council Tax Single Person Discount review. The NFI team is aware of this and has provided advice regarding cross checking data. This can be assessed on completion.	• No additional actions required.	n/a
7. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Yes	Activities and actions in place: • NFI is co-ordinated by the AM for the whole Council; • A number of audit days are included in the IA annual audit plan to address NFI requirements; • Report on each NFI exercise included in the HIA's Annual Counter Fraud Report, which is presented to LG and GAC (and available on Council website).	• On-going review of audit plan.	Internal audit. In place and on-going.

Part A: For those charged with governance	Yes / No / Partly	Management Commentary	Is action required?	Who by and when?
8. Do we review how instances of fraud and error arose and use this information to improve our internal controls?	Yes	Activities and actions in place: • A review of internal controls is undertaken when any instances of fraud and/or error are detected by, or reported to, IA; • IA's annual audit plan can address any necessary re-prioritisation of work, allowing IA to be reactive to any changes in risk within the Council.	• No additional actions required.	n/a
9. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	Yes	Activities and actions in place: • HIA provides an Annual Counter Fraud Report, which is presented to LG and GAC (and available on Council website); • Where appropriate, successful prosecutions publicised on Council website (and in local press), eg: Ceredigion County Council Ceredigion County Council	• No additional actions required.	n/a

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
Planning and preparation				
1. Are we aware of emerging fraud risks, eg due to COVID-19, and have we taken appropriate	Yes	Activities and actions in place: • Monitoring and response to fraud alerts (NAFN, wider networks, peers, etc); • Membership and active participation in professional networks and groups (Tisonline, KHub, etc);	• On-going review of audit plan; • On-going assessment	Internal audit / all services. In place and on-going.

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
preventative and detective action?		• Council has a Strategy to Counter Fraud, Corruption and Bribery (to include Anti-Money Laundering); • IA offer advice to services on implementation of new systems and processes to ensure effective internal controls maintained; • Nominated Council Officers undertake various fraud training to maintain knowledge and expertise; • Covid-19 grant payments audited prior to payment (as easier to stop a payment than recover it); • Key financial control audits added to audit plan, to check controls, governance & risks whilst staff working from home.	of risk of fraud.	
2. Are we investing sufficient resources in the NFI exercise?	Yes	Activities and actions in place: • NFI exercise is co-ordinated by the AM for the whole Council. IT prepare the data-sets' uploads. Nominated officers throughout the Council have access to the system to investigate and report on matches; • A number of audit days are included in the IA annual audit plan to address NFI requirements.	• No additional actions required.	n/a

3. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.	Yes	Activities and actions in place:
		• NFI is co-ordinated by the AM, who ensures:
		  o All necessary fair processing notices are issued in a timely manner,
		  o IT have a copy of the most recent data specs for each upload and are aware of the set deadlines,
			• No additional actions required.	n/a

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
		o Any problems / anomalies discovered in reports prior to issue are discussed with the AW contact, and o All officers responsible for investigating the matches are aware of the training modules, are familiar with the website, and have a regard for report deadlines; • The quality of data is continually assessed during the processing of each dataset.		
4. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	Yes	Activities and actions in place: • The AM is the KC, who has worked in IA since 1996 and holds a CIPFA Certificate in Investigative Practices (the Council does not have a dedicated fraud section); • The AM has been the NFI KC for numerous years and is well acquainted with the system and procedures; • IA falls within the Legal and Governance Service which is led by the Monitoring officer who is the NFI SRO.	• No additional actions required.	n/a
5. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Yes	Activities and actions in place: • A number of audit days are included in the IA annual audit plan to address NFI requirements; • Nominated officers throughout the Council have access to the system to investigate and report on matches; • In accordance with the Council's Constitution (1.8.2), IA has authority to:	• No additional actions required.	n/a

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
		a) Enter any Council premises or land at any reasonable times,		
		b) access all assets, records, documents, correspondence and control systems relating to any financial or other transactions of the Council.		
		c) require and receive any such information and explanation considered necessary concerning any matter under consideration/examination,		
		d) require any employee of the Council to account for cash, stores or any other Council property under his or her control, and		
		e) have access to records belonging to third parties, such as contractors or partnership agencies, according to the relevant contractual terms.		
6. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?	Yes	Activities and actions in place: • NFI is run at full capacity on every occasion, regardless of past outcomes for the Council; • The value of the exercise as a deterrent (as well as for detection purposes) is recognised and acknowledged; • Assurances gained from low outcomes are also reported upon.	• No additional actions required.	n/a

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
7. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes	Activities and actions in place: • Notification regarding the NFI exercise is always available via the privacy notice internally on Cerinet and externally on the NFI page on CCC's website: National Fraud Initiative Notification | Cerinet (ceredigion.gov.uk) National Fraud Initiative Notification - Ceredigion County Council	• No additional actions required.	n/a
Leadership, commitment and communication				
8. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes	Activities and actions in place: • NFI is co-ordinated by the AM for the whole Council, this includes ensuring system administrators and the IT data upload contact have a copy of the most recent data specs for each upload and are aware of the set deadlines. (A deadline was missed in the 2020/21 exercise – but this was due to the additional burden of covid-19 grants on IT, not a failure in planning – good planning arrangements were in place).	• No additional actions required.	n/a
9. Have we considered using the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Yes	Activities and actions in place: • AppCheck is an additional service to the mandatory NFI exercise. There were additional fees attached when this was first introduced but these were withdrawn due to lack of uptake. At the moment, it is not considered of any additional benefit to the processes currently in place.	• No additional actions required.	n/a

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
Effective follow-up of matches				
10. Do all departments involved in NFI start the follow-up of matches promptly after they become available?	Partly	Activities and actions in place: • NFI is co-ordinated by the AM for the whole Council, this includes monitoring the completion of the reports to ensure they are completed by the set date; • There is not always prompt progress by all nominated officers as soon as the NFI matches are available, but sufficiency of overall progress is checked; • Regular reminder are sent to all officers by the AM when any actions are due, which are followed-up as deadlines near.	• No additional actions required.	n/a
11. Do we give priority to following up high-risk matches, those that become quickly out of date and those that could cause reputational damage if a fraud is not stopped quickly?	Yes	Activities and actions in place: • NFI is co-ordinated by the AM for the whole Council, this includes highlighting to the nominated officers that matches should be investigated in accordance with the RAG system; • Dissemination of reports to nominated officers within the various services ensures a range of different cases can be investigated at the same time.	• No additional actions required.	n/a
12. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes	Activities and actions in place: • Nominated officers throughout the Council have access to the system to investigate and report on matches; • All matches are dealt with on a case by case basis, as satisfied by the appropriate service.	• No additional actions required.	n/a

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
13. (In **health bodies**) Are we drawing appropriately on the help and expertise available from NHS Counter Fraud Service Wales?	n/a	Local Authority.	n/a	n/a
14. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Police or NHS Counter Fraud Service Wales)? Are we recovering funds effectively?	Yes	Activities and actions in place: • Where fraud is suspected, cases are escalated for investigation in line with each Service's customary procedures; • All funds identified for recovery are recovered in line with the Council's Strategy to Counter Fraud, Bribery and Corruption (to include Anti-Money Laundering) as updated and approved by Council on 17/6/21.	• No additional actions required.	n/a
15. Do we avoid deploying excessive resources on match reports where early work (eg, on high-risk matches) has not found any fraud or error?	Yes	Activities and actions in place: • Each service decides on the appropriate methodology for progressing their individual matches.	• No additional actions required.	n/a
16. Where the number of high-risk matches is very low, are we adequately	Yes	Activities and actions in place: • Each service decides on the appropriate methodology for progressing their individual matches.	• No additional actions required.	n/a

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
considering the medium and low-risk matches before we cease our follow-up work?				
17. Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes	Activities and actions in place: • NFI exercise is co-ordinated by the AM for the whole Council. System administrators and the IT data upload contact prepare the datasets for upload. Nominated officers throughout the Council have access to the system to investigate and report on matches • A number of audit days are included in the IA annual audit plan to address NFI requirements.	• No additional actions required.	n/a
Recording and Reporting				
18. Are we recording outcomes properly in the secure website and keeping it up to date?	Yes	Activities and actions in place: • NFI is co-ordinated by the AM for the whole Council, this includes monitoring the completion of the reports to ensure they are completed by the set date; • There is not always prompt progress by all nominated officers as soon as the NFI matches are available, but sufficiency of overall progress is checked; • Reminders are sent to any officers if the AM envisages any problems arising re completion of any reports by set date;	• No additional actions required.	n/a

Part B: For NFI SROs and Key Contacts	Yes / No / Partly	Is action required?		Who by and when?
		• Datatank is being used by CCC in 2021 for the Council Tax Single Person Discount review. The NFI team is aware of this and has provided advice regarding cross checking data.		
19. Do staff use the online training modules and guidance on the secure website, and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?	Yes	Activities and actions in place: • Nominated officers throughout the Council have access to the system to investigate & report on matches; • NFI is co-ordinated by the Audit Manager for the whole Council, who provides continuous support throughout the exercise to include ensuring all officers are aware of the NFI training modules and other available resources prior to the commencement of investigating matches; • Any complex queries arising are directed via the AM to the NFI contact / query desk.	• No additional actions required.	n/a
20. If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform the NFI team about these outcomes?	n/a	Activities and actions in place: • All NFI outcomes are recorded within the NFI secure system: • Datatank is being used by CCC in 2021 for the Council Tax Single Person Discount review. The NFI team is aware of this and has provided advice regarding cross checking data.	• No additional actions required.	n/a