

DERBYSHIRE COUNTY COUNCIL**AUDIT COMMITTEE MEETING****26 September 2018****Report of the Director of Finance & ICT, Director of Legal Services and
Assistant Director of Finance (Audit)****NATIONAL FRAUD INITIATIVE****1. Purpose of Report**

To inform Members of the receipt of the request from the Cabinet Office for the Council's participation in NFI 2018-19.

2. Information and Analysis

The National Fraud Initiative (NFI) is coordinated by the Cabinet Office and matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include government departments, national agencies, health authorities, police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

The Cabinet Office has recently produced a report which includes the results of NFI data matching exercises. For over two decades the NFI has enabled participants to detect fraud, overpayment and error totaling £1.69 billion with NFI 2016-17 identifying £301m compared to £19m identified by NFI 1996-97, the first such exercise. The main category of fraud identified by the NFI is England is pension fraud and overpayments with £144.8m identified by the latest exercise.

Following a consultation exercise it was agreed that whilst the existing mandatory data matches listed below would continue to be part of the NFI 2018-19 the Insurance Claimants dataset would be excluded. The Cabinet Office stated that 'we do not feel it is an effective use of participants' resources, or that it is proportionate under data protection legislation, to continue to mandate the inclusion of Insurance Claimants data in NFI.

The Council has now received the Cabinet Office's formal request to participate in NFI 2018-19 and relevant data must be submitted on 1 October 2018; results of this exercise will be available from 31 January 2019.

The Council is required to submit the following datasets to the Cabinet Office:-

- payroll;
- pensions;
- private supported care home residents;
- transport passes and blue badge permits;
- trade creditors history;

- trade creditors standing data;
- personal budgets (direct payments)

A detailed data specification of the information required for each of the above datasets has been provided.

Audit Services is the central coordinator for the data matches received from the Cabinet Office and ensures matches are investigated, liaising as required with Departments within the Council and other authorities. Audit Services also maintains the web based application provided by the Cabinet Office which tracks progress on matches reported.

As in previous years Reports will be brought to future meetings of the Audit Committee to provide Members with updates on progress regarding NFI 2018-19.

3. Financial Considerations

The cost of NFI 2018-2019 to the Council will be £3,750 which has not increased for ten years. The Council has benefited from the savings derived from the NFI, which is a significant contribution to its responsibility for the prevention and detection of fraud. In addition, for pensions, NFI has replaced the life certificate process for those pensioners living in the UK, thereby providing administrative savings for the Council, improving the detection of irregularities and providing further assurance regarding the integrity of the Council's processes.

4. Legal Considerations

The Data Protection Act 2018 was enacted on the 25 May 2018. Changes to this Act have impacted on the way in which participants of the NFI inform individuals that their data will be processed. There has been limited guidance from the Cabinet Office on the appropriate notification methodologies to be employed by participants. The Council has, therefore, continued to inform individuals via fair processing notices in payslips and updated the Council's website with a Privacy Notice relating to the NFI exercise. A Code of Data Matching Practice has been published to help to ensure that the NFI and everyone involved in associated data matching exercises comply with the law, especially the provisions of the Data Protection Act. It also promotes good practice in data matching.

The Minister for the Cabinet Office uses powers conferred by Part 6 and schedule 9 of the Local Audit and Accountability Act 2014 to undertake the NFI. It does not require the consent of the individuals concerned under data protection legislation or the General Data Protection Regulation. Under this legislation the Cabinet Office may:-

- carry out data matching exercises for the purpose of assisting in the prevention and detection of fraud;

- require certain bodies (as set out in the Act) to provide data for data matching exercises;
- allow bodies to participate in its data matching exercises on a voluntary basis where the Cabinet Office considers it appropriate and it is lawful;
- disclose the results of data matching exercises where this assists in the prevention and detection of fraud, including disclosure to bodies that have provided the data and to auditors that it appoints as well as in pursuance of a duty under an enactment;
- charge a fee to a body participating in a data matching exercise and must set a scale of fees for bodies required to participate;
- must prepare and publish a Code of Practice. All bodies conducting or participating in its data matching exercises, including the Cabinet Office itself, must have regard to the Code;
- report publicly on its data matching activities.

5. HR and Equalities Considerations

Data subjects will be informed that their data is being used to prevent or detect fraud as part of NFI. This will be achieved by the inclusion of a fair processing notice within pensioners' payslips. Members and staff will continue to be notified of the exercise by means of a fair processing notice included in payslips.

Work has been completed to ensure that other data subjects, including trade creditors, recipients of direct payments and concessionary travel passes are informed of the process on relevant application forms or master data documents used when initially creating a new data subject record.

The Council has ensured that the principles of the Data Protection Act 2018 are observed in providing the data used for this exercise, and takes every precaution to ensure that the data submitted is accurate and up to date.

6. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, environmental, health, property and transport considerations.

7. Background Papers

A file held by the Assistant Director of Finance (Audit).

8. Officers' Recommendation

That the Committee note the Council's participation in NFI 2018-19 and the associated arrangements made.

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