

Local Members Interest	
	N/A

Audit and Standards Committee – 5 December 2016

Cabinet Office – National Fraud Initiative 2016

Recommendations

1. To receive the report on the requirements of the Cabinet Office's National Fraud Initiative (the 'NFI') 2016.

Report of Director of Finance & Resources

Background

2. Since 1996, the Audit Commission has undertaken national data matching exercises aimed at detecting potential public sector fraud. Following the closure of the Audit Commission, the 2016/17 NFI is being run by the Cabinet Office. For over two decades the NFI has enabled participants to detect fraud, overpayment and error totalling £1.39 billion with the latest completed exercise in 2014 detecting fraud, overpayment and error totalling £222 million relating to over 172,907 cases.
3. The NFI matches data provided by over 1,300 participating organisations from 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.
4. The NFI 2016 exercise will involve the County Council submitting payroll (including 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.
- 5.. The remainder of this report provides details of Internal Audit's work in relation to the notification and data extraction processes that underpin the NFI 2016 exercise.

Notification

6. 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 2016 exercise, the fair processing notice was 'layered', which comprised of 3 layers of notices as follows:
 - **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 and Members were notified of the 2016 data matching exercise in their August 2016 payslips. Pensioners

were notified in the “In-Contact Magazine” distributed to all Local Government Pension Scheme (LGPS) members;

- **Condensed Text** - A summary of the Cabinet Office’s data matching exercise is located on the County Council’s website (link included on notification slip) as well as in hard copy on request; and
- **Full Text** – is on the Cabinet Office’s website and includes a full description of the exercise and an explanation of the legal basis for the data matching.

7. The benefit of applying the layered approach is to provide different audiences with appropriate fair processing information, for example individuals who require short explanations can access the ‘summary’ notices’.

Data Submission

8. The Cabinet Office released guidance / instructions for the NFI 2016 data matching exercise and required submission of the following data from the County Council to perform the NFI exercise:

- Payroll (which includes members’ allowances and expenses);
- Pension payroll;
- Private supported care home residents;
- Transport passes & permits (Blue Badges);
- Direct payments;
- Insurance claims; and
- Trade creditor’s payment history and standing data.

9. Both the payroll and pension data was collected for the period 1st April to 30th September 2016.

10. 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. Benefits paying organisations will receive notification of Council employee’s whose employment status is inconsistent with their benefit claims.

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

12. Private supported care home residents data was collected as at 30th September 2016 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.
13. Transport pass data was collected as at 1st October 2016 from the County Council's Smartcitizen System. The data will be used to identify instances where the pass/permit holder has died.
14. Blue Badge holder data has been 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.
15. Direct payments data was collected from the Council's Care Director System and Financial Information System, SAP, for the period 1st April to 30th September 2016. 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.
16. Insurance claims data was collected directly by the Cabinet Office from the Council's insurers namely, Zurich; Travelers and Gallagher Bassett for the period 1st April 201 to 30th September 2016. The data will be used to identify serial claimants between and within local authorities.
17. Trade Creditors data was collected from the Council's Financial Information System, SAP for the three year period 1st October 2013 to 30^h September 2016. 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.
18. Over 1 million records were extracted as part of the NFI 2016 exercise and were submitted to the Cabinet Office in the week commencing the 10th October 2016.
19. It is envisaged that the data matches identified will be returned to the County Council for examination by 26th January 2017 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

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

Legal implications

21. Participation in the 2016 data matching exercise is mandatory under Part 6 of the Audit and Accountability Act 2014.

Resource and Value for money implications

22. The Cabinet Office fee for participating in the exercise is £3,750, excluding VAT. With the NFI exercise running over a period of two financial years the authority will be invoiced in two equal annual instalments. Internal Audit has allocated 10 days within the audit plan for collating and uploading data submissions, and 15 days to commence processing matches in February 2017.

Risk Implications

23. This work supports the risks identified in the Corporate Risk Register

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List of Background Papers

National Fraud Initiative 2008/09 – Code of data-matching practice
National Fraud Initiative 2016 - Instructions