

CYNULLIAD CENEDLAETHOL CYMRU Y PWYLLGOR ARCHWILIO

**Adroddiad a gyflwynwyd i Gynulliad Cenedlaethol Cymru ar 9 Hydref 2008
yn unol ag adran 143 (1) o Ddeddf Llywodraeth Cymru 2006**

Y FENTER TWYLL GENEDLAETHOL

Cyflwyniad

1. Mae cyrff sector cyhoeddus yng Nghymru yn gwario tua £19 biliwn o arian cyhoeddus bob blwyddyn. Mae swm mawr o'r arian hwn yn cael ei wario gan awdurdodau lleol drwy roi budd-daliadau a thaliadau i unigolion i fynd i'r afael ag anghenion cymdeithasol. Yn aml, mae'r taliadau a'r budd-daliadau yn seiliedig ar wybodaeth a roddwyd ar ffurflenni cais a gyflwynwyd gan aelodau'r cyhoedd. Gall hyn gynnwys manylion o ran incwm, statws cyflogaeth a llety. Er bod y rhan fwyaf o bobl yn rhoi gwybodaeth gywir, nid yw hynny'n wir bob amser. O ganlyniad i hyn, mae unigolion yn hawlio ac yn cael budd-daliadau nad oes ganddynt hawl i'w cael. Mae'n anodd i gyrff cyhoeddus ganfod lle y rhoddwyd gwybodaeth ffug, gan fod y wybodaeth yn cael ei chadw mewn systemau data ariannol ac anariannol dirifedi o fewn cyrff sector cyhoeddus a rhyngddynt.
2. Caiff cyrff y sector cyhoeddus eu targedu'n aml gan dwyllwyr. Yr her i'r sefydliadau hyn yw lleihau twyll a gwallau. Mae hyn yn gofyn i gyrff sector cyhoeddus gydweithio a rhannu gwybodaeth er mwyn eu galluogi i ganfod twyll.
3. Datblygwyd y Fenter Twyll Genedlaethol (y Fenter) gan y Comisiwn Archwilio yn 1996 i'r perwyl hwn. Caiff y Fenter ei chynnal bob dwy flynedd ac fe'i defnyddiwyd i nodi dros £11.5 miliwn o dwyll a gordaliadau yng Nghymru a bron £450 miliwn ledled y DU.
4. Cyhoeddodd yr Archwilydd Cyffredinol adroddiad yn ddiweddar ar ganfyddiadau'r fenter yng Nghymru yn 2006/2007,¹ a chafodd wahoddiad gan y pwyllgor i drafod hyn. [Cyflwynodd yr Archwilydd Cyffredinol ei ganfyddiadau ar gyflwyniad PowerPoint sydd ar gael ar wefan y pwyllgor.]

Casgliadau

¹ Adroddiad Archwilydd Cyffredinol Cymru, *Menter Twyll Genedlaethol Cymru 2006/2007: Crynodeb o Ganfyddiadau*, 16 Mai 2008

5. Gwelodd y pwyllgor fod y fenter yn 2006/2007 wedi canfod £4.5 miliwn o arbedion yng Nghymru. Mae'r arbedion hyn yn ymwneud ag arian a dalwyd eisoes ac arbedion cysylltiedig yn y dyfodol drwy ddod â gordaliadau i ben. Mae hyn yn amlwg yn swm sylweddol o arian.
6. Mae angen ystyried y rhain yn gyfochrog â chostau canolog y gwaith o weinyddu'r fenter, sef tua £100,000 ar gyfer gweinyddu'r dechnoleg, prosesu data a hyfforddi'r defnyddwyr. Mae'r cyrff sy'n cymryd rhan hefyd yn mynd i gostau wrth ymchwilio i barau data, adennill gordaliadau ac erlyn troseddwy. Ychydig iawn o wybodaeth sydd ar gael am gostau'r erlyniadau.
7. Yn ogystal â sicrhau arbedion uniongyrchol, gall y system hefyd rwystro pobl rhag twyllo. Mae'n anodd mesur effaith hyn felly nid yw'n bosibl amcangyfrif costau a manteision net y fenter. Er hynny, daeth y pwyllgor i'r casgliad bod y fenter, ar y cyfan, yn amlwg yn arf effeithiol wrth helpu i ganfod a rhwystro twyll yn erbyn y sector cyhoeddus yng Nghymru ac oherwydd hynny mae o fudd sylweddol i arian cyhoeddus Cymru.
8. Gwelwyd nad yw arian, o bryd i'w gilydd, yn cael ei dalu'n briodol oherwydd diffyg gwybodaeth am y rheolau sy'n llywodraethu system benodol ac nid oherwydd twyll bwriadol. Mae sicrhau gwybodaeth ddigonol o ofynion system fudd-daliadau yr un mor bwysig â sicrhau bod pobl yn ymwybodol o'r hyn y mae ganddynt yr hawl i'w hawlio. Mae hyn yn arbennig o bwysig o ran y grwpiau a allai fod yn anghyfarwydd ag ymdrin â biwrocratiaeth y systemau.
9. Gwelodd y pwyllgor fod lle i ehangu'r fenter ymhellach ac nad oedd pob sefydliad yn y sector cyhoeddus yng Nghymru wedi cymryd rhan yn yr ymarfer yn 2006/2007. **Rydym yn argymhell fod pob corff sector cyhoeddus yng Nghymru yn cymryd rhan yn y fenter yn y dyfodol, a nodwn yr ymdrechion parhaus a gaiff eu gwneud gan yr Archwilydd Cyffredinol i wella'r cyfraddau cyfranogi a chefnogwn hyn.**
10. Roedd y pwyllgor yn bryderus nad oedd yr holl sefydliadau a gymerodd ran wedi darparu'r holl gyfresi data posibl ac oherwydd hynny nad oedd yn bosibl iddynt fanteisio'n llawn ar yr ymarfer. Rydym yn cydnabod bod nifer o resymau am hyn, yn cynnwys pryderon cyfreithiol, a nodwn y dylai pwerau newydd yr Archwilydd Cyffredinol o ran pwerau paru data helpu i leddfu unrhyw bryderon cyfreithiol. **Rydym yn cefnogi cynnig yr Archwilydd Cyffredinol i orchymyn paru yn ôl disgrisiwn ar gyfer ymarferion yn y dyfodol.**
11. Roedd y pwyllgor yn falch o nodi bod y cyrff sy'n cymryd rhan wedi gwneud gwelliannau cyffredinol o ran archwilio canlyniadau'r fenter. Fodd bynnag, cawsom ein siomi gan yr amrywiaeth o hyd yn yr ymrwymiad a gaiff ei ddangos gan y cyfranogwyr i ddilyn y parau data. **Rydym yn cefnogi**

ymdrechion yr Archwilydd Cyffredinol i annog cyrff cyhoeddus i wneud defnydd llawn o'r fenter.

12. Mae'r pwyllgor hefyd yn croesawu cynigion yr Archwilydd Cyffredinol i barhau i ddatblygu ehangder y fenter. Yn y tymor canolig, gallai hyn olygu ei hystyngiadau i feysydd sy'n ymwneud â thwyll hunaniaeth, gwyngalchu arian a lleoliad pobl sydd wedi dianc rhag cyfiawnder. Yn y tymor hwy, gall hyn arwain at greu cysylltiadau â phobl sy'n ymchwilio i droseddau difrifol.
Rydym yn argymhell y dylai'r Archwilydd Cyffredinol osod targedau mwy penodol ar gyfer y datblygiadau hyn na 'tymor canolig' a 'tymor hwy'.
13. Er ein bod yn croesawu'r datblygiadau hyn, hoffem bwysleisio pa mor bwysig yw cyflwyno mesurau priodol i sicrhau y rhoddir y sylw priodol i ddiogelu hawliau unigolion.
14. Mae'r pwyllgor hefyd yn ymwybodol iawn o bryderon y cyhoedd o ran cadw data cyfrifiadurol yn ddiogel a chroesawyd cadarnhad yr Archwilydd Cyffredinol bod gan y fenter fesurau diogelwch data llym. Yn ogystal, dim ond y data angenrheidiol a ddefnyddir, ni chaiff manylion banc eu cadw ar system y fenter a chaiff data ei ddinistrio ar ddiwedd y cylch. Er hynny, o gofio'r nifer uchel o achosion amlwg diweddar yn ymwneud â cholli data sensitif, pwysleisiwn ei bod yn bwysig bod yr Archwilydd Cyffredinol yn tawelu meddwl pobl o ran diogelwch system ddata'r fenter.
15. I gloi, mae'r pwyllgor yn croesawu'r fenter a chynlluniau'r Archwilydd Cyffredinol i'w datblygu ymhellach. Nodwn a chymeradwywn yr ymdrechion a gaiff eu gwneud i sicrhau y caiff y data a gesglir gan y system ei ddefnyddio'n briodol er mwyn amddiffyn arian cyhoeddus a chadw hyder y cyhoedd.

David Melding, AC
Cadeirydd, Y Pwyllgor Archwilio

Atodiad A:

Cofnod o drafodion Pwyllgor Archwilio'r Trydydd
Cynulliad, Dydd Iau 3 Gorffennaf 2008



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Archwilio
The Audit Committee**

**Dydd Iau, 3 Gorffennaf 2008
Thursday, 3 July 2008**

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cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau Cynulliad yn bresennol
Assembly Members in attendance

Eleanor Burnham	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Chris Franks	Plaid Cymru The Party of Wales
Irene James	Llafur Labour
Bethan Jenkins	Plaid Cymru The Party of Wales
Huw Lewis	Llafur Labour
David Melding	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Darren Millar	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Jeremy Colman	Archwilydd Cyffredinol Cymru Auditor General for Wales
Kate Febry	Swyddfa Archwilio Cymru Wales Audit Office
Ian Gibson	Dirprwy Bennaeth Uned Llywodraethu Corfforaethol, Swyddfa Archwilio Cymru Deputy Head of the Corporate Governance Unit, Wales Audit Office
Gill Lewis	Swyddfa Archwilio Cymru Wales Audit Office

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

John Grimes	Clerc Clerk
Abigail Phillips	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.31 a.m.
The meeting began at 9.31 a.m.

Ymddiheuriadau a Dirprwyon
Apologies and Substitutions

[1] **David Melding:** Good morning and welcome to the Audit Committee. I will make the usual housekeeping announcements before we start in earnest. These proceedings will be conducted in Welsh and English. When Welsh is spoken, a translation is available on channel 1 on the headset, and channel 0 will amplify proceedings for those who are hard of hearing. Please switch off all electronic equipment completely, as it can interfere, even when on 'silent' mode, with our recording system. There is no scheduled fire alarm this morning, so should we hear one, please follow the ushers' instructions carefully.

[2] I have received apologies from Lorraine Barrett, Janice Gregory and Lesley Griffiths.

9.32 a.m.

Menter Twyll Genedlaethol National Fraud Initiative

[3] **David Melding:** We now move on to our substantive item this morning, when we will discuss the findings of the Auditor General for Wales's report, 'National Fraud Initiative in Wales 2006/2007: Summary of Findings'. Fraud is a major scourge; a recent study estimated that fraud costs the UK economy approximately £20 billion a year or £330 for every person in the UK. The public sector is a common target for fraudsters and we welcome exercises such as the national fraud initiative where the objective is to detect and prevent fraud, and, in doing so, safeguard the resources that are so needed for front-line service delivery.

[4] I am pleased to welcome the auditor general, Jeremy Colman, who is in the odd position of being a sort of quasi-witness this morning. Therefore, we will run this session slightly differently, with Jeremy outlining the report and the main issues. During the presentation, if there are pressing questions, particularly about clarification, I will allow Members in, but I ask that we wait until after Jeremy has concluded his presentation to put to him the main body of questions. We will not go around in the ordered rotation that is our usual practice, so I ask that you try to attract my eye. I will try to concentrate as we move through the question sessions on certain areas before we move on. So, I ask that Members bear that in mind. Welcome, Jeremy, and, for the record, please introduce your team and then begin the presentation.

[5] **Mr Colman:** Thank you, Chair. As you know, I am Jeremy Colman, the Auditor General for Wales. I am accompanied this morning by my colleagues Gill Lewis and Kate Febry, who will be doing most of the work on the presentation—so you might say that the first example of fraud is the first slide, which has my name on it. I will not say very much, except by way of introduction, which is that I brought a brief report on the national fraud initiative to this committee a few years ago as a paper to note. It attracted quite a degree of interest among people who were members of the committee then, but who are not now, who said, 'We need a proper session on this'. So, I presented this report in this way in response to that request, which, as I say, happens to have been made by people who are no longer here. Nevertheless, I hope that you will find this interesting. Fraud occupies a relatively small proportion of our time in the Wales Audit Office, but the national fraud initiative, which is our major single exercise in connection with fraud, is an unusual exercise, and I hope that our report will show that it can generate savings that are spectacularly disproportionate to the cost. So, it might be a very successful exercise.

[6] We have developed a presentation that goes into some detail on how the national fraud initiative is run, because we think that you will be interested to see, in more detail than you would normally see, how we go about this particular piece of work. So, with that, I will hand you over to Gill for the rest of the presentation.

[7] **Ms Lewis:** Thank you, Jeremy. I thank the committee for allowing a slightly different session this morning. In the presentation, I would like to explain what NFI is. I know that many of you will be familiar with it, but I would just like to run through what it is. I will dwell a little on what and who it covers and we will do a little session on the tool itself. We came in a little earlier to check the equipment and you might need your glasses to see some of the slides, but you do have handouts. The focus of those slides will be clear. I will then go over the findings that you will see from the report and the future of NFI. I would be pleased to hear the committee's views on the future and how we can all work together.

[8] So, I will start off with an explanation of the national fraud initiative. Interestingly, it is a web-based analytical tool that matches data from a large number of different IT systems. It is quite important to think about this in the context of the volume. There are a huge number of systems, a mass of data and those data are then, for want of a better word, crunched into a much smaller database. Within that database, matches are made between authorities and within authorities and all public bodies. Those matches are both fraud and error. So, this is not only about fraud, but also about error. So, that, in essence, is the NFI; it is simple in nature, but complex in how it throws out matches.

[9] NFI has been around for quite a while. It started back in 1996 and I am afraid that I was around at the start of it. It was quite a basic exercise in those days and very much focused on housing benefit. That was the start of this exercise. It was very much focused on the London boroughs and started looking at housing benefit. So, that is where it started and it was only done in England and Wales and was very much based in the Audit Commission at the time. This particular exercise was undertaken across England, Wales and Scotland and I will come on later to say things about the future and what that might include.

[10] The data matches are undertaken biennially and you might think that that is rather strange, but given the huge volume of data and the length of time that it takes to progress some of the investigations—it takes that length of time to investigate—it is quite a cycle of work. In the next few months, we will download the next lot of data ready for the next cycle. So, it takes quite some time because of the number of matches that it throws up because of the scale of the exercise.

9.40 a.m.

[11] All public sector bodies investigate the matches themselves. I will explain in more detail later about the IT, which is administered by the Audit Commission. Since it commenced, it has identified £450 million of fraud and overpayments, which is quite phenomenal, £11.5 million of which is in Wales alone, and I think that there is much potential still in the system.

[12] **Chris Franks:** I have been doing some quick sums; I would have expected the Welsh figure, pro rata, to be more than £11 million. The rule of thumb that I always use is to divide the UK figure by 20—I know that that is not good audit practice, but I expected a figure closer to £20 million to £22 million.

[13] **Ms Lewis:** There are a number of reasons for that, and I will talk later about the discretionary and mandatory parts of the national fraud initiative. You must also remember that the London boroughs and some of the big inner cities in England skew the results for England, and they are quite disproportionate in the amount of fraud and error.

[14] **Chris Franks:** They are the hot spots, are they?

[15] **Ms Lewis:** Yes. So, what and who does NFI cover? Of the Welsh participants, local authorities are a very big participant—it was based on housing benefit originally, and a huge amount of data sets have been taken from the local authorities—and also police authorities and fire and rescue authorities. In the last few years, probation boards and health trusts have been included, with local health boards being included in the last exercise. I am very pleased to say that, on a voluntary basis, the Welsh Assembly Government has been included in this exercise. That is a first for Wales, because central Government departments in England are not included as yet, so we were very pleased that the Welsh Assembly Government came forward on a voluntary basis.

[16] **Eleanor Burnham:** Is the UK benefits system scrutinised by you in relation to the participants in Wales?

[17] **Ms Lewis:** The housing benefit for the UK—

[18] **Eleanor Burnham:** Yes, but also other types of welfare benefits, such as jobseeker's allowance and all the rest of it.

[19] **Ms Lewis:** Not completely as yet.

[20] **Ms Febry:** Very often, in uncovering individuals who have committed a housing benefit fraud, we find that other frauds are committed at the same time, and those will also be investigated by the relevant parties. So, if there is a housing benefit fraud there will potentially also be a council tax fraud, and there may also be income support or incapacity benefit fraud and those will be passed to the Department for Work and Pensions for the relevant staff to investigate.

[21] **Ms Lewis:** But not yet.

[22] **Eleanor Burnham:** Does the National Audit Office cover benefit fraud, because you have just said that the UK central Government does not take part like the Welsh Assembly Government does?

[23] **Ms Lewis:** The Government departments in England are not yet included, because this was primarily an Audit Commission exercise in England. They are being encouraged, and I think that that will happen in time, but the Welsh Assembly Government decided voluntarily to participate.

[24] **Eleanor Burnham:** Does the Scottish Government do the same?

[25] **Ms Febry:** Not currently, but, as we will explain later, we intend to include central Government departments and that will also include Scotland in the future.

[26] **Ms Lewis:** I will talk later about the new powers and why that might help.

[27] **Irene James:** To clarify, when you talk about the Welsh Assembly Government do you include in that the organisations to which the Welsh Assembly Government has given grants?

[28] **Ms Lewis:** Not as yet, but again, we are going to come on—

[29] **Irene James:** It is coming in.

[30] **Chris Franks:** We are too keen today.

[31] **Irene James:** Sorry.

[32] **Ms Lewis:** No, it is not a problem at all. On the systems that NFI covers, I have talked about housing benefit, and payroll is obviously a very useful data set to have. More recently, council tax information and the electoral register have been included in it—I expect that you will want to come on to that, because there is a case study in the report that we will talk about. The Department for Work and Pensions' deceased persons list, which you will see from the report, is a very useful source of data. Council housing has been included for a few cycles now, as have Home Office visas, which have proved to be very interesting. The last four are discretionary areas that have not been mandated in this cycle so far—I will come on

to talk about the fact that there is quite a low take-up on some of these in Wales, but a much larger take-up in some authorities in England where it has been very successful—and they include the blue badges, the creditor payments, the licensees and insurance claims. I think that there was a pilot scheme in London on market traders as well. That is the coverage at the moment. As you can see, it is a huge exercise and it is growing.

[33] On the sorts of areas that this throws up with matches, you may have examples of individuals claiming housing benefit who have not declared their income, and, on housing rents, you may have individuals with dual tenancies or who may be sub-letting properties. On payrolls—and I suspect that you may find this rather surprising—you see individuals who are active with two jobs. On blue badges, the obvious case is where the permit holder is deceased. That is not just about fraud, because it could prevent income from parking fees, but it could also mean that somebody else who genuinely needed to park would find that the space was taken. So, there is a social side to this exercise as well. On council tax, there will be a slide later on individuals claiming the single-person discount when they obviously have somebody else living there. On trade creditors, there may be duplicate payments, but that does not have to be fraud, as it may be just about poor systems and errors. Those are just a few examples.

[34] The national ones, which are on the side, are actually done within the public sector body and across public sector bodies. So, you could have somebody working, for instance, in Cardiff and somewhere else in the UK. The local ones, at the moment, are just done within that particular local authority area, so they are being developed.

[35] **Chris Franks:** At the risk of anticipating something, could I refer to trade creditors or were you going to mention that?

[36] **Ms Lewis:** I was not going to go into it in any detail.

[37] **Chris Franks:** I have had experience where this has involved £100,000 or more and I just do not see how that can happen in a well-managed organisation. How would you determine if there were duplicate payments in a trust or a council?

[38] **Ms Lewis:** This exercise will pick it up. You are very reliant on the quality of the information on creditors and changing an initial or a 'limited' at the end by mistake, or something like that, can mean that it does not necessarily throw up quality matches. However, by and large, if the quality of the information is good enough, this will throw out the matches. In very large organisations, the systems are such that, when goods are received, they are not always matched clearly to the payment of the invoice. On occasion, these errors do occur. They are not very often fraudulent, although there is obviously the potential for huge amounts of fraud in that area.

9.50 a.m.

[39] **Eleanor Burnham:** Is it not true to say that one can see the effect of the 80:20 ratio, although it may not be scientific? I have been a magistrate, and I have always liked to think that most humans are okay, and that only a small proportion of people perpetrate evil or wrongdoing. Hard-nosed fraud is perpetrated by people who are far cleverer than some of us. Is their fraud not difficult to uncover? You can do your trawl and find easy bits, but what about the hard bits? Are you convinced that you are uncovering the difficult bits?

[40] **Ms Lewis:** This exercise can only go so far. It is fair to say that if someone is absolutely determined, they will find ways to operate.

[41] **Eleanor Burnham:** They will use different names; you have just said your data is totally reliant on that.

[42] **Ms Lewis:** When I show you the exercise, you will see that it does not just match one set of data; it cross-matches lots of different sets. So, as it gets more and more sophisticated, it closes the net on some of the more hardened fraudsters.

[43] **Ms Febry:** When we match trade creditor data, we undertake a number of matches. The most obvious one would be to compare invoices with the same invoice number, but we do not limit it to that; we also compare invoices with different dates and different invoice numbers, but of the same amount, to see whether we can identify any patterns. We do not suggest that all the matches that we provide for an organisation to investigate are fraudulent or represent an error. We provide a set of data so that organisations can analyse it to discover fraud and errors. It is not just basic matching; we are also trying to think of how fraudsters might try to submit several invoices to hide what they were doing by submitting invoices that had slightly different data.

[44] **Eleanor Burnham:** So you have all studied psychology.

[45] **Chris Franks:** Or they are criminals. [*Laughter.*]

[46] **David Melding:** Let us press ahead.

[47] **Ms Lewis:** When we started this exercise, back in 1996, a group of us sat down and thought about how we would go about defrauding the system if we wanted to.

[48] **Eleanor Burnham:** You only have to think about Leeson and fraud in banking.

[49] **Ms Lewis:** To pre-empt what is probably an obvious question, given the topical issue of how identity fraud is on the increase, and by way of reassurance for the committee, there is no physical transfer of data—there used to be, years ago, but that is no longer the case. This is a very secure system. We do not transfer data on CDs, and, as the data is uploaded onto the web tool, it is automatically encrypted.

[50] **Eleanor Burnham:** So, you will not have any scandals like the ones that have been plaguing data protection on a UK level.

[51] **Ms Lewis:** I hope not. I can assure the committee that we take this extremely seriously and that we have done as much as possible to ensure that this is secure.

[52] No bank details are held on the tool. It is important to say that bank details are used, but then discarded, so they are not available once the tool is uploaded. There is a secure internet connection, and it can only be accessed with a password—no-one can get into it unless they have been given that password—and we monitor its usage. It is compliant with the information security standard ISO 27001, and the Audit Commission is regularly audited on compliance with that. The exercise is undertaken in accordance with the auditor general's code of data-matching practice, which has been written specifically for Wales and approved by the information commissioner. Those are the security features that surround this tool.

[53] With regard to security in what we do, we only take the minimum data necessary, and we comply very much with the Data Protection Act 1998. All data are destroyed once the cycle is finished, so there will be a cut-off point, which will be coming fairly soon, and all the old data are completely destroyed—

[54] **Eleanor Burnham:** So how long do you keep it for?

[55] **Ms Lewis:** For the two-year cycle.

[56] We conduct pilot test matches, and they are then destroyed. That exercise is conducted just to ensure that the matches are of sufficient quality. Whenever a new database is added, such as the blue badges database added this year, it will be pilot tested for the right matches, and then the match-testing data will be destroyed. As I said, we adhere to a code and, through all this, we try to protect the public purse.

[57] As for what we do not do, we certainly do not go fishing—and I am sure that some of you have heard that expression.

[58] **Eleanor Burnham:** I thought that it was spelt with a 'ph'.

[59] **Ms Lewis:** We definitely do not go fishing and we do not do any profiling of ID. We do not take particular people and look at them right across the databases. It is very much based on the data. As I said, we do not keep the databases. We do not use medical records, and we do not access bank accounts, although we do use the bank account numbers in the initial stages to get good-quality matches. We certainly do not share or sell the data.

[60] **Eleanor Burnham:** Not like the Driver and Vehicle Licensing Agency does with information about cars and things.

[61] **Ms Lewis:** So, let us have a quick look at how the tool works. If you cannot see the details on the first slide, I suggest that you use the handout. I will now give you a quick demonstration. The slide shows the screen, and you need a password to get to it. As you can see, the 'Authority' field says 'Training Authority'—so, it is no particular authority that you would recognise. All the data that you see on the slide are fake data. I apologise if they are not and some of you recognise yourselves on the screen. This is the screen that you would start with and, having entered your username and your password, you would come to the screen being shown on the next slide. This shows you a series of high-quality matches, matching housing benefits claimants to payroll matches. As you can see, there is a total of 325 apparently good-quality matches between housing benefits and payroll.

[62] **Darren Millar:** On the line noting the 325 'Housing Benefits Claimants to Payroll matches', there is a figure in the outcome column. What is it?

[63] **Ms Lewis:** The outcome is the amount that has been recovered to date.

[64] **Darren Millar:** Okay.

[65] **Ms Lewis:** The 325 high-quality matches are housing benefits claimants to payroll matches. Moving on to the next slide, you can see the figure of 325 noted in the corner. That is the total.

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[66] You can also see the housing benefit claimant form, which you may have seen before. People fill that in when they come in to be assessed for housing benefit. The big circle shows that, on this form, the claimant is declaring zero income. So, that is their housing benefit claim, and that is put alongside their payroll data.

[67] Turning to the next slide, we can look in greater detail at this particular match, which is now down to a manageable number. These are the high-risk matches. Looking in greater detail at this particular match at the top, we can see that, if you put the housing benefit claim and the payroll data alongside each other, you have the same name, address and national insurance number. So, immediately, you have a high-quality match. You then move on and

look at the current weekly benefit payment, which is £160.23. Those are the housing benefit data. Then you put the payroll data alongside them, and suddenly you find earnings for six months of £33,678. You will recall that the housing benefit form declared zero earnings, so either the claimant has forgotten that they have earned £33,678, or this is a very high-quality match. As you can see from the slide, the result was the discovery of a £30,000 fraud, and the employee was dismissed.

[68] So, that is the basic concept of how the tool works. It is extremely sophisticated and, as Kate mentioned earlier, compares all sorts of different things to get the best-quality matches. In the early days of NFI the matches were not so sophisticated; you would get a print-out 10 inches long of anything that remotely matched. So, if someone worked as a teacher and a supply teacher, that was thrown up as a match. If a husband and wife worked in the same authority, that was thrown up, along with similarly daft things. It has become far more sophisticated, and you can now guarantee that some of the high-quality matches will be worth investigating.

[69] We turn to one more example, which involves matching payroll pensions to Department for Work and Pensions data. This slide shows that 14 matches have been thrown up, and they are unlikely not to be fraudulent cases. All these people have died and their pension is still being paid, so it is extremely unlikely that these are not high-quality matches. So, there are 14 of those, and if we look at this one in a bit more detail, we see that the date of death was in March 1996 but the pension is still being paid. This particular case revealed overpayments of £45,000 over 10 years.

[70] This exercise on pensions has been running for a few cycles now, and a lot of the large frauds have been removed from the system, so those that are coming through now are smaller. Fraud is still being perpetrated, but the cases are smaller. When we come to look at the comparison of savings, it is slightly distorted because there can be huge variations year on year. If you had a case like this in one year, it would mean a huge increase in the quantity recovered. It also appears to be acting as a deterrent. So, that is a brief run-through of the tool and how we do it. If you want more detail, we can provide that.

[71] I will now turn to the NFI findings. It is important to look at this chart in context. I have just referred to the fact that it can be distorted by changes in NFI. As we add more databases to the system, it changes the nature of the savings. Nevertheless, it is still an increase in the savings, which is good and bad. It is sad that there is so much to recover, but it is also reassuring for you, as the Audit Committee, that it is being recovered.

[72] **Eleanor Burnham:** How much does this cost you in staffing and administrative costs?

[73] **Ms Lewis:** The cost is quite low.

[74] **Ms Febry:** There are a number of costs. First, there are the fees that we charge the bodies to participate in NFI. We believe that these are reasonably low. In the last exercise, it was £76,000 and £4.5 million-worth of overpayments was identified.

[75] **Eleanor Burnham:** So, it cost you £76,000 to recover £4.5 million.

[76] **Ms Febry:** The £76,000 was the fees that we charged the bodies to participate. As for our time, we have worked out that it is approximately equivalent to a third of a person, so 0.3 whole-time equivalent.

[77] **Eleanor Burnham:** How much would that represent?

- [78] **Ms Febry:** As it is likely to be me, I think that I can work that one out.
- [79] **Ms Lewis:** It would be around £15,000 to £20,000 maximum.
- [80] **Irene James:** So, it would cost around £96,000 to £100,000 to recover the £4.5 million. Is that to recover the money, or just to identify it?
- [81] **Ms Lewis:** That is to identify and to train and help the authorities and the clients. Any investigation that they do would be at their cost.
- [82] **Irene James:** However, as I said, that is just to identify it; it does not mean that that money is recovered.
- [83] **Ms Lewis:** That has been recovered.
- [84] **Irene James:** That is fine.
- [85] **Ms Febry:** Despite all the savings that have been identified, it is difficult to recover all the overpayments and fraud. These also report the overpayments that have been identified and stopped, so there is an element of forward savings in that calculation.
- [86] **Eleanor Burnham:** Is that because you will have trained and, hopefully, improved the systems to such an extent that they will not be losing this much next time?
- [87] **Ms Lewis:** Absolutely.
- [88] **Eleanor Burnham:** There is also the deterrent factor.
- [89] **Ms Lewis:** Yes.
- [90] **Darren Millar:** This relates to fraud and overpayments. What is the proportion of fraud compared with the overpayments that have been identified—the non-deliberate versus the deliberate?
- [91] **Ms Lewis:** That is difficult, because it depends on the route that some clients pursue. As you will know, it is difficult to prove intent in all cases. So, even if a case looks as though it is fraudulent, it could sometimes be classified as an overpayment, in housing benefit terms. So, it is difficult to distinguish between fraud and overpayments made in error.
- [92] **Eleanor Burnham:** There has been such controversy about the overpayment of tax credits, where the system is appallingly complex, that, hopefully, you would consider this to be slightly different.
- [93] **Ms Lewis:** Yes.
- [94] **Darren Millar:** Do these figures relate to the exceptions report that the web-based programme produces? Is that right?

10.10 a.m.

[95] **Ms Lewis:** These are high-quality matches that have been identified. They have either been prosecuted at one end of the spectrum, or identified and repaid at the other end. As Kate said, there is also another element, namely that, had the information stayed there, such as the example with the pension, the payments would have continued, so there is a forward-looking effect as well.

[96] **Darren Millar:** Okay. So, the actual number of matches that were identified and quantified in that outcomes column is only a proportion of the ones that have been followed through and found to be overpayments for one reason or another.

[97] **Ms Lewis:** In most places, there will still be some payments in the pipeline. They can continue for at least a few months while these savings that are reported are investigated, and so the deterrent effect is not quantified.

[98] So, it is difficult to compare like with like, as we have said, because of the different databases that are added each year. It is also worth saying that, from 1996 to 2006, varying degrees of encouragement have been given to bodies to investigate. I think it fair to say that that is still inconsistent and would be worthy of encouragement, and we will be playing our part in encouraging bodies to take this seriously. There is some inconsistency in the investigations.

[99] **Eleanor Burnham:** Sorry to go on about this, but you are not dealing with the overpayment of tax credits, are you?

[100] **Ms Lewis:** No.

[101] The table of findings partly illustrates the question that we have just been dealing with. These are the sorts of quantities of categorisation for the savings. There are, for instance, 56 housing benefit overpayment cases involving public sector pensioners, 121 housing benefit overpayment cases involving local authority employees, which is a considerable number, and 36 housing benefit overpayment cases involving NHS employees—and, as you will recall, the NHS has only recently been included in this exercise. There are 41 housing benefit overpayments involving students, and 60 cases resulting in official cautions or administrative penalties.

[102] There have been 26 successful prosecutions, but, as you will appreciate, more and more will come through as time progresses, and some prosecutions can take some time. Two employees were dismissed or resigned as a result of NFI investigations, and there were 21 cases involving occupational pension payments to deceased pensioners, which is also quite a considerable number when you think that this system has been running for some time and yet those payments are still coming through. So, those are the results to date.

[103] The case study in the next slide illustrates the issues that I think you have been asking us about. Cardiff County Council, along with some of the English city areas, agreed to participate in a pilot exercise relating to the new single-person discount for the council tax. Very simply, that looked at people's entitlement to a single-person discount for the council tax using the electoral register. As you can see, within six months of doing this exercise, Cardiff council had revoked that discount from 1,758 households in Cardiff alone, identifying savings worth £2.69 million for the public purse. That exercise was particularly successful.

[104] The next case study is an interesting one, which was also brought about by matching payrolls. An NFI match indicated that a health professional had two concurrent full-time positions, which, when you think about it, is quite staggering, particularly given the nature of the work. There was one case in Cardiff and a second in London—which, again, shows the benefit of doing this across the UK—where someone was claiming to be on sickness absence and special leave from one, while working in the other. That had been going on for some time. That has recently been in the press, so you may have seen that they were prosecuted.

[105] **Chris Franks:** May I go back to the council case? I can understand why Cardiff council was used for the pilot scheme; it has been very successful on the face of it, but when

will the pilot exercise be extended to other councils?

[106] **Ms Lewis:** The auditor general wrote to councils shortly after we started getting the initial results from this exercise, asking them whether they would like to be included in the exercise, which would have meant that we were able to run the data. You may be aware that some legal issues were raised in England that turned out not to be a barrier to this, but, as a consequence, some councils felt that they did not want to supply the data at that stage. So, there was a slight delay, but we are now receiving the data through various discussions with the authorities, and I think that we have probably received nearly half.

[107] **Ms Febry:** A number of local authorities—it is approaching half—have participated and are currently reviewing their matches, deciding on a strategy to investigate and seeing which of those are fraudulent claims. There are still many that have not yet provided data, but we will be asking them to provide data in about three months' time. So, it will be rolled out to all local authorities and it will become a main part of the NFI exercise, which will be rolled out on a two-year basis, as all other matches are.

[108] On the legality issues, this has now been resolved by the Serious Crime Act 2007, which gave the auditor general specific powers to undertake data-matching exercises to prevent fraud and error. That means that the legality issues have been dealt with, but it also means that we can take specific actions where data is not provided to us for these kinds of matches.

[109] **Eleanor Burnham:** On intrusion into privacy or human rights, you are actually providing far more protection, because of the way in which you work and what you have already told us about disposal of data. So, I cannot imagine that anyone would be against what you are doing.

[110] **Mr Colman:** The legal issues are quite complex. It is a fact of life that the legal powers that the Auditor General for Wales had before the enactment of the Serious Crime Act 2007 were different from those of the Audit Commission, which were different again from the powers of the National Audit Office and those of the Auditor General for Scotland. So, the legal position was complex. We were satisfied that, in Wales, we already had the powers to do this work, which is why we did it, and the subsequent legislation has put matters absolutely beyond doubt. It is a complex area. It is understandable that a local authority might want to be persuaded that the legal powers are there, and the task of persuasion is now very much easier because the new Act is very clear.

[111] **Ms Lewis:** It was quite an unusual challenge, since NFI had been running for some time. It was based on the electoral register, which is a public document, so it was extremely unusual as a legal challenge. However, as Jeremy said, it was extremely complex.

10.20 a.m.

[112] I will mention a few more case studies to give you a flavour. These are sometimes about systems weaknesses as well as about fraud and they are all within authorities. For example, they have discovered a number of cases where individuals are submitting several insurance claims against that council. It is sometimes hard to understand—to go back to your point about getting inside the mind of a criminal—how some of these imagine they might succeed, but they were certainly submitting a number of claims that were potentially fraudulent. They have now been withdrawn. To come back to your point, it can sometimes be difficult to prove intent.

[113] Another example is the widow of a blue badge holder who was given a formal caution. She was found to have regularly reapplied for her late husband's blue badge—for

nine years in fact—

[114] **Eleanor Burnham:** Was that person's state of mind taken into consideration?

[115] **Ms Lewis:** That is not covered by NFI.

[116] **Irene James:** Perhaps it was a case of that woman thinking that, as she had always had that facility, she wanted to continue having it.

[117] **Ms Lewis:** Yes, but of course there are a few issues relating to blue badges and they are minor compared with some of the fraud here, but it is a loss of revenue for the authority. It may be a minor income stream, but it stops other people from using that particular parking facility, which is a social issue.

[118] **Irene James:** It is also a stepping stone to claiming other benefits as a result of having a blue badge.

[119] **Ms Lewis:** Absolutely. As Kate mentioned earlier, there are often multiple attempts at some of these areas of fraud. That authority has decided on a new system of renewing blue badges annually, so it has changed its systems. So, it can be successful in just changing systems and processes to improve.

[120] One area where we did not get a huge amount of data in Wales, but I think that we probably will next time around, is that of residential care, which is very fertile ground if you were minded to perpetrate any sort of overpayment or fraud. This council found 11 separate cases where overpayment was made in relation to residential care from deceased persons. That is the usual form.

[121] **Darren Millar:** [*Inaudible.*]—where overpayments have been identified for people in residential care, so I am surprised at that example.

[122] **Ms Lewis:** These examples are from outside Wales, to illustrate that this initiative has been very successful, but we will probably come on to the fact that some of these were not highly taken up by Welsh bodies. That is something that we would like to pursue.

[123] **Darren Millar:** So, that is not a Welsh example.

[124] **Ms Lewis:** No.

[125] So, if we took the case study for Cardiff, for example, on housing benefits, this is the sort of pattern to date: the total value that it has recovered is £162,400 and, as you can see, there are various stages in the process. It is interesting, because you might think that that is quite a low figure for somewhere like Cardiff, but last year, it had £0.5 million and we see the deterrent effect, and the fact that it had eliminated some of the longer standing fraud, as good. It was not necessarily down to the fact it had not taken it so seriously, because it has done a great deal of work on it. So, that just gives you a flavour of the different examples.

[126] Turning to the last stage—the future—and what this tool is capable of doing, we have just referred to the new data-matching powers that extend the auditor general's powers to the private sector and the voluntary sector. In the short term, these are the types of areas that we have talked about. Core NFI work is on pay and pensions, housing benefit, rents, creditor payments and the types of things that we have discussed today. For the next cycle, there is an expectation that we will increase the number of private sector pensions that come into this data-matching exercise, so it is not just the DWP. There are also landlord mortgages to look at for the housing benefit matches, which is a key area that will be introduced in the next cycle.

That is in the short term, and you can expect to see those being matched and investigated quite soon.

[127] **Irene James:** Are we looking at 12 months, 18 months or two years?

[128] **Ms Lewis:** The next download of data will be in October of this year, and we will probably be training bodies in February or next spring so that they are ready to investigate throughout the year.

[129] **Irene James:** So, it is six to nine months.

[130] **Ms Lewis:** They will probably start investigating by next spring, and the Audit Committee can have a report following that.

[131] In the short term, we are trying to move into UK Government departments, as I mentioned, and into Assembly Government sponsored bodies in Wales—you mentioned the DVLA, which would be an excellent body to have on here. It is also fair to say that we ran this exercise across Wales, England and Scotland, and Northern Ireland is also coming in for the next cycle. Scotland only did the exercise within Scotland, and it is now going to be matched across the UK in the next exercise. So, you can expect a much more powerful tool.

[132] **Eleanor Burnham:** Money laundering is a big issue, is it not? Every time any of us—

[133] **Ms Lewis:** It is on the next slide. In the medium term, the tool is capable of looking at areas such as identity fraud. It is about the type of people who do not appear anywhere—who have escaped the system completely; they can appear through this tool and we will be working very hard to think of ways of identifying them. Absconders, those with rent arrears and council tax arrears will be included, because they are not currently on here, as will sex offenders. So, this will not be just about fraud—this will be about protecting more than just the public purse, because it will also include some protection.

[134] Identity fraud and money laundering—which you have just talked about—will also be included. Obsolete accounts are quite an interesting area, and matching those with housing benefit and other things. The banks are particularly interested in that, because there is something in it for them as well. So, the powers are much wider, along with the ability to use this far more.

[135] **Irene James:** When you mention identity fraud and money laundering, and even obsolete accounts, are you looking at scams, because all too often there are scams via the internet, with people giving out their identity? Will that be looked at?

[136] **Ms Lewis:** It is possible. This is underdeveloped, but it is very possible that those are the types of areas that would need to be included.

[137] **Eleanor Burnham:** Are you looking at this internationally? The law surrounding information on the web is very scary and complex. Is the auditor general talking internationally about these issues?

[138] **Mr Colman:** ‘Internationally’ in this context means England, Wales and Scotland.

[139] **Eleanor Burnham:** I was thinking globally, because this is obviously a global problem. Even when we sit in the Chamber, we are sent messages—a few weeks ago, we were sent a message by a bank that was supposedly the Abbey.

[140] **David Melding:** I think that the conduit here is that it is usually a public body in some way, so we need to focus on that.

[141] **Eleanor Burnham:** No, this is to do with identity fraud and money laundering.

[142] **David Melding:** That is a very different point, but if the auditor general has anything to say he can say it now.

10.30 a.m.

[143] **Ms Lewis:** I think that it is fair to say that, internationally, this is receiving greater recognition as a very powerful tool. There are a lot of accolades coming in from outside the UK.

[144] **Eleanor Burnham:** It is scary if you get all of your identification stolen. My son, during his third year of university, had all of his identification taken from his room. It is quite scary because you are wondering who now is wandering around with his identification. You are obviously doing things about that.

[145] **Mr Colman:** On the question of international co-operation between audit institutions, there is quite an elaborate network of international organisations. I am a member of, for example, the European Organisation of Regional Audit Institutions. All of these international networks periodically convene conferences to discuss matters of mutual interest, and fraud has been one of those. That is the area in which progress would be made and we are keen to make such progress; however, we are focusing our energies on the issues described in Gill's presentation.

[146] **Ms Lewis:** I suppose that this goes some way towards answering that point. In the long term, we are looking to extend the exchange of intelligence and full co-operation. We already do that, and something that some of our more junior auditors have been rather surprised at when filling in our money laundering returns for housing benefit fraud to NCIS and so on is that a lot of the big terrorist and organised crime involves housing benefit and lots of these things. Once it becomes more sophisticated, it will help even more, but it is already helping and we have some very good links with the Metropolitan Police, for instance.

[147] **Chris Franks:** What you are saying is that these international organisations have set up bodies, almost a network, in what are presumably big cities and are milking housing benefit in a coherent way to feed their other illegal activities.

[148] **Ms Lewis:** It is just one of the ways in which they are able to—

[149] **Eleanor Burnham:** They traffic people, for instance.

[150] **Chris Franks:** I see.

[151] **Irene James:** I asked you a question on the definition of 'short term' and we came to an agreement on six to nine months. What are we looking at with 'medium term' and 'long term'? Are we looking at one to two years and two to five years?

[152] **Ms Lewis:** I think that the medium term would not be this cycle, although it is possible that the arrears—

[153] **Irene James:** When you say 'this cycle', I take it that you are looking at 2009-10.

[154] **Ms Lewis:** From October 2009—

[155] **Ms Febry:** This cycle is 2008-09; that is the period that it covers.

[156] **Irene James:** So 'medium term' would be 2009-10? I am asking only for a rough idea.

[157] **Ms Febry:** I think that, at this stage, it is impossible to say. Some of these data matches are very complex and we have to protect individuals' rights under data protection laws and so on, and we have to ensure that the way in which we proceed in working with authorities to investigate these matches is in such a way that it does not impact on any criminal proceedings. In the medium term, we are certainly looking at those types of matches and at what data we would need. We are working with the relevant bodies to bring those data in. However, as I said before, we cannot categorically say when we will be introducing those matches.

[158] **Ms Lewis:** With some of them, I think that we can confidently say that if there are no difficulties they will be introduced in the next two years. For instance, council tax and rent arrears are unlikely to present any difficulties; it is just the scale of the whole exercise that is hard to manage. It is also possible that the obsolete accounts would be introduced in the next two years.

[159] **Ms Febry:** We hope to bring in some of the matches, like matching sector funders with employees at schools, and some of the ID fraudsters and absconders, and certainly the arrears, during 2010-11. That is what we hope to achieve at this moment.

[160] **Irene James:** I am not trying to tie you down; it is just that the expressions 'medium term' and 'long term' sound very vague.

[161] **Ms Febry:** I appreciate that. Some of the long-term work is conceptual at the moment, but we are working with relevant parties and organisations, developing how we would undertake that kind of matching.

[162] **Ms Lewis:** As Kate said, it is complex, and you need a lot of co-operation from a number of bodies. It is not as simple as saying, 'Right, we are going to take those data'. It can take a long time to get the co-operation to bring some of these things in, even though you may have the powers. So, the honest answer is that it will be as soon as we can.

[163] **Irene James:** That is still rather vague.

[164] **Ms Lewis:** To encapsulate what we have said, there are a few prongs to what we would like to do in the future. The public-safety aspect, child protection, List 99, the register of sex offenders, absconders from justice, terrorism and identity fraud are the sort of areas where we would expect to move this exercise towards assisting. The non-fraud issues are council tax arrears, rent arrears, court fines and other debts. We have just touched on those areas—

[165] **Darren Millar:** Is this for individuals who are escaping their arrears by moving to different parts of the country?

[166] **Ms Lewis:** Yes, it is. This gives us the ability to track them down. It seems obvious, but it has not been included until now.

[167] **Eleanor Burnham:** Court fines are historically difficult to crack.

[168] **Ms Lewis:** To recap on the future expansion of existing work, we hope to introduce

the AGSBs, housing associations, further education, the Council of Mortgage Lenders—because the private sector can now be included—and, as I touched on earlier, Northern Ireland and Scotland, so there will be cross-border matching, bringing a greater degree of matching across the borders.

[169] I will close with the Attorney-General's comment, which was recommendation 21 in the national fraud review, namely,

[170] 'The remit of the National Fraud Initiative (NFI) should be widened across more public sector authorities'.

[171] With that thought for you, I close the presentation.

[172] **Eleanor Burnham:** The only thing that I would be concerned about is getting the balance right between that and being Big Brother.

[173] **Ms Lewis:** That is absolutely right.

[174] **Eleanor Burnham:** The issue for me is reminding people that most of us are okay, but there is a small minority who is not. As you said, the international gangsters perpetrating this sort of fraud are also involved in all kinds of other activities, such as trafficking people, prostitution, drugs and so on.

[175] **David Melding:** Thank you, Gill. We addressed a wide range of questions to you as we went along, but it is important that if Members have any further points to put to the auditor general and his team they do so now.

[176] **Darren Millar:** I have a couple of questions about the challenges that exist. You have already mentioned one, namely the enthusiasm with which some local authorities are co-operating and following up on the exceptions that are flagged up by the system. Some appear to be keener to pursue or investigate the data than others. The second question, which I am sure is a problem but you have not touched on it, is the inconsistency in IT systems across the public sector. Is that a problem? If so, are you confident that the system is helping to overcome it?

10.40 a.m.

[177] **Ms Febry:** In answer to the first part of your question, you are right to say that not all authorities or participating bodies are applying a consistent effort, but we are pleased to note that in the most recent exercise there was much greater consistency. Some bodies, however, could do more. In addition to that, within certain bodies, we have noticed that much more attention is paid to particular types of match. We would like equal attention paid to all types of match, and we are working on that with participating bodies to help them to maximise the benefits that they can get from NFI, and we will work with them and train them to analyse and interpret the results and to understand the technology.

[178] The second part of your question—

[179] **Darren Millar:** Just before we go on to the second part, are you prepared to name and shame the authorities that are particularly difficult to work with on the pursuit?

[180] **Mr Colman:** I would rather not do that, because it is not necessary shameful. Eleanor Burnham put her finger on it in that there is concern about what you might call the Big Brother aspect of this exercise. I know from my previous employment that that was very much a feature of the National Audit Office's approach to NFI; it was very nervous about it.

In my opinion, it came down on the wrong side in its decision, but it is not an absolutely straightforward issue, which is why I particularly welcome the new legislation, as it is very clear that this should be done. If the committee were so minded, we would appreciate the committee's giving further weight to the thought that this is done with all the safeguards that have been mentioned, and it should be done and complied with by all authorities. It is understandable, however, that people think twice about it, in a way.

[181] **Darren Millar:** Do you think that that is the only reason, though? It is not the only reason that would discourage people from pursuing quite vigorously what could potentially offer huge savings to their organisations, is it?

[182] **Ms Lewis:** It is complicated, because some authorities already have some measures in place, such as housing benefit investigation teams, internal audit procedures and the like, which can be very effective. So, it is not quite as simple as it might appear. If they registered zero savings, I was guilty of thinking that they had not done anything, but the benefit of having this web-based tool is that we know whether they have done anything or not, because we can track how they have used the tool and what they have done. So, it is not quite as simple as it might appear. In addition, some parts of Wales will register a greater number of matches than others. All we can say is that we are very much working with participating bodies, as Kate said, and we are persuading them of the huge benefits, particularly in the discretionary fields that I talked about when trying to persuade them to take those up in a mandated way.

[183] **Darren Millar:** The second question, Kate, was about the IT systems and the inconsistency across public sector organisations and whether that poses any challenges.

[184] **Ms Febry:** The answer to that has two parts. Obviously, we have data that come in from a multitude of systems, and we can process them and provide results to all bodies to investigate. That is certainly not a problem. However, NFI can show bodies where there are system weaknesses. Recognising a system weakness enables bodies to put measures in place to prevent the problem from reoccurring. For instance, we have seen bodies that have identified problems that have allowed the payment of duplicate invoices. They were able to remedy parts of the system to prevent that from happening in the future.

[185] **Ms Lewis:** The creditors exercise that we did this year highlighted issues with systems and data. The quality of the data that we got from the creditors field in particular was poorer than the data from others. It is an issue.

[186] **Eleanor Burnham:** In view of the high-profile gaffes with data loss, are you convinced that you are doing enough to reassure? I note from your comments that you have security features—and, on the face of it, I am convinced—but are you doing enough to proclaim your successes on that? This is a real issue for people, and I am pleased that you are a beacon in our little Welsh scene. I would imagine that you have a good tale to tell, and you should be reassuring people about your success in preventing data loss, which has been such a high-profile issue recently.

[187] **Mr Colman:** In common with other public bodies, we have given a great deal of attention to this in the last few months, and that attention has been, if anything, increased by the publication a couple of weeks ago of Kieran Pointer's review of the case at Her Majesty's Revenue and Customs. I have commissioned my internal audit team to examine that report 'imaginatively'—that is the word that I used with them. The report obviously focuses on a particular institution that is a revenue-collecting body, which the Wales Audit Office is not, but I wanted the members of my team to use their imagination to see whether any of the things that went wrong at HMRC could affect us, and to look at what our defences would be. As I speak, I am as confident as I can be that our defences are good. I am sure that they can be

improved, but I do not know how. I hope that the review that I have commissioned, based on Pointer, will show us any weaknesses that we need to correct.

[188] I hope that you understand that it would be a very brave head of a public body who would wish to boast about data security.

[189] **Eleanor Burnham:** No, I was not thinking of that. My point was about the general public, and its need for confidence that your work on everyone's behalf is protected by data security that is, hopefully, way above the standards that we have seen recently in that area. People have lost confidence in web-based activities, and my last question is about the new web-based tool. I know that, as you have just said, you would have to be extremely brave, and perhaps foolish, to say that nothing will ever go wrong, but are you totally convinced that you have won the confidence of the public on data security, particularly web-based activities? We are talking about global criminal fraud, are we not, rather than the small guys? I know that you say that there are small guys involved, but the advances that you will be making, and the future progress around Europe, will be targeted on the big guys who are far cleverer than many of us, will they not?

[190] **Mr Colman:** We continually seek to reassure the participants in the exercise that the data are as secure as they can be. However, we can never be complacent about data security.

[191] **Bethan Jenkins:** One point that I noted in your presentation that was not really expanded upon was the student loan element, and students who were claiming housing benefit. Are you working with the Student Loan Company in this regard? You said that you would be working with higher education institutions, but I am just curious as to why you think that this is happening now, and what can be done to inform students of their rights and the benefits that they are entitled to, because they may be confused about that particular issue.

[192] **Ms Lewis:** Yes, we are working with the Student Loan Company, and it has been identified for a possible data match. There is probably more that can be done within participating bodies to talk to students about their rights. It is quite difficult for us to take that lead, because other organisations are better set up to talk to students. There are mechanisms in place to talk to them about how they can claim, and whether they are able to claim. There is a rise in housing benefit fraud, or overpayment or whatever you want to call it, across the country, and students are not the only group for which it is increasing.

[193] **Bethan Jenkins:** So, it is something that you will be looking into for the future.

[194] **Ms Lewis:** We will certainly be looking at the issue of student loans.

10.50 a.m.

[195] **Ms Febry:** Absolutely. We have been matching the student loans data to housing benefit for a number of years, from the beginning of NFI. It is certainly an area in which we discover a significant number of cases where payments are being made in respect of housing benefit where they should not be. As Gill said, it is for the authorities to explain to individuals their rights to the benefits and student loans. In many of the cases that have been highlighted in the latest exercise, students who were identified as receiving housing benefits when they should not be had provided information in respect of their housing benefit claims that indicated that they were not students. So, in those cases, they were certainly aware that they were not entitled, but they chose not to be entirely truthful in the information that they provided.

[196] **Bethan Jenkins:** To go back to an earlier point, you said that some local authorities and participatory bodies were concentrating on one particular element of fraud. I know from

the press reports that I have seen that they have been concentrating on the lower end of the scale, where families in poverty may have been claiming overpayments. Do you think that there has been too great a concentration on that, or could you work on how you apply yourself to the media when targeting those big companies or big groups of people who are doing this on a large-scale structured basis as opposed to some smaller elements falling through the net?

[197] **Ms Lewis:** When we say that they are concentrating on some areas, if they had a number of good-quality matches in something like housing benefit, they were focusing on those perhaps to the detriment of some of the other, newer areas that they had not investigated previously and were not necessarily set up to investigate. So, some of those high-quality matches from other areas have not had the attention that perhaps the other, more usual, core NFI data sets have had. I do not think that they are specifically focusing on the small areas; this is an evolving exercise. It started with housing benefit; it is inevitable that housing benefit will be one of the main parts of it. However, as it becomes more sophisticated—as you saw from the slides—the intention is that there will be more of a focus on some of the larger frauds. We have not had particularly easy access to private data until now, but, as that comes in, you will see a slight shift in focus. You will always get small-scale housing benefit fraud; it is a fact. So, inevitably, there will be some good-quality matches.

[198] **Darren Millar:** We are nearing the end of our questioning. I assume that the Wales Audit Office applies the national fraud initiative to its own organisation and staff. Can you give us some confidence that that takes place?

[199] **Ms Lewis:** Absolutely.

[200] **Ms Febry:** Data for all members of WAO staff on the payroll data are input into the database. If there were any matches, they would be passed on to the relevant organisations to investigate.

[201] **Darren Millar:** Thank you.

[202] **David Melding:** Are there any further questions? I see not. That concludes that item. I thank Jeremy Colman and his team for that presentation. It is a very important area of work, and we will have a chance to discuss some of this evidence a little later.

10.14 a.m.

**Ystyried Ymateb Llywodraeth Cynulliad Cymru i Adroddiad y Pwyllgor
Archwilio, ‘Lleihau Heintiau sy’n Gysylltiedig â Gofal Iechyd mewn
Ymddiriedolaethau GIG yng Nghymru’
Consideration of the Welsh Assembly Government’s Response to the Audit
Committee Report, ‘Minimising Healthcare Associated Infections in NHS Trusts
in Wales’**

[203] **David Melding:** You have before you the Minister’s response, and Jeremy has also advised us. Jeremy, you may want to point out a couple of pertinent issues at this stage.

[204] **Mr Colman:** Yes, if I may, Chair. The final paragraph of my letter of advice to the committee tends to take on a rather formulaic appearance; I say that, in the light of the Government’s positive response, we will monitor the situation. I want to assure the committee that, although it may look like a formula, it is not, and, in this particular case, it most emphatically is not—healthcare-associated infections are a serious problem, which require sustained attention.

[205] The Assembly Government's response, accepting all the committee's recommendations, is very good, but, rather like my remarks a few minutes ago about protecting data, and data security, we have never been complacent about healthcare-associated infections. The state of affairs is not good, and, although the Assembly Government is accepting the recommendations, the main action is not for the Assembly Government but for everyone involved in delivering healthcare. Every individual person needs to behave in a way that is conducive to minimising the spread of infection; that is the trick to success here.

[206] So, when I say that we will monitor the situation, I mean that. As committee members may know, I received a request recently to investigate an outbreak of *C. difficile* in Merthyr Tydfil. I am not doing that, not because I am uninterested in it, but because the Minister had commissioned a review from Healthcare Inspectorate Wales, with which we work closely, and in which we have a great deal of confidence. We are monitoring that investigation. That typifies our approach to this subject; we are constantly looking at this subject, and I am sure that we will come back to the committee with further reports.

[207] Going back to where I started, the Assembly Government's response, however, to the recommendations is a good response.

[208] **Eleanor Burnham:** In the last paragraph of the penultimate page of your letter, you mention the Welsh health circular to extend the current *C. difficile* surveillance scheme to include patients over the age of two and under the age of 65. Could you remind me why it does not cover all ages? One reads in the papers, and knows of cases, of infections in babies even, so I am not sure why it includes only patients between the ages of two and 65.

[209] **Mr Colman:** That is an extremely good question. I am not currently equipped with an answer to that, but I will let you know.

[210] **Eleanor Burnham:** Could we have an answer, because it seems rather nonsensical to exclude babies, because mothers and babies are often implicated in infections—in fact, that is more serious in many respects?

[211] **Mr Colman:** I will write to the committee.

[212] **David Melding:** Thank you, Jeremy. Are there any further issues? I see that there are not.

10.58 a.m.

Cynnig Trefniadol Procedural Motion

[213] **David Melding:** I propose that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[214] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion carried.*

Daeth rhan gyhoeddus y cyfarfod i ben am 10.58 p.m.
The public part of the meeting ended at 10.58 p.m.