

FOR PUBLICATION**DERBYSHIRE COUNTY COUNCIL****AUDIT COMMITTEE****30 January 2024****Report of the Director of Finance
and Assistant Director of Finance (Audit)****National Fraud Initiative (NFI)****1. Purpose**

- 1.1 To inform Members of the completion of the National Fraud Initiative (NFI) 2022-23 and the outcomes arising from the scrutiny of related data matches.

2. Information and Analysis

- 2.1 The NFI exercise is coordinated by the Cabinet Office under powers conferred to it by the Local Audit and Accountability Act 2014. The exercise matches electronic data within, and between, participating public and private sector organisations to assist in the prevention and detection of instances of fraud and error. Participating organisations include police authorities, fire and rescue authorities, NHS bodies, local government authorities and a number of other private sector organisations.
- 2.2 The 2022-23 NFI data matching exercise has now reached completion. This exercise provided the Council with 30 distinct reports totalling 21,881 individual data matches for investigation. Through investigations by Audit Services and departmental service areas, a total of 69 instances were identified where financial recovery or adjustment could be pursued. The final value of the 2022-23 exercise was £126,691 and is in the process of being recovered. A summary of findings is detailed below.

Report Title	Total number of records reviewed	Number of errors requiring financial recovery	Value of financial recovery (£)
Pensions and Pension Gratuity to Benefits Agency Deceased Persons.	471	39	88,993
Duplicate records by invoice amount and creditor reference.	11,125	11	31,785
VAT overpaid.	1,757	19	5,913
Total	13,353	69	126,691*

*Action has been taken to recover overpayments or adjust payments as appropriate.

3. Consultation

- 3.1 Members, staff and pensioners were notified of the 2022-23 NFI data matching exercise by means of a fair processing notice included in pay slips. Trade Unions are also consulted through Corporate Joint Council (CJC).

The Council has ensured that the principles of the Data Protection Act 2018 were observed when providing the data for this exercise, and took reasonable steps to ensure that data submitted was accurate and up to date.

The NFI does not require the consent of the individuals concerned under current data protection legislation.

4. Alternative Options Considered

- 4.1 Participation in the NFI is a mandatory requirement for the Council. The NFI is conducted under the Local Audit and Accountability Act 2014. This allows the Secretary of State or the Minister for the Cabinet Office to require certain public sector bodies to provide data for NFI processing on a mandatory basis for the prevention and detection of fraud.

5. Implications

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

6. Background Papers

- 6.1 Electronic files and Audit working papers held by Audit Services, Corporate Finance, County Hall.

7. Appendices

- 7.1 Appendix 1 – Implications.

8. Recommendations

- 8.1 That Audit Committee are asked to note the outcome of the Council's participation in the NFI 2022-23 exercise.

9. Reasons for Recommendation(s)

- 9.1 N/A.

Report Author:

Mark Lunn

Contact details:

mark.lunn@derbyshire.gov.uk

Appendix 1

Implications

Financial

- 1.1 The Cabinet Office invoices the Council for participation in the NFI, for 2022-23 the cost was £3,705. The exercise is a significant contribution to the Council'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.
- 2.3 The Accounts and Audit Regulations 2015 - Requires authorities to implement measures to enable the prevention and the detection of inaccuracies and fraud.

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.
- 3.2 Members, staff and pensioners have been informed of the requirement to participate in the NFI exercise. Members, staff and pensioners have been notified by means of a fair processing notice included in pay slips. Trade Unions are also consulted through CJC.

Information Technology

- 4.1 The Council's NFI data match reports are accessible via the Cabinet Office web application, with outcomes of data match scrutiny also uploaded to the NFI web application by Audit Services. Data match results and scrutiny working papers are stored within the Audit Services' encrypted server environment. NFI data and associated records are retained in 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 externally or internally 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.