Local Members Interest
N/A

Audit and Standards Committee – 24th September 2018

Cabinet Office – National Fraud Initiative 2018

Recommendations

1. To receive the report on the requirements of the Cabinet Office's National Fraud Initiative (NFI) 2018.

Report of Director of Finance and Resources

Background

1. The NFI is a data matching exercise conducted by the Cabinet Office under its data matching powers set out in the Local Accountability and Audit Act 2014. The NFI which started in 1996 continues to prove an effective tool for detecting and preventing fraud and error across the UK. Analysis of the financial outcomes from the most recent NFI 2016/17 data matching exercise shows that the NFI exceeded its highest level of fraud, error and overpayments achieved in any two year reporting period since it began in 1996. Cumulatively the NFI has now enabled participants to prevent and detect fraud and overpayments totalling £1.69billion At Staffordshire County Council, the 2016 NFI exercise resulted in recovery being sought for £145,994 of errors identified.

2. The NFI matches data provided by over 1,300 participating organisations from across the public and private sectors against data provided by other participants and key data sets provided by government departments and other national agencies to help prevent and detect fraud.

3. The NFI 2018 exercise will involve the County Council submitting payroll (and pension payroll) and other relevant data to the Cabinet Office on behalf of the County Council. Potential matches are then referred back to authorities for investigation.

4. The remainder of this committee report provides details of Internal Audit's work in relation to the notification and data extraction processes that underpin the NFI 2018 exercise.

Notification

5. Participants in the data matching exercise are required to inform individuals that their data will be processed; as required by Part 6 of the Local Audit and Accountability Act 2014, which is referred to as the 'fair processing' notice. For the NFI 2018 exercise, the fair processing notice is 'layered', which comprised of 3 layers of notices as follows:

   a. **Summary Notice** – to provide individuals whose data is to be matched, with the minimum of information but with links to where more detailed information can be found. Employees have been/will be notified of our participation in the

NFI via Business brief and Team Talk (July 2018 edition), an all staff email (planned for September 2018), and the Chief Executive's Bulletin (planned for August 2018). School employees will be notified via the "School Bag" in September 2018. Pensioners were notified in the spring "In-Contact Magazine" distributed to all Local Government Pension Scheme (LGPS) members.

    b. **Condensed Text** - A summary of the Cabinet Office's data matching exercise is located on the County Council's intranet and website (links/references to these are given in the summary notices) as well as in hard copy on request; and

    c. **Full Text** – is on the Cabinet Office's website and includes an explanation of the legal basis for the data matching exercise.

6. The benefit of applying the layered approach is to provide different audiences with appropriate fair processing information, for example individuals who require more than the summary explanations can access the 'condensed text' notices' or full details as required.

Data Submission

7. The Cabinet Office released guidance / instructions for the NFI 2018 data matching exercise and required submission of the following data from the County Council to perform the NFI exercise:

    a. Payroll (which includes members' allowances and expenses);
    b. Pension payroll;
    c. Private supported care home residents;
    d. Transport passes & permits (Blue Badges);
    e. Direct payments; and
    f. Trade creditor's payment history and standing data.

8. Both the payroll and pension data will be collected for the period 1st April to 30th September 2018.

9. The payroll data will be used to identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working at another employer at the same time. Payroll data will also be matched against visitors with UK Visas. The aim of this match is to identify any instances of overseas persons working in this country where the UK visa has expired or does not permit them to be in employment.

10. The pension data will be used to identify instances where an occupational pensioner has died but the pension is still being paid.

11. Private supported care home residents data will be collected as at 30th September 2018 and will be used to identify individuals shown on the Care Director system as having their accommodation funded by the Authority but are shown as deceased on the DWP records.

12. Transport pass data will be collected as at 30th September 2018 from the County Council's Smartcitizen System. The data will be used to identify instances where the pass/permit holder has died.

13. Blue Badge holder data will be submitted directly to the Cabinet Office by the badge issuing body, Northgate Public Services. The Blue Badge holder data will be matched against DWP records to identify blue badge holders who have died, or who hold more than one Blue Badge.

14. Direct payments data will be collected from the Council's Care Director System and Financial Information System, My Finance for the period 1st April to 30th September 2018. The data will be used to identify service users receiving funding from the authority matched against a range of Housing Benefit, DWP death records and other records. We will also seek to match this data internally against Pensions data.

15. Trade Creditors data will be collected from the Council's Financial Information System, My Finance for the period 1st October 2017 (when My Finance was implemented) to 30th September 2018. The data will be checked to identify instances of duplicate payments being made, duplicate creditor records and VAT overpayments. This data is also checked against payroll data to identify employees who have interests in businesses which may cause a conflict of interest.

16. Following completion of each data extraction, the data files will be uploaded to the Cabinet Office via a secure link from 8 October 2018.

17. It is envisaged that the output will be returned to the County Council for filtering and examination on 31st January 2019 via the secure NFI software. Detailed enquiries on the matches identified will be undertaken by the County Council's staff. This work will be monitored on an on-going basis and progress reports will be presented to the Audit and Standards Committee at regular intervals.

Equalities Implications and Climate Change Implications

18. There are no direct implications arising from this report.

Legal Implications

19. Participation in the 2018 data matching exercise is mandatory under Part 6 of the Audit and Accountability Act 2014.

Resource and Value for Money Implications

20. The Cabinet Office fee for participating in the exercise remains at £3,750, excluding VAT. This will be billed in one instalment in December 2018. Internal Audit has allocated 8 days within the Council's Counter fraud work plan 2018/19 for the facilitation of fair processing notices and data uploads prior to upload on 8th October 2018, and 12 days from 31st January 2019 to commence the processing and investigation of potential data matches.

Risk Implications

21. This work supports the Council's risk management processes.

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List of Background Papers

Code of data matching practice for the National Fraud Initiative
National Fraud Initiative 2018 – Programme of work and scale of fees