



ISLINGTON

FINANCE DEPARTMENT
222 Upper Street, London N1 1XR

Report of: Director of Finance

Meeting of	Date	Agenda Item	Ward(s)
Standards Committee	17 October 2006	7	

Delete as appropriate	Non exempt	
-----------------------	------------	--

Subject: National Fraud Initiative

1. Synopsis

- 1.1 The National Fraud Initiative (NFI) is a data matching exercise organised by the Audit Commission (the Commission) every two years. It involves the collection of data from a wide variety of public bodies, covering such areas as payroll and pensions, housing rents, creditors' payment history and housing benefits. This data is cross-matched to other government data to identify inaccuracies or potential fraud. This process plays a key role in the reduction of primarily housing benefit fraud, as well as occupational pension fraud and tenancy fraud. It is the country's largest public sector fraud detection exercise and last year identified £111 million of overpayments attributable to fraud. Since its launch in 1996, the Commission reports that more than £300 million has been saved.
- 1.2 Preparatory work for the 2006/7 NFI has already commenced and the Council will be submitting its data in October this year. The results of the matching exercise against the other data sources will be returned to the Council in January 2007 for review and investigation. The Commission requires all councils to regularly report on progress made in investigating the matches and pursuing any over-payments arising from fraud or error.
- 1.3 The NFI has a very high profile and this year has received a ringing endorsement from The Society of London Treasurers which has given its commitment and full support to the initiative. The Council's response to NFI impacts on the Commission's view of the Council's anti-fraud procedures and has a considerable influence on the Comprehensive Performance Assessment (CPA) as regards the Council's Use of Resources. It is critical therefore that the Council is able to demonstrate to the Commission its full commitment and participation in both the data gathering phase as well as in the subsequent review of the NFI results. In order for the Council to achieve this adequate resources need to be made available and departments need to make a commitment to provide assistance to ensure the success of the initiative. This paper sets out the work programme needed for the Council to undertake the 2006/7 NFI.

2. Recommendation

- 2.1 To note the proposed NFI work programme and the commitment from all Council departments to provide full co-operation and assistance to ensure this review is a success and maximise the potential benefits.

3. Proposed Work Programme

Objectives and Scope

- 3.1 One of the key objectives is to provide consistency to the approach for collecting data and for investigating the resulting matches. Key elements that need to be in place to ensure an effective return on the resources invested into the NFI are:
- Key contact role
 - Allocating work appropriately
 - Equipping staff with access to NFI application
 - Initial review
 - Follow up approach
 - Tracking progress
- 3.2 The Commission requires a number of mandatory datasets to be forwarded by the Council. These are:
- Payroll and pensions payroll
 - Housing rents
 - Creditors' payment history and standing data
- 3.3 The Commission has also identified other datasets which are optional and are seen as part of the Commission's risk based data matching. The Council has decided to assist the NFI initiative as far as possible and will therefore submit all of the additional datasets identified as follows:
- Residents' parking permits, blue badge parking permits and concessionary travel passes
 - Insurance claims
 - Private care home residents
 - Market trader licences

Timescales

- 3.4 The data for NFI 2006/07 is due to be collected by 6 October 2006 and submitted to the Commission on 13 October 2006. The results from the exercise for each relevant body will be issued on 29 January 2007 via a web based application. Access to matches will be controlled by user log-ins and passwords. In order to plan properly for the successful implementation of NFI a timeline has been prepared and is included at Appendix A.

Data compliance

- 3.5 To ensure compliance with the Data Protection Act 1998 it is necessary that the disclosure of personal data to the Commission is performed in accordance with the Code of Data Matching Practice 2006 which can be found on the Commission NFI website, at <http://www.audit-commission.gov.uk/nfi/codeofdmp/>.
- 3.6 All bodies supplying data must inform data subjects that their data may be disclosed for the purposes of auditing in order to identify potential cases of fraud where practicable. Before the submission of data sets for NFI 2006/07, the following steps will be taken:
- reminder to employees that payroll data will be used for NFI by sending a letter informing them of this with each employee's payslip;
 - inform pensioners that pension payroll data will be used for NFI by sending a letter (approved by Age Concern) to each pensioner;
 - informing tenants that housing tenancy data will be used for NFI by including an article to that effect in the tenant newsletter; and
 - informing all market traders that their data will be used for NFI by sending individual letters to them.
- 3.7 Before the submission of the fair processing compliance return to the Commission on 30 September 2006 it is necessary to ensure that the appropriate steps are being taken to incorporate fair processing notices into documentation.

The Key Contact

- 3.8 The key contact is vital to the success of the NFI exercise. An effective key contact will actively manage and coordinate the exercise and will be responsible for:
- identifying data download and investigation contacts and ensuring that NFI form 1 is completed for the Commission by 31 August 2006 to identify all contacts (key contact, data download contact and investigation contacts);
 - notifying data download and investigation contacts of their roles and responsibilities and ensure that they are aware of any deadlines;
 - ensuring that NFI fair compliance notice requirements are complied with and NFI form 3 is completed and returned to the Commission;
 - collating results from the investigation contacts within the Council and submitting a consolidated return to the Commission within the required timescales, informing them of progress to date on investigations;
 - developing a protocol for access to the NFI results and providing access to identified individuals. This will be done in coordination with the Key Investigation Contacts.

The key contact for the NFI 2006/07 for the Council is the Chief Internal Auditor, who will be responsible for maintaining an oversight on this exercise.

Data Download Contacts

- 3.9 A Data Download Contact will be responsible for overseeing data subject notification, providing the download of data during the week commencing 9 October 2006 and ensuring that the data provided is of the appropriate standard. Guidelines on downloading the data, the data format and the media to provide it on have been made available in the 'NFI 2006/07 Handbook for Local Government'.

Key Investigation Contact

- 3.10 The Key Investigation Contact will have overall responsibility for ensuring that appropriate staff have access to the NFI results, which will be made available in a web-based application. The Key Investigation Contact will ensure matches produced are reviewed and investigations actioned. This will involve a number of departments. The contact will have the following responsibilities:
- before an investigation is started he/she will co-ordinate a review of the data matches and identify high priority reports where cases merit detailed investigation. Priority will be set according to the NFI Guidelines which the Commission will make available in January 2007;
 - task lead officers for each match type and agree how the investigation will proceed. Lead officers will monitor progress and report back to the Key Contact and Internal Audit every two weeks following issue of the results on 29 January 2007;
 - ensure that appropriate staff are given responsibility for and understand the process of following up the NFI matches (including access to the NFI web-based application);
 - agree mechanisms for obtaining additional information required, both from internal and external sources;
 - set out the approach for collating and assessing the results of the investigations for subsequent reporting to the Commission;
 - feed back summary information relating to investigations involving public sector employees to other employing organisations.

Preventing duplication of effort

- 3.11 To prevent duplication of effort, it is important that the organisation leading the investigation should be identified at an early stage where data matches occur between two separate council organisations. The organisation that potentially has been defrauded should lead e.g. for housing benefits to payroll matches, the housing benefit paying authority should lead. Further guidance on who should take the lead will be provided in the NFI Guidelines 2006/07 from the Commission which will be available in January 2007.

Staff training

- 3.12 In November/December 2006, there will be a half day workshop for the Council's staff run by an Associate Director of the Audit Commission. This will cover how to use the results produced by the NFI in January 2007. The target audience is all Investigation contacts, together with Internal Audit. The Director of Finance will introduce the session.

4 Implications

Financial Implications

- 4.1 The preparatory work can be fully met from within the existing Internal Audit revenue budget. However, additional resources may be required depending on the extent of the number of data matches that require review or need to be investigated.

5 Legal Implications

- 5.1 Participation by the Council in the National Fraud Initiative is mandatory (sections 3(9) and 6 Audit Commission Act 1998 (as amended)). The Council should ensure that it complies with the provisions of the Audit Commission's Code of Data Matching Practice in order to match data lawfully under the Data Protection Act 1998.

6 Equality Implications

- 6.1 Enhanced protection of public funds will enable the Council to ensure that resources are fully utilised in the provision of services to all sections of the community.

7. Conclusion and reasons for recommendations

- 7.1 The Corporate Management Board recognises the importance of ensuring the Council's successful participation in NFI 2006/7. The exercise is being coordinated under the guidance of the Chief Internal Auditor, with input from key stakeholders including PwC Forensics, Legal, Human Resources and the various investigation sections within the Council. It is vital therefore that all department heads acknowledge their role and agree to provide the utmost cooperation and assistance to make this review a success.

Background Papers:

Final Report Clearance

Signed by _____ Date _____
Director of Finance

Received by _____ Date _____
Head of Democratic Services

Report Author : Jim Hodges, Chief Internal Auditor
Tel : 0207 527 2744
Email : jim.hodges@islington.gov.uk

