1. The Auditor General for Wales (Auditor General) is the statutory auditor of public bodies in Wales and is empowered under Part 3A of the Public Audit (Wales) Act 2004 (the Act) to undertake data-matching exercises for the purposes of preventing and detecting fraud. The Auditor General has chosen to exercise this power to collaborate with Audit Scotland, the Cabinet Office and the Comptroller and Auditor General for Northern Ireland in running the National Fraud Initiative as a single data-matching exercise across the four national jurisdictions. The Auditor General is able to mandate that Welsh local authorities (including police and fire bodies) and NHS organisations participate in data-matching exercises undertaken under the Act. He has mandated that all principal local authorities and NHS bodies in Wales participate in NFI. The Welsh Government, several Welsh Government Sponsored Bodies, the Wales Audit Office and some Welsh housing associations participate in NFI on a voluntary basis.

2. The Auditor General welcomes the opportunity to provide evidence to the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee for its post legislative scrutiny of the National Fraud Initiative.

Responses to Consultation Questions

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

3. The NFI has been placed on a similar statutory footing on Scotland, Wales, England and Northern Ireland. One of the key benefits of this is that it is possible to conduct NFI (and other data-matching exercises) across geographical boundaries. This is important because those who perpetrate fraud often do so across organisational and national boundaries.

4. The statutory power to mandate certain organisations to provide specified data to NFI has been crucial to the success of the exercise. NFI involves matching data both within and across organisations. If certain organisations do not provide data it diminishes the effectiveness of the exercise for all other participants. In Wales, the Auditor General’s power to mandate the provision of data has meant that almost 100% of the mandated data has been provided.

5. This collaborative approach to data-matching, exercised through NFI has delivered very significant financial benefits in the fight against fraud, preventing and detecting fraud and error amounting to £1.39 billion across the four nations since the exercise began.

6. The legislation in each national jurisdiction is closely aligned and in consequence there are few difficulties in collaboration. Audit Scotland, the Cabinet Office and the Comptroller and Auditor General for Northern Ireland are in the main able to match the same data for the same
purpose. If the legislative powers were significantly different it would present a major obstacle to running the NFI as a UK-wide exercise. This would impact on the opportunities that exist to collaborate and result in duplication of development and operational costs. This would impact disproportionately on the smaller nations.

Question 2 - Could the legislation be strengthened in any way?

7. Whilst statutory data-matching powers are broadly similar across Scotland, Wales, England and Northern Ireland they are not identical. Data matching legislation in England includes provision for the Cabinet Office to undertake data-matching exercises for the purposes of identifying errors and inaccuracies. Extending the legislation in Scotland to enable Audit Scotland to data-match for the purposes of identifying error and inaccuracies has significant potential to support public bodies reducing losses as a consequence of erroneous award of benefits and services. This could deliver significant financial savings to the public purse. The Auditor General intends to seek an extension of the data matching legislation in Wales to include identification of errors and inaccuracies as a specified purpose of a statutory data-matching exercise.

8. Whilst data-matching legislation enables Audit Scotland, the Cabinet Office and the Comptroller and Auditor General for Northern Ireland to mandate that specified bodies provide data for NFI data-matching, the legislation does not require these bodies to take action to address anomalies identified through data-matching which could be due to fraud. The Audit General has found in Wales that there is significant variation in the action taken by public bodies to follow up the data-matches. It may be possible to strengthen the legislation to require all bodies who can be mandated to provide data to follow up the resulting data matches and report on the actions they have taken.

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?

9. NFI has been a successful tool in combatting fraud within social housing. Whilst local authorities which hold housing stock are mandated to provide housing stock and tenancy data for NFI data-matching, much of the social housing stock is held by housing associations which are not mandated to provide data. Whilst some housing associations provide data to NFI on a voluntary basis, the majority do not. Extending the legislation to allow housing associations to be mandated to provide data would significantly increase the potential for identifying tenancy fraud and returning fraudulently occupied units of social housing to legitimate occupation.