



Haringey Council

Agenda item:

[No.]

Audit Committee

On 28 October 2008

Report Title: **National Fraud Initiative 2008/09**

Forward Plan reference number (if applicable): **N/A**

Report of: **Head of Audit and Risk Management**

Wards(s) affected: **All**

Report for: **Information**

1. Purpose (That is, the decision required)

1.1 To advise the Audit Committee of the 2008/09 National Fraud Initiative exercise.

2. Recommendations

2.1 That the Audit Committee notes the contents of the report.

Report Authorised by: **Chief Financial Officer**

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3. Chief Financial Officer Comments

3.1 The Chief Financial Officer notes the contents of this report and has no additional comments to make.

4. Head of Legal Services Comments

4.1 The Head of Legal Services has been consulted in the preparation of this report, and advises that there are no legal issues arising out of its contents.

5. Local Government (Access to Information) Act 1985

5.1 For access to the background papers or any further information please contact Anne Woods on 0208 489 5973.

6. Strategic Implications

6.1 Haringey Council is committed to delivering high quality, cost effective services across all of its functions. The Council is assessed by external inspectors on whether it is achieving 'value for money' for its residents. One element of this is the Council's participation in the statutory national data matching exercise, the National Fraud Initiative (NFI), which is managed by the Audit Commission.

6.2 The Council's participation in the statutory NFI exercise and its use of the NFI data is reviewed as part of the Use of Resources assessment. It is essential therefore that the Council can demonstrate that they make appropriate use of the NFI data in order to deliver their services in a cost effective and efficient manner and assist the council in achieving the highest possible ratings.

7. Financial Implications

7.1 There are no direct financial implications arising from this report. At this stage it is planned that investigations into potential data matches and fraud will be undertaken on a risk basis, as recommended by the Audit Commission, and using existing available resources. Internal Audit will provide some resources to support departments in the investigation of data matches and any follow up work required. An assessment of any additional resources which may be required will be made when the NFI data is available in February 2009.

8. Legal Implications

8.1 The Audit Commission uses its powers under the Serious Crime Act 2007 and the Audit Commission Act 1998 to undertake the NFI data matching exercise. Haringey Council provides data to the Audit Commission in order to fulfil its obligations as part of the statutory NFI process.

8.2 All data subject notification requirements, in accordance with the NFI Guidelines, have been complied with by Haringey Council and confirmation of this has been sent to the Audit Commission.

8.3 The Council investigates all potential cases of fraud and data matches and uses the data in accordance within Data Protection and Human Rights legislation. The Audit Commission monitors the Council's use of the NFI data to ensure that it is being used appropriately. The NFI process is also subject to review by the Council's external auditors to ensure that the arrangements which are in place are in accordance with the Audit Commission's Code of Data Matching Practice.

9. Equalities Implications

- 9.1 This report explains how the Council participates in the national data matching exercise managed by the Audit Commission with the aim of identifying and preventing instances of fraud. Effective and efficient service delivery will have an impact on various parts of the community. Improvements in preventing and detecting fraud, and value for money will therefore improve services the Council provides to all sections of the community.

10. Consultation

- 10.1 No consultation was required in drafting this report.

11. Background

- 11.1 Since 1996, the Audit Commission has run the National Fraud Initiative (NFI), once every two years. The NFI is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. This may include examples such as a tenant with more than one council house, a housing benefit claimant not declaring income or an employee on long-term sick leave while working elsewhere. The data-matching exercises also help auditors to assess the arrangements that audited bodies have put in place to deal with fraud. The most recent exercise (in 2006/07) identified £140 million of fraud and error across the United Kingdom.
- 11.2 To ensure data is provided to the Audit Commission securely, it is automatically encrypted during submission to a secure website. The 'matches' highlighted as a result of NFI are then provided to participating bodies through the same secure website, which is then used by auditors to monitor progress in following up these examples of potential fraud and error.
- 11.3 The NFI has regularly expanded the range of risks addressed in response to requests from audited bodies. The Serious Crime Act 2007 amends the Audit Commission Act 1998 to include new powers enabling the NFI exercise to be extended to central government bodies and the private sector.
- 11.4 The new legislation also required the publication of a new Code of Data Matching Practice which sets out the strict protocols governing NFI to ensure full data protection compliance. The 2008 Code has been reviewed by the Information Commissioner and was laid before both Houses of Parliament in summer 2008. This will ensure that data protection will be given top priority alongside protecting the public purse.

12. Core elements of NFI

- 12.1 In previous NFI exercises, Haringey council has been required to submit a number of 'data sets' for inclusion in the data matching process. These were classed as 'core'

data sets and were provided from the information held on Haringey's IT systems. The core data sets for previous NFI exercises and the data matching processes were:

- Housing Benefits. The NFI information was used to detect fraud and overpayments, including local authority and claimant error. During the 2006/07 exercise NFI matches were passed directly to the Job Centre Plus (JCP) and The Pension Service (TPS) for the first time. As well as removing the need for each authority to share this data, this new approach allowed JCP and TPS to undertake further automated sifting using intelligence held by the Department for Work and Pensions, for example, income declared on the income support application, to identify matches that warranted follow-up action.
- Social Housing. The NFI information was used to detect fraudulent tenancy agreements. The introduction of right to buy data, supplemented by matches to UK visa data, was intended to complement the traditional matches of tenancy data.
- Immigration. The NFI information was used to detect people working illegally or accessing benefits to which they are not entitled. Matching visa data (refused, expired and granted visas where there was no entitlement to work) and failed asylum seeker data to housing benefits, payroll and housing rents (tenancy and right to buy data) was also included in the NFI process.
- Payroll. The NFI data was used to identify individuals fraudulently working at more than one organisation, for example overlapping shift patterns or working for one organisation while on paid leave from another. In addition, the UK visa data has enabled the identification of employees who were not entitled to work in the UK.
- Creditor Payments. The NFI data is used to identify duplicate payments, incorrect VAT payments and potential corruption.

12.2 Previous NFI exercises have yielded significant successes within Haringey, notably within the area of Housing Benefits where overpayments in excess of £200k have been identified. However, the Council has been successful in identifying fraud and overpayments in relation to pensions payroll where non-declaration of employment whilst in receipt of a Haringey pension has led to recovery of over £160k in one case. Cases of persons who had no eligibility to work in the UK have also been identified in previous NFI exercises. Creditor payments data matching has not been as successful as the Audit Commission have acknowledged that the information contained within this data set is not as robust as other data sets. Work has been undertaken by the Audit Commission to correct and improve this for the 2008/09 NFI exercise.

13. 2008/09 NFI – new data matching powers

- 13.1 The new Code of Data Matching Practice will be in place for NFI 2008/09 and online training workshops are being devised by the Audit Commission for participating organisations. The Audit Commission has also begun discussions with stakeholders such as the Pensions Regulator, the Council of Mortgage Lenders and the Insurance Fraud Bureau to develop NFI to improve the processes and outcomes for investigating organisations.
- 13.2 The aim under the new arrangements is to ensure that, while upholding and protecting citizens' rights in relation to their personal data at all times, the NFI continues to serve

the public interest by safeguarding public money against losses from fraud or corruption and making an effective contribution to the wider fight against fraud.

- 13.3 The current Audit Commission strategy for the 2008/09 NFI has three main themes:
- expanding the risk areas covered for audited bodies, for example, to include council tax, insurance and private care home residents;
 - developing a secure, user-focused and environmentally friendly application with training modules and data submission facilities, as well as online access to data matches; and
 - providing more direct support for appointed auditors through a range of new matches, for example, through Companies House matches to detect possible procurement corruption and analysis of spending patterns and accounts payable controls.
- 13.4 However the Audit Commission Act 1998 Part 2(A) now allows the NFI to increase the number and range of participants by enabling bodies in the wider public and private sectors such as the Department of Health, the Driver and Vehicle Licensing Agency and financial institutions to submit data sets for matching by the Commission. This will extend the scope of NFI for audited bodies as additional data will be available from these new organisations.
- 13.5 The new legislation has meant that the range of data matches made available to participating bodies has increased substantially and is more diverse. The previous core data sets (housing benefits, housing, payroll and creditor data) have been supplemented by a new range of compulsory data sets. Table 1 below sets out the core data sets which Haringey Council has to provide for the 2008/09 NFI exercise.

Table 1 – Core data sets 2008/09

Data set to be submitted
Housing benefit claimants
Payroll
Pensions payroll
Trade creditors payment history
Trade creditors standing data
Housing
Private supported care home residents
Electoral register
Council tax
Students eligible for a student loan
Insurance claimants
Transport passes and permits including: <ul style="list-style-type: none"> • Residents parking permits • Blue badges

Data set to be submitted
<ul style="list-style-type: none"> • Concessionary travel
Licences including: <ul style="list-style-type: none"> • Market trader/market operator • Taxi driver • Personal licences to supply alcohol

- 13.6 The amendments to the Audit Commission Act 1998 now enables the Commission to make these match types available to participants that are new to NFI, in particular to local public bodies audited by the Northern Ireland Audit Office, central government departments and their agencies. Audit Scotland and the Wales Audit Office have already taken up the full range of matches under their own statutory powers within the NFI framework. This expansion increases the opportunities for fraud detection by audited bodies as they match against the data provided by the new participants.
- 13.7 As with previous exercises, Haringey Council is required to inform people that their data is being used in the NFI process. This is in accordance with the Data Protection Act 1998 and is known as 'fair processing notices'. There are certain exemptions where Haringey is not required to provide fair processing notices, for example, where personal information must be made available to the public because of a statutory requirement e.g. the electoral register.
- 13.8 The Audit Commission recommends adopting a 'layered' approach to fair processing notices, where there are three levels of notification – summary notice, condensed text and full text. Haringey follows this guidance in issuing fair processing notices. Summary notices provide the minimum necessary content for individuals whose data is being matched and, where practicable, indicate where more detailed information can be found. Summary notices are usually put on application forms e.g. benefits, housing tenancies etc and on payslips. The condensed text provides an explanation of the Audit Commission's data matching exercises and is published on the Council's website and can be used as a source of further information for summary text notices. The full text is available on the Audit Commission's website and a link to this is provided from the Council's website. Haringey Council also uses staff and pensions newsletters, Team Brief, Haringey People, and Home Zone to publicise its participation in the NFI and this approach has been agreed with the Audit Commission.

14. Use of data 2008/09 NFI exercise

- 14.1 Most of the existing data matches will continue to be in effect for the 2008/09 NFI exercise. However, some changes have been made alongside new data matching requirements. This section explains what the data sets will be used for in 2008/09.
- 14.2 Housing Benefits. To allow a more effective assessment of NFI matches in 2008/09, the Audit Commission is in discussion with the Department for Work and Pensions about integrating key intelligence from data relating to this type of benefit claimant into NFI, for example income declared and student status.

- 14.3 Council tax. Council tax records will be matched against the electoral register, to identify potential fraud in respect of single persons discounts.
- 14.4 Payments to private residential care homes. NFI matches residential care home payments to the Department for Work and Pensions deceased records to identify cases where payments were still being made after the date of a resident's death.
- 14.5 Transport passes and permits. NFI will match data to the Department for Work and Pensions deceased records to identify cases where passes were still in existence after the date of a pass/permit holder's death for Blue Badges and Concessionary Travel Passes. NFI will also match data with the DVLA to identify drivers who are disqualified or no longer entitled to drive, and with Council Tax records to identify cases where an address has multiple parking permits, but is in receipt of single persons discount.
- 14.6 Insurance Claims. The Audit Commission is working in partnership with the Insurance Fraud Bureau to match local authority claims data to information from the private sector relating to personal injury claims and known fraudsters.
- 14.7 Licences. The data will be matched to DWP records and housing/council tax benefit records to identify whether correct benefits are being claimed.