

**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**20 September 2022**

**Report of the Director of Finance & ICT  
and Assistant Director of Finance (Audit)**

**National Fraud Initiative**

**1. Purpose**

- 1.1 To inform Members of the Cabinet Office's request that the Council participates in the National Fraud Initiative (NFI) 2022-23.

**2. Information and Analysis**

- 2.1 The scale of public finance administration is such that detecting instances of fraud and error represent a very real challenge to the Council. As an embedded process which began in 1996, the Council's participation in the NFI exercise is one of a number of schemes with which Audit Services engage to address this issue.

The NFI exercise is coordinated by the Cabinet Office and matches electronic data between approximately 1,200 participating organisations including government departments, national agencies, health authorities, police authorities, local probation boards, fire and rescue authorities, local councils and a number of private sector groups.

- 2.2 The Council has received the Cabinet Office's formal request to participate in the NFI 2022-23. The required data must be extracted from the Council's systems as at 30 September 2022 and submitted between 7 October 2022 and 18 November 2022 via the Cabinet Office's secure web portal.

2.3 The Council is required to submit the following datasets to the Cabinet Office for the 2022-23 exercise:

- Payroll;
- Pensions;
- Deferred Pensions;
- Creditors History;
- Creditor Standing;
- Blue Badge Parking Permit (This data submission will be made directly to the Cabinet Office via the third-party data processor Valtech as part of the GOV.UK digital service on behalf of the Council); and
- Concessionary Travel Pass (This data submission will be made directly to the Cabinet Office by the third-party data processor Fujitsu Services Ltd on behalf of the Council).

The Cabinet Office does not currently require that the Council submit private supported care homes and personal budgets social care data sets, which have been provided as part of previous NFI exercises due to restrictions in matching patient data. However, the Cabinet Office has indicated that options are currently being explored including changes to legislation that would allow these data sets to be included in future exercises.

### **3. Consultation**

3.1 The Code of Data Matching Practice produced by the Cabinet Office outlines that in accordance with data protection legislation, data controllers must inform individuals that their data will be processed pursuant to the NFI exercise, and this should be provided through a privacy notice. To adhere to this requirement Members, staff and pensioners have been informed of the NFI process via the following communication channels:

- National Fraud Initiative Privacy Notice published on the Council website;
- Our Derbyshire employee newsletter on 8 July 2022 (for all employees with a DCC email address and those who have subscribed with a personal email address to Our Derbyshire newsletters);
- Elected Members news and payslip enclosure on 15 July 2022;
- Payslip enclosure on 25 July 2022 (for all employees without access to the WorkPlace including staff within maintained schools);
- Pensioners' payslip enclosure on 25 March 2022 (for all current pensioners-no deferred pensions identified);

- Trade Unions via a Corporate Joint Committee (CJC) letter dated 4 April 2022.

Where data is collected directly from service users and suppliers i.e. Blue Badge Scheme, Concessionary Travel Scheme, personal budgets, direct payments and vendors the individuals and organizations are notified of the NFI process on the documentation used to collect their data.

- 3.2 Audit Services is the central coordinator for the data matches received from the Cabinet Office and liaise with Departments within the Council and external participating organisations to co-ordinate the review. Audit Services are also responsible for tracking the progress of matches and reporting outcomes to the Cabinet Office. As in previous years, reports will be brought to future meetings of the Audit Committee to provide Members with updates on progress regarding the NFI 2022-23.

#### **4. Alternative Options Considered**

- 4.1 None. Participation in the NFI is a mandatory requirement for the Council.

#### **5. Implications**

- 5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

#### **6. Background Papers**

- 6.1 Files held by the Assistant Director of Finance (Audit).

#### **7. Appendices**

- 7.1 Appendix 1 – Implications.

#### **8. Recommendation**

That Committee:

- a) Notes the Council's participation in the NFI 2022-23 exercise.

#### **9. Reasons for Recommendation**

- 9.1 The Council complies with the requirement to participate in the National Fraud Initiative.

**Report Author: Dianne Downs**  
Director of Finance & ICT  
Assistant Director of Finance (Audit)

**Contact details:**  
[peter.handford@derbyshire.gov.uk](mailto:peter.handford@derbyshire.gov.uk)  
[dianne.downs@derbyshire.gov.uk](mailto:dianne.downs@derbyshire.gov.uk)

## **Appendix 1**

### **Implications**

#### **Financial**

- 1.1 The cost of the Council's participation in the NFI 2022-23 is £3,715 (a reduction on the previous year's fee of £3,800 following an adjustment for the removal of social care data) and the exercise is a significant contribution to the Authority's responsibility for the prevention and detection of fraud.

#### **Legal**

- 2.1 The NFI is conducted using the data matching powers conferred on the Minister for the Cabinet Office by Part 6 of and Schedule 9 to the Local Audit and Accountability Act 2014.
- 2.2 The legal basis for processing personal data is that processing is necessary for the performance of a task carried out in the public interest. Certain public sector bodies are required to provide data for the NFI on a mandatory basis.

#### **Human Resources**

- 3.1 The Council has ensured that the principles of the Data Protection Act 2018 are observed in providing the data for this exercise and takes every precaution to ensure that data submitted is accurate and up to date.
- 3.2 Members, staff and pensioners have been notified of the requirement to participate in the NFI via pay slips and other communication channels. Trade Unions have been consulted through CJC. A National Fraud Initiative privacy notice has also been published on the Council's website.

#### **Information Technology**

- 4.1 The Council's NFI data submissions are uploaded to the Cabinet Office web application. The resultant data matches are accessible via the same Cabinet Office website with some processing and storage of the data matching results performed within the Audit Services' encrypted server environment. NFI data and associated records are retained accordance with the Council's relevant data retention policies.

## **Equalities Impact**

- 5.1 The Cabinet Office document 'Consultation on the expansion of the National Fraud Initiative Data Matching Powers and new Code of Data Matching Practice' dated February 2021 identified '*... a Public Sector Equality Duty (PSED) analysis...found no evidence that the legislation will impact on equalities. The use of the new powers, however, does provide the opportunity to identify inequality and address it, for example, to ensure those entitled to benefits are in receipt of the full amount available to them*'.

## **Corporate objectives and priorities for change**

- 6.1 Participation in the NFI exercise contributes to the Council's positive approach to combatting fraud and corruption whether it is attempted on or from within the Council as identified within the Council's Audit Charter.

## **Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

- 7.1 Participation in the NFI exercise contributes to the Anti-Fraud and Anti-Corruption Strategy.