



Haringey Council

Agenda item:

Audit Committee

On 2 November 2010

Report Title: National Fraud Initiative 2010/11

Report authorised by: Director of Corporate Resources

J. Power 25/10/10

Report of and Contact Officer: Anne Woods, Head of Audit and Risk Management

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Wards(s) affected: All

Report for: Information

1. Purpose of the report

1.1 To inform the Audit Committee of the statutory 2010/11 National Fraud Initiative data matching exercise and the Council's compliance with the requirements of the exercise.

2. State link(s) with Council Plan Priorities and actions and/or other Strategies:

2.1 Audit and Risk Management contribute to the Council priority to deliver excellent, customer focused, cost effective services by ensuring that the Council responds appropriately to statutory requirements and investigates potential instances of fraud and corruption to minimise the risk of current and future losses.

3. Recommendations

3.1 The Audit Committee is recommended to note the contents of the report.

4. Reason for recommendation(s)

4.1 The Audit Committee is responsible for monitoring Council policies in relation to fraud and corruption as part of its Terms of Reference. In order to facilitate this, and provide information on implementation and compliance with these across the Council, progress reports are provided on a regular basis for review and information by the Audit Committee.

5. Other options considered

5.1 Not applicable

6. Summary

6.1 The Council needs to ensure that there are appropriate arrangements and processes in place to comply with and respond to the statutory National Fraud Initiative exercise. The Council's corporate Anti-fraud and Corruption policy; internal audit and housing benefit investigation teams; and service departmental resources form part of the assurances to satisfy the relevant requirements are in place and operating effectively.

7. Head of Legal Services Comments

7.1 The Head of Legal Services has been consulted in the preparation of this report, and advises that there are no direct legal implications arising from the report.

8. Chief Financial Officer Comments

8.1 As set out in paragraph 12.1 there are no direct financial implications associated with the participation with this initiative however, it should help to identify fraudulent or incorrect payments some of which should be recoverable by the authority.

8.2 Furthermore, where individuals are identified and prosecuted, it provides a strong message that fraudulent behaviour will not be tolerated.

8.3 The Chief Financial Officer is satisfied that the Council complies with the requirements of the National Fraud Initiative.

9. Head of Procurement Comments

9.1 Not applicable

10. Equalities and Community Cohesion Comments

10.1 This report explains how the Council participates in the statutory 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 will therefore improve services the Council provides to all sections of the community.

11. Consultation

11.1 No external consultation was required or undertaken in the production of this report.

12. Service Financial Comments

12.1 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 resources as part of the planned Corporate Anti-fraud Team to investigate relevant data matches and any follow up work required. An assessment of any additional resources which may be required from service departments will be made when the NFI data is available in February 2011.

13. Use of appendices

13.1 Not applicable

14. Local Government (Access to Information) Act 1985

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

15. Background

- 15.1 Since 1996, the Audit Commission has run the statutory 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 last NFI exercise in 2008/09 helped trace a total of £215 million in fraud, error and overpayments. Since the initiative's start in 1996, the NFI programme has helped identify £664 million in fraud, error and overpayment.
- 15.2 To ensure data is provided to the Audit Commission securely, it is automatically encrypted during submission to a secure website. The data matches highlighted as a result of NFI are then provided to participating bodies through the same secure website, which is then used by the Commission's auditors to monitor progress in following up these examples of potential fraud and error.
- 15.3 The NFI has regularly expanded the range of risks addressed in response to requests from audited bodies. The Serious Crime Act 2007 amended the Audit Commission Act 1998 to include new powers enabling the NFI exercise to be extended. NFI now offers data matching services to a wider audience including:
- Banks and financial institutions
 - Central government departments and agencies

- Housing associations
- Private sector pensions
- Recruitment agencies
- Retail sector companies
- Voluntary sector

15.4 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 of Data Matching Practice was reviewed by the Information Commissioner and was laid before both Houses of Parliament in July 2008. This ensures that data protection is given top priority alongside protecting the public purse.

15.5 The Secretary of State for Communities and Local Government proposed the abolition of the Audit Commission in his announcement on 13 August 2010. The government has indicated that its aim is for the new arrangements for the audit of local authorities and NHS bodies to be in place from the 2012/13 financial year. The details of the new arrangements and the transition to them have not been worked out and are subject to primary legislation. Therefore, there is no immediate change to the NFI and the 2010/11 exercise will continue as planned.

16. Core elements and data requirements of NFI 2010/11

16.1 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 also been successful in identifying fraud and overpayments in relation to other areas including non-declaration of secondary employment; employees working whilst off sick; misuse of blue badges; fraudulent claims for single person discount; and persons who had no eligibility to work in the UK. Disciplinary action has been taken against four employees identified as committing fraud resulting in three dismissals and one resignation. Recovery of identified salary overpayments has been instructed by service departments.

16.2 The Code of Data Matching Practice continues to be in place for NFI 2010/11 and online training guidance provides support for participants when using the secure NFI website. The aim 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.

16.3 The Audit Commission Act 1998 Part 2(A) 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 Audit Commission. Table 1 below sets out the core data sets which Haringey Council has provided for the 2010/11 NFI exercise.

Table 1 – Core data sets 2010/11

Data set submitted
Housing benefit claimants
Payroll
Pensions payroll
Trade creditors payment history
Trade creditors standing data
Housing rents
Private supported care home residents
Electoral register
Students eligible for a student loan
Insurance claimants
Transport passes and permits including: <ul style="list-style-type: none"> • Residents parking permits • Blue badges • Concessionary travel
Licences including: <ul style="list-style-type: none"> • Market trader/market operator • Taxi driver • Personal licences to supply alcohol

16.4 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.

16.5 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.

16.6 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.

18. Use of data 2010/11 NFI exercise

- 18.1 The Council submitted all the statutory data to the Audit Commission by the required deadline of 11 October. Previous NFI data matches have been investigated by service departments, with limited support made available from the small in-house internal audit team to assist and review progress. With the implementation of the Corporate Anti-fraud Team during 2010/11, resources will be provided through Audit & Risk Management to investigate data matches and potential fraud in key areas. The recommended Audit Commission risk based approach will be used, but it is anticipated that using officers with investigation skills and experience to target high risk data matches will ensure that the Council is even more successful in detecting and preventing fraud. Results from the NFI exercise will also be used to inform and develop the pro-active anti-fraud plan in future years.
- 18.2 Most of the key data matches will continue to be in effect for the 2010/11 NFI exercise, including payroll to payroll; payroll to pensions; benefits to payroll and licences; and trade creditors to payroll. The NFI process matches within each organisation and across all other data sets from submitting authorities. The paragraphs below highlight what other data sets will be used for when the data matches are released in 2011.
- 18.3 Housing Benefits. To allow a more effective assessment of NFI matches, the Audit Commission has agreed with the Department for Work and Pensions to integrate key intelligence from data relating to this type of benefit claimant into NFI, for example income declared and student status.
- 18.4 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.
- 18.5 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 person's discount.

18.6 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.

18.7 Licences. The data will be matched to DWP records and housing/council tax benefit records to identify whether correct benefits are being claimed.