

2010/11 National Fraud Initiative

Summary

- 1 The purpose of this report is inform Members of the preparations which are being made to enable the council to participate in the 2010/11 National Fraud Initiative (NFI) exercise.

Background

- 2 The Audit Commission organise a national data matching exercise every two years. The exercise is designed to detect fraud and error, particularly in respect of housing benefits, occupational pensions and student loans. Data from local authorities is matched against data provided by central government, the NHS and a number of participating private sector bodies using sophisticated computer techniques. The previous NFI exercise in 2008/09 identified over £215 million in fraud and error nationally. Since it was first launched in 1996, NFI has detected fraud, error and overpayments totalling £664 million.
- 3 The Audit Commission will conduct the next NFI exercise using its new statutory powers under the Audit Commission Act 1998 (Part 2A). All local authorities are legally obliged to participate in the NFI exercise. To ensure appropriate safeguards are built into the exercise, and to ensure compliance with the Human Rights Act 1998 and the Data Protection Act 1998, participating authorities also need to follow the Code of Data Matching Practice 2008. The Code sets out the requirements for ensuring that the data used in the exercise has been properly collected, processed securely and appropriately disclosed.
- 4 The NFI exercise forms an important part of the council's overall arrangements to prevent and detect fraud.

Data Security and Fair Processing

- 5 The Code of Data Matching Practice 2008 provides guidance to participating bodies on the notification process to adopt for letting individuals know why their data is being matched and by whom, the standards that apply to the data match and where they can obtain further information about the exercise. The

processing of data by the Audit Commission is carried out with statutory authority so the consent of the individuals concerned is not required under the Data Protection Act 1998. However, participating bodies should, as far as is practicable, ensure that fair processing notices are provided or made available to those individuals. The fair processing notices should clearly explain that the data collected may be disclosed for the purpose of preventing and detecting fraud. The notice should also state that the data will be provided to the Audit Commission for this purpose.

- 6 Fair processing notices have been included on all forms where the data is required to be submitted for data matching purposes. In addition, letters will be sent to market traders and information will be included on payslips and rent statements. Details of the NFI exercise have also been included on the council's website and in staff newsletters. The council is required to provide confirmation to the Audit Commission that it has complied with the guidance relating to fair processing notices.
- 7 The Audit Commission has set up a secure, password protected and encrypted website to allow participating bodies to transmit data and to enable the results to be made available in secure conditions. The website also allows the Audit Commission to make available to individual bodies further guidance material and reports on data quality.

Data Requirements

- 8 The following data sets relating to the council will be matched by the Audit Commission¹:
 - (a) Payroll
 - (b) Pensions
 - (c) Trade creditors
 - (d) Housing
 - (e) Housing benefits
 - (f) Council tax
 - (g) Electoral register
 - (h) Students eligible for a loan
 - (i) Private supported care home residents
 - (j) Transport passes and permits (including residents' parking, blue badges and concessionary travel)
 - (k) Insurance claimants
 - (l) Licences (including market traders, taxi drivers and personal licences to supply alcohol)

¹ Some of the datasets will be supplied by other bodies on behalf of the council, for example the Department for Work and Pensions (DWP) supplies the housing benefit data

- 9 The Audit Commission will charge the council £3,650 to participate in the 2010/11 NFI exercise.
- 10 Detailed specifications are issued for each data set. The data itself must be extracted from the underlying systems on 4 October but needs to be checked for accuracy and completeness before it can be transferred to the secure NFI website. Arrangements have been made to ensure that all the required data sets are ready and in the prescribed format by this date.

Data Matches

- 11 The resulting data matches will be made available by the Audit Commission from 25 January 2011. The matches will be classified as high, medium or low risk. Fraud investigators from Veritau will undertake an initial review of the data matches. In some cases, further information will need to be requested from other public sector bodies or government departments to verify the accuracy of the data match. Specific matches, where fraud and error is suspected, will then be subject to detailed investigation. However, a data match will not necessarily be evidence of fraud. Often there is a simple explanation or minor inaccuracy in the data held. In these cases, the relevant service department will be informed and asked to make any corrections to the underlying data.

Options

- 12 This report is for information purposes. The council is required to participate in the 2010/11 NFI exercise.

Analysis

- 13 Not relevant for the purpose of the report.

Corporate Priorities

- 14 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. In doing so it contributes to the corporate objective of making the council an Effective Organisation.

Implications

- 15 The implications are:
 - **Financial** – the costs of participating in the NFI exercise are detailed in the report. There are no other financial implications to this report other than the time required to collect and submit the data to the Audit Commission, and to investigate the subsequent data matches.
 - **Human Resources (HR)** – there are no HR implications to this report.
 - **Equalities** – there are no equalities implications to this report.
 - **Legal** – there is a legal requirement to participate in the NFI exercise. There is also a requirement to comply with the Data Protection Act.

- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** – there are no IT implications to this report.
- **Property** – there are no property implications to this report.

Risk Management

- 16 Failure to participate fully in the NFI exercise may result in adverse criticism from the external auditor.

Recommendations

- 17 Members are asked to:
- note the work which is currently underway to enable the council to participate in the National Fraud Initiative (NFI).

Reason

To enable Members to assess the progress which has been made to prepare for the next NFI exercise.

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**Report
Approved**



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers:

- Audit Commission 'The National Fraud Initiative 2008/09' national report
- The Code of Data Matching Practice 2008