

Public Audit and Post-Legislative Scrutiny Committee

National Fraud Initiative

Submission from Cabinet Office

The Cabinet Office NFI Team welcomes the opportunity to respond to the call for evidence.

Question 1: What have been the benefits, financial and otherwise, of putting the National Fraud Initiative on a statutory footing?

Putting the NFI on a statutory footing in Scotland, and mirroring this across the UK, has enabled a more effective drive to prevent and detect fraud and error. It has provided a clear legal basis and enabled data to be combined across the UK to the benefit of the public purse across the whole UK.

The powers have been used effectively to undertake batch data matching to detect fraud and prevent any further losses from this fraud.

The fact that the powers allow for data provision to be mandated has allowed the data to be required from organisations. This is vital to ensuring that 100% (or as near as possible to 100%) of key datasets have been supplied. This is important as, the value of the data matching, and therefore the levels of fraud prevented and detected, increases as you move towards 100% data capture.

The positive results of the NFI have been clearly set out in the national reports of Audit Scotland on the NFI who have reported cumulative outcomes from the NFI in Scotland of £110.6 million. Across the UK the cumulative total is now £1.39 billion.

We fully support the continuation of the NFI under statutory powers.

Question2: Could the legislation be strengthened in any way?

Follow up of data matches

Currently while the data can be required the legislation does not allow for circumstances where those organisations do not take effective action to follow up and stop the fraud detected by the NFI. This means fraud continues. This weakness is partially offset by linking the NFI in Scotland to the audit regime, Audit Scotland, as the statutory external auditor is better placed than most to influence good practice at audited and inspected bodies.

The options to address this would seem to be extending the powers to:

1. introduce a mandatory duty for all bodies in scope to provide data to follow up the resulting data matches and report back; or
2. enable specific follow up action(s) to be required of specific organisation(s), within a specified timeframe, in circumstances where their follow up approach

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was considered ineffective and highly likely to allow existing fraud to continue.

Again this would be linked to a duty to action and report back.

Option 2 would also be restricted to those bodies that can be required to provide data. The details of the mandatory follow up actions would be determined on a case by case basis and would aim to address the significant weakness in the follow up approach that has been identified.

If either option was adopted consideration would need to be given to associate penalties which could be levied in the event of non-compliance. The main options we see would be levying meaningful monetary fines (ie significant enough to act as a deterrent), publishing details of non-compliance and/or reporting them to parliament.

Alternatively it may be possible to consider strengthening the Code of Data Matching Practice or the Code of Audit Practice to more specifically address the issue of following up the NFI data matches.

Purposes

The permitted purposes could be extended to cover error and inaccuracies. Currently the powers allow fraud to be targeted, with error and inaccuracies a natural by product. They do not allow for data matching where the primary purpose is to detect and prevent error. An example where this could be useful would be GP registrations where, although not fraud, error can mean patients are incorrectly registered with GPs. Not only would this lead to payments from these errors but it may also mean the correct GP does not have access to a patient's medical records.

Question 3: Should participation in the National Fraud Initiative be improved? Are there any bodies who do not participate in the National Fraud Initiative who should do so?

The bodies that are required to take part if asked are those where the auditor is appointed by the Auditor General or the Accounts Commission. This does not include all public bodies. Consideration could be given to extending those bodies who can be required to provide data to all public bodies, or all organisations providing public services to be mandated. For example, Housing Associations provide 47 % of social housing in Scotland. The inclusion this data in the NFI would help prevent and detect social housing fraud in Scotland and the wider UK. Currently while local authorities are mandated to provide social housing tenants data, other social housing providers are not. While a small number of housing associations across the UK do provide data on a voluntary basis the fact that the significant proportion elect not to impacts on the ability of the NFI to spot frauds, for example tenancy fraud where a person has multiple social housing properties and is subletting one or more unlawfully.

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Question 4 – Are there any other issues you would like to raise in connection to this particular part of the legislation?

The focus to date has been on detecting fraud already present in systems, for example fraudulent housing benefit payments. Going forward we would encourage that, alongside this existing focus, more emphasis is given to looking to use the data matching powers to prevent fraudulent claims for public services and/or employment being successful. To do this would require the use of data matching at the point of application. NFI already has this functionality but to maximise the benefits that this real time service could provide would require consideration as to how best to link the NFI into real time intelligence held by other organisations so as to ensure that the checks provided the most up to date intelligence available. Key organisations would include local and central government, eg HMRC and DWP, plus private sector organisations like credit reference agencies.