



|         |                                   |                    |
|---------|-----------------------------------|--------------------|
| Meeting | PENSIONS ADMINISTRATION COMMITTEE |                    |
| Date    | 10 SEPTEMBER 2004                 | agenda item number |

## REPORT OF THE DIRECTOR OF RESOURCES

### NATIONAL FRAUD INITIATIVE 2004

#### **PURPOSE**

1. To inform Members of the requirements of the Audit Commission's National Fraud Initiative 2004 (NFI 2004) 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 and pension payments.
3. The initiative has now been running nationally for eight years. The latest exercise, NFI 2002, resulted in the identification of fraud and error of over £80 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 8 pension overpayment cases totalling approximately £5,000. 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 it will be carrying out a further data matching exercise in 2004. It has issued a revised NFI handbook, which stipulates that County Councils will be required to submit the required data to the Commission's Auditor by 22 October 2004. The data required from the County for NFI 2004 relates specifically 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 Persons data for pensioners. Student Loan data is also required.

5. The Audit Commission state 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. 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 2004. Consultations with the Trade Unions have been held at the JCNP(Education) and the Corporate Joint Forum. The Pensions Committee will also be informed in October and pensioners will be alerted to the Initiative in the Autumn edition of "Nest Egg", the pensioners' newsletter. Cabinet, on 21 July 2004, also received a report on NFI 2004 and approved the participation of the Authority in NFI 2004 in accordance with the Audit Commission Act 1998.
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 by 28 January 2005. On receipt, the matches will be investigated and if overpayments are confirmed, appropriate recovery action will take place.

#### **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 2004.

#### **HEAD OF LEGAL SERVICES COMMENTS (PDH 25.06.04)**

11. The legal issues relevant to NFI 2004 are set out in the text of the report. There are no other legal matters arising.

**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.