

Proposed work programme and scales of fees 2014/15

National Fraud Initiative

March 2014

The Audit Commission's role is to protect the public purse.

We do this by appointing auditors to a range of local public bodies in England. We set the standards we expect auditors to meet and oversee their work. Our aim is to secure high-quality audits at the best price possible.

We use information from auditors and published data to provide authoritative, evidence-based analysis. This helps local public services to learn from one another and manage the financial challenges they face.

We also compare data across the public sector to identify where services could be open to abuse and help organisations fight fraud.

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Introduction

1 This document sets out the Audit Commission's proposals for the National Fraud Initiative (NFI) 2014/15 and the associated scale of fees.

Background

2 The Commission's NFI, is a data matching exercise. It has been run every two years since 1996 and, to date, has been used to identify fraud and overpayments totalling £1.1 billion.

3 The full outcomes from the current exercise, NFI 2012/13, will be reported in the national report due to be published in June 2014. NFI participants have identified significant fraud, overpayments and errors from NFI 2012/13 so it is clear that NFI continues to prove effective at preventing and detecting fraud and error.

4 Subject to commencement, the Local Audit and Accountability Act 2014 will make the 'relevant minister' responsible for data matching exercises and the Government has announced that the relevant minister will be the Minister for the Cabinet Office. The transfer of the Commission's data matching functions, and therefore the NFI, to the Cabinet Office will take place when the Commission closes at the end of March 2015.

5 The NFI 2014/15 work programme and scale of fees therefore covers the Commission's final set of data matching activities and there will be work-in-progress at 31 March 2015 which will need to be completed by the Cabinet Office after the transfer. Under the current two year data matching cycle, the first Cabinet Office NFI work programme and scale of fees consultation would be in 2016, or when it decides to carry out its first mandatory data matching exercise under the Local Audit and Accountability Act 2014.

Statutory framework

6 The Commission conducts the NFI under its statutory data matching powers in Part 2A of the Audit Commission Act 1998ⁱ. Under this legislation the Commission:

- may carry out data matching exercises for the purpose of assisting in the prevention and detection of fraud, as part of an audit or otherwise;

ⁱ Provisions dealing with data matching exercises were inserted into the Audit Commission Act 1998 by the Serious Crime Act 2007

- may require certain bodies to provide data for data matching exercises. These comprise all the bodies to which it appoints auditors;
- may charge a fee to any body participating in a data matching exercise and must set a scale of fees for bodies required to participate; and
- must prepare and publish a Code of Data Matching Practice (the Code). All bodies conducting or participating in its data matching exercises must have regard to the Code, including the Commission itself.

7 Our aim is to ensure that, while upholding and protecting citizens' rights in relation to their personal data at all times, the NFI continues to serve the public interest by:

- safeguarding public money against losses from fraud or misappropriation; and
- making an effective contribution to the wider fight against fraud and, potentially, other crime.

Proposed work programme

8 Existing mandatory data matches will continue to be a part of the NFI 2014/15 work programme. In addition we are also proposing to introduce two new mandatory requirements in the NFI 2014/15:

- Council tax to electoral register data sets will be requested from local authorities every year, currently this data is requested every 2 years; and
- Personal budget (direct payments) data will be introduced.

9 The additions will increase further the benefits of the NFI to mandatory participants. We are proposing these changes because:

- The level of Council Tax Single Person Discount (SPD) fraud detected by the NFI continues to be significant. In our last national report we reported £50m of council tax SPD fraud and error and since then NFI participants have continued to identify significant outcomes. In light of the continued high level of detected fraud and error we propose mandating the annual collection and data matching of council tax and electoral register datasets. This would be timed to coincide with the annual update of the electoral register data. It would allow councils to identify abuse more promptly, thereby limiting underpayments that subsequently need to be recovered.
- In a successful initial pilot using social care personal budget data, undertaken at 21 local authorities, recorded outcomes were in excess of £140,000. One authority alone is in the process of recovering in excess of £30,000 relating to payments that had continued after the death of the recipient. We also know of a number of councils who have secured successful prosecutions against people who have committed personal budget fraud.
- A further extended pilot has confirmed that this is a significant emerging fraud risk. We now propose to make this a mandatory dataset in the NFI 2014/15 to ensure we target this fraud risk as effectively as possible.

Pilots

10 The Code of Data Matching Practice states that the Commission will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud do they become mandatory.

11 Participating in pilots will no longer incur an additional fee to participants. This cost has become a barrier to participation for some and so we propose to fund pilot initiatives from existing resources with effect from NFI 2014/15.

Proposed scale of fees

12 Extensions to the work programme and funding pilots will incur extra costs. However, they will further enhance the benefits of participation in the NFI and ensure that the NFI continues to effectively target the key fraud risks faced by participants.

13 We propose that the scale of fees for mandatory participants will remain the same as for NFI 2012/13. To do this we will absorb the costs of additional activity in NFI 2014/15, including further investment in developing the service, through efficiency savings and reduced overheads (arising from the lower operating costs of the smaller Commission).

14 Many mandatory participants will therefore receive more data matches, targeting further fraud risks, for the same fee.

15 The proposed scale of fees for mandatory participants is shown in table 1.

Table 1: **Mandatory participant fees**

Type of body	2012/13 (£)	2014/15 (£)	Comments
London borough council ⁱ	4,150	4,150	
Metropolitan borough council	4,000	4,000	
Unitary authority	3,650	3,650	
County council	3,750	3,750	
County council (with fire)	4,500	4,500	
District council (large)	2,300	2,300	
District council (medium)	2,200	2,200	
District council (small)	2,100	2,100	
Pension authority (stand alone)	3,000	3,000	
Police authority	1,000		Abolished
Fire and rescue authority	1,000	1,000	
Integrated transport authority	1,000	1,000	
Passenger transport executive	1,000	1,000	
Waste regulation or disposal authority	1,000	1,000	
NHS trust	1,000	1,000	
Primary care trust	1,000		Abolished
Strategic health authority	1,000		Abolished
Clinical commissioning groups		1,000	New
Police ⁱⁱ		1,000	New

Invoicing arrangements

16 The NFI is run over a two year period, so the NFI 2014/15 scale of fees and work programme covers the two financial years 2014/15 and 2015/16. In light of the Commission's expected closure in March 2015 we will bill mandatory participants for these fees in one instalment, anticipated to be in

- i** The Greater London Authority and Transport for London will be charged the same rate as a London borough council.
- ii** Both police and crime commissioners and police chief constables are mandatory participants. We propose to charge a fee of £1,000 to the police body in each area which will submit data on behalf of both bodies.

November 2014 (as opposed to two equal instalments as in previous exercises).

Timetable

17 A provisional timetable for the NFI 2014/15 is in table 2. A detailed timetable will be available on our [web pages](#).

18 The full list of core datasets for each type of participating body can be found on our [web pages](#).

Table 2: **Provisional timetable for the NFI 2014/15**

Activity	When
NFI 2014/15 work programme and scale of fees consultation begins	31 March 2014
Issue NFI draft data specifications	31 March 2014
Consultation ends	12 May 2014
Publication of the final NFI 2014/15 work programme and scale of fees	30 June 2014
Submit Fair Processing Notifications	From 30 June 2014
Issue NFI final data specifications	30 June 2014
Issue NFI Instructions	30 June 2014
Extract and submit NFI 2014/15 data	6 October 2014
2014/15 matches are available	By 30 January 2015

Next steps

19 NFI 2014/15 will be undertaken under the Commission's data matching powers in Part 2A of the Audit Commission Act 1998ⁱ.

20 Under these powers the Commission has a statutory duty to prescribe scales of fees for its data matching exercises. Before prescribing any scales of fees the Commission is required to consult with all audited bodies that it requires to provide data as well as other bodies as the Commission thinks fit. Once the Commission has prescribed a scale of fees the applicable fee becomes payable by the body.

21 We would welcome comments from stakeholders on any aspect of the plan and the proposed scale of fees.

22 The Commission Board will approve the final 2014/15 work programme and scales of fees for publication in June 2014.

23 Comments on these or any other aspect of the proposed work programme should be sent to nfiqueries@audit-commission.gsi.gov.uk or by post to Darren Shillington, Head of the NFI Team, at the following address by 12 May 2014.

Audit Commission,
3rd Floor Fry Building
2 Marsham Street
London
SW1P 4DF

24 If you have comments or complaints about the way this consultation has been conducted, these should be sent by email to complaints@audit-commission.gsi.gov.uk.

ⁱ Provisions dealing with data matching exercises were inserted into the Audit Commission Act 1998 by the Serious Crime Act 2007.