

National Fraud Initiative (NFI) – fair processing notice

This broader description forms part of the **fair processing notice** for individuals whose information is submitted to Audit Scotland for the purpose of the NFI in Scotland.

Introduction

Audit Scotland conducts a National Fraud Initiative (NFI) to assist in the prevention and detection of fraud. This is a data matching exercise and one of the ways in which Audit Scotland helps auditors to meet their responsibilities, including promoting economy, efficiency and effectiveness in the use of public money.

Data matching involves comparing sets of data, such as the payroll or benefits records of a body, against other records held by the same or another body. The data is usually personal information. The data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

The processing of data for NFI in Scotland is carried out by the Audit Commission, on Audit Scotland's behalf, under the legal framework set out below. It does not require the consent of the individuals concerned under the Data Protection Act 1998.

All bodies participating in Audit Scotland's NFI exercises receive a report of matches that they should investigate, so as to detect instances of fraud, over or under-payments and other errors, to take remedial action and update their records accordingly.

Since 2000, Audit Scotland's National Fraud Initiative (NFI) has led to the detection of fraud and overpayments of around £58 million. Across the UK, since 1996, similar exercises undertaken by the Audit Commission have led to the detection of fraud and overpayments totalling in excess of £660 million.

Legal framework

Until October 2010

The framework described under this sub-heading applies to NFI exercises undertaken in Scotland up to NFI 2008/09 (ie, data collected for matching prior to October 2010). This framework may also be applied at future exercises (eg NFI 2010/11) if anticipated new powers for data matching are not enacted. It may also support future areas of data matching that are not provided for in the new legislation.

The NFI is conducted in Scotland as part of the statutory audits of public bodies. It is a condition of the statutory audit appointments for auditors to follow a Code of Audit Practice prepared by Audit Scotland. That Code and relevant auditing standards impose certain duties on auditors relating to the prevention and detection of fraud and the arrangements made by audited bodies. The Code of Audit Practice is available to download from Audit Scotland's web-site <http://www.audit-scotland.gov.uk/about/as/docs.php>

Data is required from bodies by auditors under section 100 of the Local Government (Scotland) Act 1973. Under section 100 a local authority auditor may obtain information from the audited body and 'any other person' provided that information appears to the auditor to be necessary for the purpose of auditing the accounts of a body governed by the 1973 Act. Auditors may therefore obtain information from non local authority bodies, for example, to help detect housing benefit fraud committed in councils by students and individuals employed elsewhere in the public sector.

It is a criminal offence for a person to wilfully or negligently fail to comply with a requirement of an auditor under section 100.

For NFI purposes, auditors are assisted by staff in Audit Scotland and the Audit Commission under arrangements permitted under section 53 of the Local Government in Scotland Act 2003.

The Audit Commission also has powers under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 to provide advice and assistance to another public authority. The definition of a public authority includes Audit Scotland and appointed auditors of public bodies in Scotland.

The Audit Commission matches the data on behalf of Audit Scotland.

Audit Scotland will report the results of NFI exercises to the Accounts Commission and the Auditor General for Scotland, and may publish any such report. Audit Scotland expects that such reports will deter individuals from defrauding public bodies.

From October 2010

From October 2010 (NFI 2010/11) Audit Scotland intends to conduct data matching exercises under new powers which are expected to be included at Part 2A of the Public Finance and Accountability (Scotland) Act 2000.

Under the new powers:

- 1 Audit Scotland may carry out data matching exercises, or arrange for them to be carried out on its behalf, for the purpose of assisting in the prevention and detection of fraud or other crime; and for assisting in the apprehension and prosecution of offenders.
- 2 Audit Scotland may require certain persons (or bodies) to provide data for data matching exercises. These bodies are listed below. These are bodies to which the Auditor General or the Accounts Commission appoints auditors.
- 3 Audit Scotland may allow other persons to participate in data matching exercises on a voluntary basis. Where they do so the legislation states that there is no breach of confidentiality and generally removes any other restrictions in providing the data for matching.
- 4 The requirements of the Data Protection Act 1998 continue to apply.
- 5 Audit Scotland may disclose the results of data matching exercises where this assists the statutory purposes described at 1 above, including disclosure to bodies that provided the data and to the auditors appointed by the Auditor General or the Accounts Commission.
- 6 Audit Scotland may disclose both data provided for data matching and the results of data matching to the Auditor General for Scotland, the Accounts Commission, the Audit Commission in England, the Auditor General for Wales, the Comptroller and Auditor General for Northern Ireland and the National Audit Office, for the purposes described at 1 above.
- 7 Wrongful disclosure of data obtained for the purposes of data matching by any person is a criminal offence.

8 Audit Scotland may impose reasonable charges on any body that discloses data for, or which receives the results of, a data matching exercise.

9 Audit Scotland must prepare and publish a data matching code of practice. All bodies conducting or participating in its data matching exercises, including Audit Scotland itself, must have regard to the code.

10 Audit Scotland may report publicly on its data matching activities.

Bodies required to provide data for matching

Audit Scotland requires the following bodies to provide data for NFI in Scotland:

- Councils
- Police Authorities
- Fire and Rescue Authorities
- Strathclyde Partnership for Transport (SPT)
- Tayside Contracts (TC)
- Health bodies
- Scottish Public Pensions Agency (SPPA)
- Student Awards Agency for Scotland (SAAS)

Audit Scotland also provides its own payroll data for NFI purposes.

This list will be updated from time to time and may not always reflect the current position.

Code of Data Matching Practice

Data matching by Audit Scotland is subject to a Code of Data Matching Practice which can be found on the same web-page as this document <http://www.audit-scotland.gov.uk/work/nfi.php>

The data that is matched and the reasons for matching it

For information describing which datasets are matched by Audit Scotland please refer to the relevant NFI Handbook or Instructions (separate documents are available for each NFI cycle eg, 2008/09 or 2010/11) available on this web-page, and the table below which summarises the various match types for each participating organisation.

Further information

More details on Audit Scotland's data matching exercises, including national reports, other publications and guidance, can again be found on the same web page as this notice <http://www.audit-scotland.gov.uk/work/nfi.php>. Alternatively please contact the Director of Audit Strategy, Audit Scotland, 110 George Street, EDINBURGH, EH2 4LH; tel 0845 146 1010. Email enquiries should be addressed to David Beveridge, Senior Manager (Audit Strategy & NFI) dbeveridge@audit-scotland.gov.uk

More information about the UK National Fraud Initiative is available on the Audit Commission's website at <http://www.audit-commission.gov.uk/nfi/>

22 June 2010 (revised)

The main match types and the organisations to which they apply (NFI 2010/11)

Match type	SPPA	Councils	NHS	Police/Fire/SPT/ TC	SAAS
Pensions Payroll to:					
- Deceased Persons	Y	Y	Y	Y	
- Payroll		Y	Y	Y	
- Housing Benefits	Y	Y	Y	Y	
- Injury benefits				Y (police & fire)	
Deferred pensions to deceased persons	Y	Y	Y	Y	
Housing Benefits to :					
- Students		Y			
- Payroll		Y			
- Pensions Payroll		Y			
- Housing Benefits		Y			
- Housing Rents		Y			
- Right to buy		Y			
- Insurance (if submitted)		Y			
- Home Office		Y			
- Licences (if submitted)		Y			
Payroll to :					
- Housing Benefits		Y	Y	Y	
- Payroll		Y	Y	Y	
- Pensions Payroll		Y	Y	Y	
- Home Office		Y	Y	Y	
- Companies House Directors and Creditors (released to external auditors)		Y	Y	Y	

Match type	SPPA	Councils	NHS	Police/Fire/SPT/ TC	SAAS
Housing rents to:					
- Housing Rents		Y			
- Housing Benefits		Y			
- Right to buy		Y			
- Home office		Y			
Right to buy to:					
- Housing Benefit		Y			
- Housing Rents		Y			
- Right to Buy		Y			
- Home Office		Y			
Students to					
- Home Office					Y
- Deceased persons					Y
Private Residential Care Homes to deceased persons		Y			
Blue badges to deceased persons		Y			

Risk Based Datasets (where submitted)

Match type	SPPA	Councils	NHS	Police/Fire/SPT/ TC	SAAS
Creditors to Creditors		Y	Y	Y	
Council tax to electoral register		Y			
Insurance to Insurance		Y			
Licences to Home Office		Y			
Residents parking permits to deceased		Y			
Concessionary travel permits (elderly/ disabled) to deceased		Y		Y (SPT only)	