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| meeting | PENSIONS ADMINISTRATION COMMITTEE | |
| date | 31 JULY 2006 | agenda item number |

REPORT OF THE DIRECTOR OF RESOURCES

NATIONAL FRAUD INITIATIVE 2006

PURPOSE

1. To inform Members of the requirements of the Audit Commission's National Fraud Initiative 2006 (NFI 2006) and of the action being taken by the Authority in response to the Initiative's requirements.

INFORMATION AND ADVICE

2. The Audit Commission's National Fraud Initiative requires local authorities, by law, to submit specified data to the Audit Commission to allow it to carry out a number of data matching processes to identify cases of potential fraud. This data relates to payroll, housing benefits, housing rents, student loans, pension payments and, for the first time, creditors' data.
3. The initiative has now been running nationally for ten years. The latest exercise, NFI 2004, resulted in the identification of fraud and error of over £100 million. The major areas of fraud detected concerned housing benefits (non-declaration of employment income) and occupational pensions (continued receipt of pension after the death of the pensioner). Within Nottinghamshire, the initiative identified a total of 5 pension overpayment cases totalling approximately £4,500. In all cases, the person entitled to the pension payment had died but notification of this was not received resulting in the continued payment of the pension concerned. In these cases successful recovery arrangements have been put in place. As well as the identification of the above cases, the NFI process by matching pension payroll data to official records of deceased persons, has provided a reliable alternative to Life Certificates.

NFI 2004

4. The Audit Commission has now informed Authorities that it will be carrying out a further data matching exercise in 2006. It has issued revised guidance requiring County Councils to submit payroll data to the Commission's Auditor by 13 October 2006. The data required from the County for NFI 2006 relates to payroll, both for employees and pensioners. This information will be matched against Housing Benefit data and other Authorities' payrolls for

employees, and against the Department of Works and Pensions Deceased Pensions data for pensioners.

5. The Audit Commission states that the use of data for NFI purposes is governed by strict protocols that have been developed through consultation between the Commission and the Information Commissioner and are contained in a New Code of Data Matching Practice 2006. It also states that the Initiative has been designated as part of the statutory external audit and that Authorities are legally obliged to provide the requested data. In the past, the Authority has sought Counsel's opinion on whether the County had, by law, to submit the data concerned. The advice received confirmed that the Authority may be acting illegally if it did not participate in the NFI exercise and as a result the Authority has agreed to provide the requested information to previous NFI exercises.
6. As part of the NFI process, the Audit Commission recommends that Authorities inform staff/pensioners and their representative bodies that payroll data is to be used as part of NFI 2006. Consultations with the Trade Unions have been held at the JCNP(Education) and the Corporate Joint Forum. In addition, employees will be informed on September payslips of the Audit Commission's requirements. The Pensions Committee will also be informed and pensioners will be alerted to the Initiative in the Autumn edition of "Nest Egg", the pensioners' newsletter. Cabinet, on 26 July 2006 also received a report on NFI 2006.
7. Once the data has been submitted to the Audit Commission it is processed and the initial output from the initiative will be returned to Authorities in January 2007. On receipt, the matches will be investigated. A further report on the outcome of the NFI 2004 matches for the County Council will be prepared for the Audit Committee once the investigations into the matches have been completed.

STATUTORY AND POLICY IMPLICATIONS

8. The Audit Commission has designated the NFI to be part of the statutory external audit and states that Authorities are legally obliged to provide the relevant data in accordance with the Audit Commission Act 1998.

FINANCIAL IMPLICATIONS

- 9.. The cost of the NFI is included in the annual External Audit fee paid by the Authority.

RECOMMENDATION

10. That Members note the participation of the Authority in NFI 2006.

LEGAL COMMENTS (PDH – 13/6/06)

11. Whilst it is a legal requirement to provide the information to the Audit Commission, the County Council as a data controller under the Data Protection Act 1998 must assure itself of the legality of such data sharing. The Council has legal powers under the Crime and Disorder Act 1998 and the Local Government Act 2000 to supply information such as that requested for

the purposes set out and pursuant to the safeguards highlighted in the report. The Code of Practice provides evidence of the security and protection that will be applied to the Council's data. The provision of information to employees and pensioners ensures fair processing of their data. It is not practical to provide such information to all the Council's creditors in advance of the NFI 2006. It is unlikely that much personal data will be contained in such records and there are in any event exemptions from the fair processing requirements. The Council has in the past considered the intrusive nature of data matching weighed against the public interest in identifying and recovering public funds bearing in mind the amounts actually recovered.

ARTHUR DEAKIN
DIRECTOR OF RESOURCES

Background Papers Available for Inspection

None.

Equal Opportunities Implications

The process applies to some of the payroll data of all staff and pensioners in the County Fund.

Crime and Disorder Implications

These are covered in the report.