Archwilio Cymru
Audit Wales

National Fraud Initiative
Self-appraisal Checklist

July 2020

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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National Fraud Initiative Self-appraisal Checklist

Background

1   The National Fraud Initiative (NFI) is a UK-wide counter-fraud exercise. In Wales the exercise is undertaken by the Auditor General for Wales (Auditor General) under his statutory data-matching powers in Part 3A of the Public Audit (Wales) Act 2004. The Auditor General works in collaboration with the Cabinet Office, Audit Scotland and the Northern Ireland Audit Office which undertake the NFI exercise in England, Scotland and Northern Ireland respectively.

2   NFI uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. It means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess the fraud prevention arrangements which those bodies have.

3   In Wales unitary local authorities, police and fire authorities and NHS bodies participate in the NFI on a mandatory basis. Other organisations such as the Welsh Government and Welsh Government Sponsored Bodies participate on a voluntary basis.

Self-appraisal checklist

4   **Appendix 1** includes a two-part checklist that we encourage all participating bodies to use to self-appraise their involvement in the NFI prior to and during the NFI exercises.

5   Part A is designed to assist audit committee members when reviewing, seeking assurance over or challenging the effectiveness of their body's participation in the NFI.

6   Part B is for officers involved in planning and managing the NFI exercise.

How to work more efficiently

7   The Auditor General encourages organisations to review and investigate NFI matches efficiently and effectively. This enables them to make better use of their limited resources. Some suggestions for improving efficiency and effectiveness are included in **Appendix 2**.

Appendix 1

Self-appraisal checklist

Exhibit 1: Self-appraisal checklist: Part A: For those charged with governance

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
Leadership, commitment and communication			
1. Are we aware of emerging fraud risks, eg due to COVID-19, and have we taken appropriate preventative and detective action?			
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 communicated to relevant staff?			

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
Leadership, commitment and communication			
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?			
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?			
5. Are NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?			

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
Leadership, commitment and communication			
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?			
7. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?			

Part A: For those charged with governance	Yes/No/Partly	Is action required?	Who by and when?
Leadership, commitment and communication			
8. Do we review how instances of fraud and error arose and use this information to improve our internal controls?			
9. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?			

Exhibit 2: Self appraisal checklist: Part B: For NFI SROs and Key Contacts

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 preventative and detective action?			
2. Are we investing sufficient resources in the NFI exercise?			
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.			

Part B: For NFI SROs and Key Contacts	Yes/No/Partly	Is action required?	Who by and when?
Planning and preparation			
4. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?			
5. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?			
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?			

Part B: For NFI SROs and Key Contacts	Yes/No/Partly	Is action required?	Who by and when?
Planning and preparation			
7. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?			
Leadership, commitment and communication			
8. Do we plan to provide all NFI data on time using the secure data file upload facility properly?			
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?			

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?			
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?			
12. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?			

Part B: For NFI SROs and Key Contacts	Yes/No/Partly	Is action required?	Who by and when?
Effective follow-up of matches			
13. (In health bodies) Are we drawing appropriately on the help and expertise available from NHS Counter Fraud Service Wales?			
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?			
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?			

Part B: For NFI SROs and key contacts	Yes/No/Partly	Is action required?	Who by and when?
Effective follow-up of matches			
16. Where the number of high-risk matches is very low, are we adequately 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?			

Part B: For NFI SROs and key contacts	Yes/No/Partly	Is action required?	Who by and when?
Recording and reporting			
18. Are we recording outcomes properly in the secure website and keeping it up to date?			
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)?			
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?			

Appendix 2

How to work more efficiently

Exhibit 3: how to work more efficiently

Concerns	How to work more efficiently
Many participants are not using the latest time-saving enhancements to the NFI software.	Ensure staff within the organisations that take part in the NFI keep up to date with new features of the web application and good practice by reading the guidance notes and watching the online training modules before they begin work on the matches.
Matches that are time critical and could identify an overpayment are not acted on first.	Key contacts should schedule staff resources so that time-critical matches, such as housing benefit to student finance and payroll to payroll, can be dealt with as soon as they are received.
Investigations across internal departments are not co-ordinated resulting in duplication of effort or delays in identifying overpayments.	Key contacts should co-ordinate investigations across internal departments and, for example, organise joint investigation of single person discount matches involving housing benefit, to ensure all relevant issues are actioned.
Disproportionate time is spent looking into every match in every report.	Use the tools within the web application to help prioritise matches that are the highest risk. This will save time and free up staff for the most important investigations.
Enquiries from other organisations that take part in the NFI are not always responded to promptly.	Prioritise responses to enquiries from other organisations so investigations can be progressed.

Concerns	How to work more efficiently
Data quality issues that are highlighted within the web application are not addressed before the next NFI exercise.	Review the quality of the data supplied before the next exercise, as external providers normally have to phase in changes to extraction processes. Better data quality will improve the quality of resulting matches.

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