AUDIT COMMITTEE	AGENDA ITEM No. 7
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel: 384557

NATIONAL FRAUD INITIATIVE 2022 / 2023

R E C O M E N D A T I O N S	
FROM: Steve Crabtree, Chief Internal Auditor	**Deadline date:** *N/A*
It is recommended that Audit Committee: 1. Note the mandatory data matching exercise planned for 2022 / 2023 and the implications on resources	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee to set out how the Council will look to tackle fraud and error as part of mandatory exercises from central government.

2. PURPOSE AND REASON FOR REPORT

2.1 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.18

> "*To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice*".

3. TIMESCALES

Is this a Major Policy Item / Statutory Plan?	**NO**	If yes, date for Cabinet meeting	N/A

4.   BACKGROUND AND KEY ISSUES

4.1   Background

4.1.1   Public bodies spend billions of pounds of taxpayers' money providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

4.1.2   Fraud does not recognise organisational or geographic boundaries. Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete datasets and therefore can limit gaps available to fraudsters to manipulate and help identify those that have. It also helps bodies to identify process improvements that can reduce future errors and the costs of correcting these errors.

4.1.3   The National Fraud Initiative (NFI) is an exercise which brings together datasets from across the public and private sectors. The provision of data for the purposes of NFI is a requirement of Part 6 of the Local Audit and Accountability Act 2014 and the output has been used to help assess the arrangements that the Council has in place to prevent and detect fraud in accordance with the Code of Audit Practice.

4.1.4   The Council is required by law to participate in the NFI by providing a range of datasets for matching, on receipt of the results the Council then has the responsibility to follow up and investigate the matches, and identify fraud, overpayment, and error. The main NFI data matching is undertaken every 2 years, the results of these matches is fed into a national report at the end of each cycle.

4.1.5   The transfer of several investigators to the Single Fraud Investigation Service in December 2014 had an impact on the delivery of undertaking matches with the works having to be subsumed into Internal Audit schedules.

4.1.6   This document aims to define the key roles, responsibilities, and expectations from for all stakeholders involved with the NFI exercise to ensure that fair processing compliance is maintained, mandatory data sets are correctly provided, and investigations are undertaken as necessary, based on the associated risks.

4.2   National Fraud Initiative 2022 / 2023

4.2.1   The proposed work programme (key dates) and the fees are set out below.

ACTIVITY	TIMELINE
NFI 2022 / 2023 work programme and scale of fees consultation begins	21 April 2022
Consultation ends	19 May 2022

Publication of the final NFI 2022 / 2023 work programme and scale of fees	By 29 July 2022
Issue NFI final data specifications	By 29 July 2022
Issue the instructions to bodies participating in NFI 2022 / 2023	By 29 July 2022
Extract data from systems in accordance with the data specifications and upload data to the NFI web application	Between 7 October 2022 and 18 November 2022
Cut off for NFI 2022 / 2023 data submissions	2 December 2022
The 2022 / 2023 exercise matches are available	From 26 January 2023

4.2.2 The proposed scale of fees for Peterborough City Council is set at **£3,820**. This represents a small reduction from the previous exercise (£3,900) due to the removal of social care datasets. (This reflects the effect of changes made to the National Health Service Act 2006, which reclassified this type of data as 'patient data'. It was concluded that while the NFI can match patient data on a mandatory basis, it can only disclose data matching results to a relevant NHS body. As local authorities are not relevant NHS bodies as defined in Schedule 9 of the LAAA 2014, the legislation would not permit the release of any social care data matches to local authorities).

4.2.3 The following datasets are expected to be provided in line with submission deadlines (subject to confirmation in the summer):

- Blue badges;
- Concessionary travel permits;
- Council Tax reduction scheme;
- Covid-19 grants and payments data;
- Housing benefits (data will be provided by DWP (Department for Work and Pensions));
- Housing tenants;
- Housing waiting list;
- Payroll;
- Pensions;
- Residents parking permits;
- Right to buy;
- Students eligible for a loan (Student Loans Company);
- Taxi driver licences;
- Trade creditors (payments history); and
- Trade creditors (standing data)

4.2.4 It should be noted that not all the mandatory datasets are held by PCC. Furthermore, there are number of datasets which are submitted annually (in December) which focuses on single person discounts, these being:

- Council Tax; and
- Electoral Register

4.2.5   Each dataset has specific fields which should be extracted from the various systems. The majority of these should be standard references which the Council is maintaining. Each data matching exercise usually has several additional fields requested to increase the potential quality of any subsequent match, although these may not necessarily be information which the Council routinely holds. The detection of errors can help to identify areas for improvement (e.g. data quality) and will increase the efficiency of the organisation (e.g., minimising financial risk).

4.2.6   The following datasets have been withdrawn from previous exercises based on the limited financial returns obtained nationally:

- Insurance Claims;
- Market Traders; and
- Personal Alcohol Licences

4.2.7   Throughout the exercise, any identified errors will be reported back to departments to improve the data quality going forward. The Code of Data Matching Practice requires that NFI will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud does the data become a mandatory requirement. No new datasets have been identified at present for this cycle.

4.3   **Delivering to Timelines and Investigating Errors**

4.3.1   Timelines for the delivery of the exercise are set out above. Each service area should assess, and report to Internal Audit, the risks that they may encounter to the achievement of this; the impact will be assessed and reported to the S.151 Officer if necessary. Any gaps in the process will be reported by Internal Audit to the S.151 Officer for information / action and will subsequently be referred to Audit Committee.

4.3.2   The NFI Key Contact will monitor performance in relation to the review and investigation of the data matching reports and provide appropriate feedback to managers and the S.151 Officer. Should matters be referred to Departments, all Heads of Service must establish appropriate arrangements for managing matched data investigations and NFI recording and reporting in their area.

4.3.3   Key responsibilities are set out in **Appendix A**. NFI progress will be reported by Internal Audit to the Corporate Leadership Team (CLT) and to Audit Committee.

4.4   **Guidance and Investigation**

4.4.1   Standards and guidance used are detailed on the government website National Fraud Initiative - GOV.UK (www.gov.uk). In addition, there is a separate email address which can be used for queries nfiqueries@cabinetoffice.gov.uk.

4.4.2   Internal Audit will need to review fair processing notices to be used prior to the referral to claimants, staff, customers etc. in order that they meet latest standards. Similarly, discussions will be held with Information Governance. Internal Audit will support dataset leads to ensure that specifications are met, and downloads are submitted on a timely basis. Quality checks will be undertaken by Internal Audit prior to submission and any data quality issues established will be referred to departments for amendment etc. (dependent on timelines, this could

well be after the data is submitted). Internal Audit will lead on the upload of data to the secure website in line with the agreed data sharing protocols.

4.4.3   Those officers identified as dataset key contacts will be offered appropriate training / advice is relation to NFI. As part of the training, it provides guidance on how to review and investigate each match. While Internal Audit will oversee the investigations there will be elements regularly referred to departments when issued are identified which will require their input. NFI matches are risk assessed within the software. Those matches identified as **RED** are seen as the best match with the highest potential risk. These should be reviewed in the first instance. Sample checks will be performed on lower categories. Should these identify issues then the sample will be extended.

4.4.4   The secure website provided by the Cabinet Office will contain sensitive data. Those officers who have access to it should use it in accordance with the Councils own Code of Conduct and ICT policies at all times.

5.   CONSULTATION

5.1   The review has been circulated to the Director of Resources and s.151 Officer for consideration.

6.   ANTICIPATED OUTCOMES OR IMPACT

6.1   The report sets out the approach to tackling anomalies within the various datasets held by the Council. The outcomes will see improved data held in relation to its customers and will potentially reduce the levels of fraud and error.

7.   REASON FOR THE RECOMMENDATION

7.1   To provide Members with an overview of the requirements to meet external requirements for the protection of the public purse.

8.   ALTERNATIVE OPTIONS CONSIDERED

8.1   None

9.   IMPLICATIONS

Financial Implications

9.1   The cost of provided the data to the Cabinet Office are detailed in the report. Further costs incurred relate to officer time downloading the various datasets, verifying the integrity and quality of that data, and following its submission the costs associated with investigating and correcting fraud and errors.

Legal Implications

9.2   None

Equalities Implications

9.3   Not applicable.

10.   BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1   None.

Appendices

A: Key Responsibilities

TITLE	ROLES AND RESPONSIBILITIES
Senior Responsible Officer: Director of Resources and s151 Officer	Ensure statutory requirements are met, including nominate a key contact Ensure key contact has access via the secure NFI software Ensure key contact fulfils all data protection requirements
NFI Key Contact: Chief Internal Auditor	Provide guidance on the data formats and data specifications Oversee the upload of data via the secure website Monitor progress against NFI matching reports Provide feedback on the outcomes of the exercise Report to s151 Officer any deficiencies in the NFI process Report to CLT / Audit Committee progress against the NFI
Dataset Key Contacts	Ensure fair processing notices have been used Data is downloaded in accordance with specification and provided to Internal Audit for upload Identified resources for future investigation of any matches received (if outside of Internal Audit) Provide quarterly updates to Key Contact on progress (if works undertaken outside of Internal Audit)
Internal Audit	Upload data via the secure website Identify resources for future investigation of any matches received / liaise with key contacts on progress Report on data quality issues
Assistant Director of Human Resources	To progress any action in relation to staff implications in fraud and corruption matters
Cabinet Member for Finance and Corporate Governance	Responsibility for overseeing the management of resources
Audit Committee	Oversee the delivery of effective arrangements for the governance across the Council through monitoring works of the Committee.

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